

**Meeting
of the
Iron Range Resources
and
Rehabilitation Board**

**Wednesday, December 14, 2011
10:00 a.m.
IRRRB
Eveleth, Minnesota**

**MEETING OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD
IRRRB, Eveleth, Minnesota
Wednesday, December 14, 2011
10:00 a.m.**

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**MEETING OF THE IRON RANGE RESOURCES
AND REHABILITATION BOARD
IRRRB**

**Eveleth, Minnesota
Wednesday, December 14, 2011 – 10:00 a.m.**

Agenda

- 1) Roll Call

- 2) Approval of the October 20, 2011, Minutes

- 3) Commissioner's Comments

- 4) Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 8 votes
 - a) Midwest Manufacturing and Mechanical, Inc. – **Resolution No. 12-014**

- 5) Taconite Area Environmental Protection Fund
Action required: Project approval requires 7 votes
 - a) Public Works Grants – **Resolution No. 12-015 (Budget) & Resolution No. 12-016 (Public Works)**

- 6) Taconite Economic Development Fund (Production 2010, Pay 2011)
Action required: Project approval requires 7 votes
 - a) TEDF Chart
 - b) ArcelorMittal Minorca – **Resolution No. 12-017**
 - c) Magnetation, Inc. – **Resolution No. 12-018**

- 7) Other
 - a) Iron Range Higher Education Account – **Resolution No. 12-019**
 - i) Technical Correction to Resolution No. 11-039

- 8) Adjournment

Approval of the October 20, 2011, Minutes

Thursday, October 20, 2011

10:00 a.m.

Iron Range Resources & Rehabilitation Board

Eveleth, Minnesota

I. Roll Call

Representative Tom Rukavina, Chair, called the meeting to order at approximately 10:00 a.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElpatrick, 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; Matt Sjoberg, Development Strategies Director; Dave Hart, Loan Officer Sr., Richard Walsh, Community Development Representative, Jim Plummer, 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; Bob Menne, Premier Plastics, Inc.; Glenn Pence, Enterprise Minnesota; Ed Zupancich, Zup's Food Market; Mayor Glenn Anderson, City of Babbitt; Bob McFarlin, Twin Metals Minnesota

II. Approval of the August 18, 2011, Minutes

Action required: Approval requires 7 votes

Senator Paul Gazelka moved approval of the August 18, 2011, minutes. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni, Representative David Dill

IV. Other

a) Twin Metals Update

Bob McFarlin, Vice President of Public and Government Affairs, Twin Metals Minnesota, LLC, provided a project update to the Board.

Iron Range Resources & Rehabilitation Board Meeting

Wednesday, December 14, 2011

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V. Douglas J. Johnson Economic Protection Trust Fund

Action required: Approval requires 8 votes

a. Premier Plastics, Inc. – Resolution No. 12-004

Motion by Senator David Tomassoni to approve the Premier Plastics, Inc. request for financial assistance to enable it to purchase additional manufacturing equipment in an amount not to exceed \$150,000, as presented in Resolution No. 12-004. Seconded by Senator John Carlson. 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. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: None

Premier Plastics, Inc.
Bank Participation Loan Program

APPLICANT:
Premier Plastics, Inc.

PRINCIPAL(S):
Bob Menne III, President
Jamie Miklya, Vice President

BRIEF PROJECT DESCRIPTION:
Purchase of additional manufacturing equipment.

PROJECT COST:
Equipment purchase and installation. \$447,000

PROJECT BREAKDOWN:

| | |
|-------------------------------|-----------|
| Company Cash | \$147,000 |
| Bank Loan | \$150,000 |
| IRRRB Bank Participation Loan | \$150,000 |

COLLATERAL:
The new Rotational Molding Machine to be purchased with loan proceeds. Personal guaranty of Bob Menne III.

JOBS:

Retain 26 FT and create 5 FT at a starting wage of \$9 per hour plus benefits. The average wage for Premier's manufacturing personnel is \$13.06 per hour.

CONTINGENCIES:

Other project funding indicated above must be committed.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

The project was recommended for approval at the October 11, 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:

Premier Plastics, Inc. was established in 1997. The business is owned 65% by Bob Menne III, 20% Bob Menne Jr. and 15% Lori Obar. Prior to forming Premier Plastics, Bob Menne III was production manager for Polaris industries. Bob Menne Jr. is the co-founder of Premier Marine, which manufactures pontoon boats in Wyoming, MN.

Premier Plastics began producing roto-molded and vacuum-formed plastic components in Wyoming, MN for the recreation industry, concentrating on marine and All-Terrain-Vehicle applications. They relocated to Hoyt Lakes in 2003 and now have 26 full-time employees.

The company is recovering well from the recent recession and is experiencing strong sales growth. To meet their customer's increasing demand, Premier must expand its production capacity with additional manufacturing equipment.

MANAGEMENT TEAM:

Bob Menne III, President of Premier Plastics, started the company in 1997 and oversees all aspects of the operation. He has over 30 years of experience in the marine and recreation industries.

Jamie Miklya, Vice President of Premier Plastics, holds a Bachelor's degree in accounting and is responsible for all financial areas. Jamie has been with Premier Plastics for 10 years.

MARKET OPPORTUNITY:

In addition to the marine and recreation markets, Premier has expanded into heavy-equipment companies such as Terex/ASV and transportation companies such as Bombardier trains. Their product line includes tables, doors, seat bottoms, helms, galleys, live-wells and ski/rod lockers for the marine industry. They also produce cargo boxes, baskets and roofs for the ATV and UTV industries. Their customer list includes: ASV/Terex, Dingwell/Bombardier, Parts Canada, J&M ATV Supply, Lemans/Parts Unlimited, MNStar Technologies, Flexsteel, Tucker Rocky Distributing, Wide Open Company, Premier Marine, Polaris, Kawasaki, Suzuki, and Sportsman's Guide.

COLLATERAL REVIEW:

Collateral will consist of a new Ferry RotoSpeed Model RS3-3000HD Independent-Arm Rotational Molding Machine with InfraRed Thermometry. Purchase price of the equipment is \$375,000.

PAST IRON RANGE RESOURCES HISTORY:

IRRRB involvement with Premier Plastics includes financing to the City of Hoyt Lakes for the manufacturing facility which is leased by Premier Plastics. Lease payments have reduced the facilities debt by \$432,000 with a balance of \$860,000 remaining. IRRRB extended \$100,000 in financing for a storage facility and \$125,000 for production equipment. Approximately \$125,000 remains on these two loans.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND
PURCHASE OF PARTICIPATION INTEREST IN
EQUIPMENT LOAN FOR PREMIER PLASTICS PROJECT**

Resolution No.: 12-004

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, Premier Plastics, Inc., a Minnesota business corporation, has made application to the Commissioner for financial assistance to enable it, in combination with funds provided from

other sources, to acquire additional equipment for the expansion of its plastic components manufacturing operations in Hoyt Lakes, which is located within the TAA; and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$150,000 of FY 2012 DJJ Business Development Project funds to purchase a \$150,000 participation loan interest in a \$300,000 bank loan to Premier Plastics to finance the purchase of the new plant equipment (the “**Project**”), which participation interest purchase would be 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 October 11, 2011, and recommended approval of the Project and the proposed agency funding for it; and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Thursday, October 20, 2011, at 10:00 a.m. to consider, among other matters, Premier Plastic’s request for financial assistance for the Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure of DJJ Funds for the Premier Plastics 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 \$150,000 of FY 2012 DJJ Business Development Project funds to purchase a \$150,000 participation interest for a five-year term at the statutory rate in a \$300,000 bank loan which is being made to Premier Plastics for the Project, the purchase of which loan participation interest shall be 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 20th DAY OF OCTOBER 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 McElfattrick | 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

VI. Taconite Area Environmental Protection Fund

Action required: Approval requires 7 votes

a) Enterprise Minnesota – Resolution No. 12-005

Motion by Representative Carolyn McElfrick to approve the Enterprise Minnesota request to partner with the IRRRB to make its services more accessible to Taconite Assistance Area manufacturers to help them compete and grow profitably, as presented in Resolution No. 12-005. Seconded by Senator Paul Gazelka. 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. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: None

Enterprise Minnesota



Iron Range Resources
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 & Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: 10/14/11

Re: ENTERPRISE MINNESOTA

**Iron Range Resources & Rehabilitation Board Meeting
Wednesday, December 14, 2011**

Enterprise Minnesota is a 501(c)3, fee for service organization that works with small and medium sized Minnesota manufacturing companies to help them compete and grow profitably. The organization was originally chartered and funded by Governor Rudy Perpich and the Minnesota Legislature in 1987 as the Greater Minnesota Corporation with a mission to work with manufacturing companies in greater Minnesota. Enterprise Minnesota has not received any state funding for operations since 2004. The organization is one of 59 affiliates of the US Department of Commerce National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP), that works with manufacturers to help them become operationally efficient and on a path towards growth. Enterprise Minnesota works with about 200 companies annually to help them become more efficient and compete in a global economy. They have a proven track record of helping companies grow and creating more jobs.

Enterprise Minnesota offers a variety of services, many of which can be customized, to its manufacturing business clientele, such as: the incorporation of “lean” concepts and techniques through its Growth Acceleration Program (GAP); other programs that utilize “lean” training; CEO peer councils, and; proactive marketing training, to name a few.

I am proposing we use \$50,000 in partnership with Enterprise Minnesota to make its services more accessible to our local Taconite Assistance Area manufacturers. The grant would be structured on a reimbursement basis. The companies receiving the assistance of Enterprise Minnesota would be required to match the eligible IRRRB assistance on a dollar for dollar basis and to apply for any other available funding to offset the cost. It is estimated that 8-10 area manufacturers would benefit from the grant. No other organization provides these services exclusively to manufacturing businesses. This would be a pilot project to see if this tool would be useful to our existing local manufacturing business to increase their competitiveness and create jobs.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
ENTERPRISE MINNESOTA PROJECT APPROVAL**

Resolution No.: 12-005

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 FY 2012 Budget includes provision for the use of certain TEPF Funds for economic development projects under a budget line item category of TEPF Business Development Projects (“**TEPF Business Development Funds**”); and

WHEREAS, the Commissioner has received a proposal for the expenditure of up to \$50,000 of such TEPF Business Development Funds for that certain community and economic development project for TAA manufacturers that is more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Enterprise Minnesota Project**”); and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Thursday, October 20, 2011, at 10:00 a.m. to consider, among other matters, the Proposed Enterprise Minnesota Project and has determined that the expenditure of up to \$50,000 of TEPF Business Development Funds for the Proposed Enterprise Minnesota Project 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 \$50,000 of FY12 TEPF Business Development Funds to provide a grant for the Proposed Enterprise Minnesota Project for the purposes set forth in Exhibit A.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF OCTOBER 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) Town of Fayal Public Works Grant Reallocation – Resolution No. 12-007

Motion by Mr. Joe Begich to approve the Town of Fayal public works grant reallocation request to use the previously awarded \$100,000 public works grant to extend water service to a single family residential development to instead design and construct a solar photovoltaic system to serve its Town and Fire Hall complex, as presented in Resolution No. 12-007. 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. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: None

c) City of Orr Renewable Energy Grant Amendment – Resolution No. 12-008

Motion by Representative David Dill to approve the City of Orr Renewable Energy Grant Amendment request to change the original grant request to install biomass boilers at seven city-owned properties and in addition to install two solar photovoltaic systems on city buildings to instead use the entire \$184,761 for a solar photovoltaic project, as presented in Resolution No. 12-008. Seconded by Senator Tom Bakk. 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

d) City of Babbitt Public Works Grant – Resolution No. 12-006

Motion by Senator Tom Bakk to approve the City of Babbitt public works request for a grant to complete emergency upgrades to a water line that will allow for the new construction of the Zup's Food Market store and pharmacy in an amount not to exceed \$180,000, as presented in Resolution No. 12-006. 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

Chairman Rukavina noted for the record that while restating the Bakk motion prior to a vote, he had referenced the incorrect Resolution No. for the city of Babbitt Public Works Grant as Resolution No. 12-009; whereas, the correct Resolution No. is 12-006.

VII. Taconite Economic Development Fund (TEDF) – Production 2010, Pay 2011

Action required: Approval requires 7 votes

Motion by Representative Tom Anzelc that the Board not proceed with the TEDF requests at this time.

Motion by Representative David Dill to amend the Anzelc motion of not proceeding with the TEDF requests, to instead grant the 15.4 c.p.t. portion of the Pay 2011 TEDF Funds to the mining companies, which do not require a match from the companies, and that the 14.7 c.p.t. portion of the Pay 2011 TEDF Funds be made available to IRRRB to be dedicated completely to public works. Seconded by Senator David Tomassoni.

Representative Tom Rukavina made a friendly amendment to the Dill motion that given an agreement between labor and management committees at each mine, that, if they revamp their project(s), the project(s) only needs to come back to the commissioner and staff, not back to the Board for approval.

Representative Dill accepted Representative Rukavina's friendly amendment and renewed his motion to amend the Anzelc motion. Seconded by Senator Tomassoni. A roll call vote on each Resolution 12-009, 12-010, 12-011, 12-012 and 12-013 was requested.

a) Hibbing Taconite Company – Resolution No. 12-009

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

Voting Against the Motion: Senator Paul Gazelka, Representative Carolyn McElfrick, Mr. Joe Begich, Mr. David Chura

Abstain: None

Excused: None

Motion carried.



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 Members

From: Tony Sertich
Commissioner

Date: October 20, 2011

**Re: HIBBING TACONITE COMPANY TACONITE ECONOMIC DEVELOPMENT
FUND PROJECT (PAY 2011, PRODUCTION 2010) – \$1,550,083**

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.

Hibbing Taconite Company is eligible for a pay 2011, based on 2010 production, Taconite Economic Development Fund rebate of \$1,550,083, subject to the company providing a match of \$378,509 for a total project cost of \$1,928,592.

The Hibbing Taconite Mining Company TEDF Review Committee completed its review on September 29, 2011, and unanimously approved submitting the following project.

Project 1 – Tailing Basin Spillway - \$2,000,000

The Hibbing Taconite tailings basin is a critical component to the taconite production process. It must provide storage for the current and future production of tailings.

Construction of a spillway for the existing western tailings basin cells will improve the safety and allow better control of tailings deposition, water reclamation and increase the capacity of the tailings basin complex. The spillway passes water into the clearwater reservoir from Hibbing Taconite’s interior dam and will be regularly raised to maximize available tailing storage during the life of the mine. Hibbing Taconite evaluated several alternatives and they selected the spillway design that provides for operative feasible construction, good constructability and lowest operational cost.

Phase 1 of the spillway will begin in 2011. The work includes foundation construction for the new spillway that involves the excavating, loading, hauling, and placing of earthen fill materials, including coarse tailing granular and mine rock riprap. Final construction and operation of the spillway will occur in 2012.

The benefits of this project are to maintain clarified water for plant operations, maintain adequate pond flood fireboard for all the dams, and to prevent shortening the useful life of the tailing basin.

| | |
|------------------------------|------------------|
| TEDF Grant | \$1,550,083 |
| Company Match | <u>\$499,917</u> |
| Estimated Project Total Cost | \$2,000,000 |

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

Resolution No.: 12-009

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 Hibbing Taconite Company (“**Applicant Producer**”) is eligible to receive up to \$1,550,083 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 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**”),

WHEREAS, the TEDF Committee of the Applicant Producer on September 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 has 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 298.225 (“**TEPF Statute**”); and,

WHEREAS, the Board met in open session at 10:00 a.m. on October 20, 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 a 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 \$793,066, 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 \$757,017, 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 20th DAY OF OCTOBER 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 | 9 | 4 | 0 | 0 |

Signed: _____
Tom Rukavina, Chair

Addendum A
HIBBING TACONITE COMPANY'S PROPOSED PROJECT DESCRIPTION

Project 1 – Tailing Basin Spillway - \$2,000,000

The Hibbing Taconite tailings basin is a critical component to the taconite production process. It must provide storage for the current and future production of tailings.

Construction of a spillway for the existing western tailings basin cells will improve the safety and allow better control of tailings deposition, water reclamation and increase the capacity of the tailings basin complex. The spillway passes water into the clearwater reservoir from Hibbing Taconite's interior dam and will be regularly raised to maximize available tailings storage during the life of the mine. Hibbing Taconite evaluated several alternatives and they selected the spillway design that provides for operative feasible construction, good constructability and lowest operational cost.

Phase 1 of the spillway will begin in 2011. The work includes foundation construction for the new spillway that involves the excavating, loading, hauling, and placing of earthen fill materials, including coarse tailings granular and mine rock riprap. Final construction and operation of the spillway will occur in 2012.

The benefits of this project are to maintain clarified water for plant operations, maintain adequate pond flood fireboard for all the dams, and to prevent shortening the useful life of the tailings basin.

Estimated Project Total Cost \$2,000,000

b) Northshore Mining Company – Resolution No. 12-010

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

Voting Against the Motion: Senator Paul Gazelka, Representative Carolyn McElfrick, Mr. David Chura

Abstain: None

Excused: None

Motion carried.



IRRRB
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To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: October 20, 2011

**Re: NORTHSHORE MINING COMPANY TACONITE ECONOMIC
DEVELOPMENT FUND PROJECT (PAY 2011, PRODUCTION 2010) - \$1,384,087**

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

**Iron Range Resources & Rehabilitation Board Meeting
Wednesday, December 14, 2011**

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.

Northshore Mining Company is eligible for a pay 2011, based on 2010 production, Taconite Economic Development Fund rebate of \$1,384,087, subject to the company providing a match of \$318,020, for a total project cost of \$1,702,107.

The Northshore Mining Company TEDF Review Committee completed its review on September 23, 2011, and unanimously approved submitting the following project.

Project 1 – Reactivation of Concentrator Section 6 - \$4,838,000

Northshore Mining Company has reactivated Furnace 5 to provide additional pellet production capacity. This has increased the demand for concentrate since the eleven existing concentrate producing sections do not have the capacity to supply Furnace 5’s maximum production capability. Some concentrator lines, along with Furnace 5, have been idle since the early 80’s. Furnace 5 can provide an additional 800,000 tons of annual pellet capacity if there is an adequate supply of concentrate. Each concentrator section provides 400,000 tons of concentrate.

Reactivation of concentrator section 6 would provide additional concentrate to meet the needs of Furnace 5. Other advantages of this project are that it will allow Northshore to process harder ore, which takes longer, and allow outside sales of concentrate to occur.

| | |
|------------------------------|--------------------|
| TEDF Grant | \$1,384,087 |
| Company | <u>\$3,453,913</u> |
| Estimated Project Total Cost | \$4,838,000 |

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

Resolution No.: 12-010

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 Northshore Mining Company (“**Applicant Producer**”) is eligible to receive up to \$1,384,087 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 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 September 23, 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 has 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 298.225 (“**TEPF Statute**”); and,

WHEREAS, the Board met in open session at 10:00 a.m. on October 20, 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 a 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 \$748,048, 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 \$636,039, 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 20th DAY OF OCTOBER 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 McElpatrick | | X | | |
| Representative Carly Melin | X | | | |
| Representative Tom Rukavina | X | | | |
| Mr. Joe Begich | X | | | |
| Mr. David Chura | | X | | |
| Mr. Jack Ryan | X | | | |
| TOTAL | 10 | 3 | 0 | 0 |

Signed: _____
Tom Rukavina, Chair

**Addendum A
NORTSHORE MINING COMPANY’S PROPOSED PROJECT DESCRIPTION**

Project 1 – Reactivation of Concentrator Section 6 - \$4,838,000

Northshore Mining Company has reactivated Furnace 5 to provide additional pellet production capacity. This has increased the demand for concentrate since the eleven existing concentrate producing sections do not have the capacity to supply Furnace 5’s maximum production capability. Some concentrator lines, along with Furnace 5, have been idle since the early 80’s. Furnace 5 can provide an additional 800,000 tons of annual pellet capacity if there is an adequate supply of concentrate. Each concentrator section provides 400,000 tons of concentrate.

Reactivation of concentrator section 6 would provide additional concentrate to meet the needs of Furnace 5. Other advantages of this project are that it will allow Northshore to process harder ore, which takes longer, and allow outside sales of concentrate to occur.

Estimated Project Total Cost \$4,838,000

c) United Taconite, LLC – Resolution No. 12-011

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

Voting Against the Motion: Senator Paul Gazelka, Representative Carolyn McElpatrick, Mr. David Chura

Abstain: None

Excused: None

Motion carried.



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To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: October 20, 2011

**Re: UNITED TACONITE LLC TACONITE ECONOMIC DEVELOPMENT FUND
PROJECT (PAY 2011, PRODUCTION 2010) \$1,524,271**

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.

United Taconite LLC is eligible for a pay 2011, based on 2010 production, Taconite Economic Development Fund rebate of \$1,524,271, subject to the company providing a match of \$337,913 for a total project cost of \$1,862,184.

The United Taconite TEDF Review Committee completed its review on September 29, 2011, and unanimously approved submitting the following project.

Project 1 – New Track Arrangement (Loop Track) - \$2,018,000

United Taconite LLC utilizes the Canadian National (CN) Railroad to transport ore 10 miles from the mine pit to the pellet processing plant. The current track arrangement at the mine requires an inbound train to pull onto a set of tail tracks located parallel to and extending past the loading pocket. The engine and ore cars must clear the switch to the loading pocket, and then the locomotive disconnects from the ore cars and travels on the adjacent track to the other end of the train. This process is time consuming and cumbersome because it requires bleeding off air on the string of cars, moving the locomotive, reconnecting the locomotive and then rebuilding air pressure in order to release the brakes on the cars. In addition, the two existing tail tracks and the tracks under the loading pocket are all located on mineable ore reserves, which are part of United Taconite’s long-range mine plan.

United Taconite’s project involves the design and construction of a new loop track arrangement that will eliminate the need for a locomotive to disconnect and reconnect. The loop track will be constructed on lands adjacent to the existing tracks that will not affect access to commercial ore reserves. All necessary permits have been secured and soil stabilization efforts were initiated in prior years. Construction of the loop track is scheduled to occur in 2011.

The benefits of this project are time reduction in train cycle time (pit to plant) by 15-20 minutes, allow for an increase of 20 cars per train and opening access to additional ore reserves in the future.

| | |
|------------------------------|------------------|
| TEDF Grant | \$1,524,271 |
| Company | <u>\$493,729</u> |
| Estimated Project Total Cost | \$2,018,000 |

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

Resolution No.: 12-011

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 United Taconite LLC (“**Applicant Producer**”) is eligible to receive up to \$1,524,271 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 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 September 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 has 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 298.225 (“**TEPF Statute**”); and,

WHEREAS, the Board met in open session at 10:00 a.m. on October 20, 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 a 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 \$848,445 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 \$675,826, 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 20th DAY OF OCTOBER 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 | 10 | 3 | 0 | 0 |

Signed: _____
Tom Rukavina, Chair

Addendum A
UNITED TACONITE LLC'S PROPOSED PROJECT DESCRIPTION

Project 1 – New Track Arrangement (Loop Track) - \$2,018,000

United Taconite LLC utilizes the Canadian National (CN) Railroad to transport ore 10 miles from the mine pit to the pellet processing plant. The current track arrangement at the mine requires an inbound train to pull onto a set of tail tracks located parallel to and extending past the loading pocket. The engine and ore cars must clear the switch to the loading pocket, and then the locomotive disconnects from the ore cars and travels on the adjacent track to the other end of the train. This process is time consuming and cumbersome because it requires bleeding off air on the string of cars, moving the locomotive, reconnecting the locomotive and then rebuilding air pressure in order to release the brakes on the cars. In addition, the two existing tail tracks and the tracks under the loading pocket are all located on mineable ore reserves, which are part of United Taconite's long-range mine plan.

United Taconite's project involves the design and construction of a new loop track arrangement that will eliminate the need for a locomotive to disconnect and reconnect. The loop track will be constructed on lands adjacent to the existing tracks that will not affect access to commercial ore reserves. All necessary permits have been secured and soil stabilization efforts were initiated in prior years. Construction of the loop track is scheduled to occur in 2011.

The benefits of this project are time reduction in train cycle time (pit to plant) by 15-20 minutes, allowing for an increase of 20 cars per train and opening access to additional ore reserves in the future.

Estimated Project Total Cost \$2,018,000

d) United States Steel – Keetac – Resolution No. 12-012

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

Voting Against the Motion: Senator Paul Gazelka, Representative Carolyn McElpatrick, Mr. David Chura

Abstain: None

Excused: None

Motion carried.



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Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: October 20, 2011

**Re: UNITED STATES STEEL – KEETAC TACONITE ECONOMIC
DEVELOPMENT FUND PROJECTS (Pay 2011, Production 2010) - \$1,095,354**

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.

US Steel – Keetac Mining Company is eligible for a pay 2011, based on 2010 production, Taconite Economic Development fund rebate of \$1,095,354, subject to the company providing a match of \$235,742, for a total project cost of \$1,331,096.

The US Steel Keetac Mining Company TEDF Review Committee completed its review on September 7, 2011, and unanimously approved submitting the following projects.

Projects 1 – 5 are Primary Projects and projects 6 – 7 are Residual Projects. Approved Primary Projects are funded first. If the eligible expenses or the total cost of the project is less than the estimated project total cost the company may not receive their total rebate. To address this possibility the company may submit Residual Projects for Board review and approval. The

**Iron Range Resources & Rehabilitation Board Meeting
Wednesday, December 14, 2011**

Residual Projects become eligible for funding upon completion of the approved and funded Primary Projects.

Project 1 – Tailings Basin Reclamation & Dust Control - \$540,000

The Keetac active tailings pond is 2,500 acres in size and has a perimeter dike of 44,000 feet. Each year, 12,000 linear feet of the perimeter dike is built up by six feet by using coarse tailings and bulldozing the coarse tailings up onto the dike. The tailing beaches adjacent to the 12,000 lineal feet of tailings basin dike vary in width between the dike and the water from 600 to 2,000 feet. The tailing beaches starting at the perimeter dike consist of the coarse and medium tailings; second, the medium and the fine tailings; and the third, the fine tailings. The water carries the medium and fine tailings flows toward the interior of the pond, finally settling out in the interior water reservoir.

Keetac is required to establish and execute an annual reclamation activity by the Department of Natural Resources and control fugitive dust to levels established by the Minnesota Pollution Control Agency. The annual vegetation and tree planting activity on the tailings basin is used to satisfy the requirements of both of these agencies.

Seed and fertilizer are applied to bare areas of tailings on the inactive areas of the basin by using specialized low ground pressure seeding equipment. Various seed mixtures are used to match the needs of each seeded area. Temporary vegetated areas are seeded within the basin during March and April while the ground is still frozen. Permanent seeding activities on the outer slopes are generally completed in May. The nutrient levels of tailings are very low, so significant amount of fertilizer are required to establish and sustain plant growth. In lieu of chemical fertilizers, bio-solids have been tried and found to be a successful alternative.

The use of tackified hay mulch has been an effective method of controlling dust on the tailings basin. Mulch is spread by either bale busters that are pulled by low ground pressure tractors or it can be spread effectively by a helicopter. Tractors and other ground equipment can only be used when the ground is dry or frozen. The use of helicopters is needed in areas where tailings have been recently deposited. Native trees are used to enhance the perimeter of the tailings basin. The benefits of trees include acting as a noise and visual buffer for the operation, and they have proved effective as a means of windbreak controlling wind erosion and fugitive dust. The trees that are used are either supplied by the IRRRB, purchased from local nurseries, or grown from seed and cuttings collected from the Keetac property. Approximately 15,000 trees are planted annually.

| | |
|------------------------------|-----------------|
| TEDF Grant | \$444,366 |
| Company | <u>\$95,634</u> |
| Estimated Project Total Cost | \$540,000 |

Project 2 – Mobile Equipment Storage Building - \$575,000

Keetac removed the West Hill Equipment Storage Building in February 2011 in order to allow for overburden removal in the area of the South Stevenson Mining Area on the east end of the Keetac Pit. Keetac must find a site and build a new cold storage building to store maintenance equipment.

| | |
|------------------------------|------------------|
| TEDF Grant | \$473,168 |
| Company | <u>\$101,832</u> |
| Estimated Project Total Cost | \$575,000 |

Project 3 – Mine Data Communication Equipment - \$250,000

Keetac currently uses a wideband, wireless radio transmitting infrastructure in their mine. In 2013, the FCC is mandating all radio transmitting systems be narrow band compliant, therefore, Keetac needs to install an updated radio transmission system to relay mine production dispatch communications to the mobile units in the pit. Keetac has researched the available systems and have selected the Motorola Mesh Network to meet their needs and satisfy the FCC requirements.

| | |
|------------------------------|-----------------|
| TEDF Grant | \$177,820 |
| Company | <u>\$72,180</u> |
| Estimated Project Total Cost | \$250,000 |

Project 4 – Plant Guarding - \$1,330,000

MSHA has determined that the existing guarding or lack of guarding on equipment throughout the facility must be addressed. Keetac will make this a priority. New or replacement guarding will be designed, fabricated and installed in the crusher, concentrator and agglomerator facilities to meet the requirements and mandates established by MSHA. Each area of the three facilities has stationary equipment with moving parts where this work will occur. Keetac’s plan is to change out the current inadequate guards with newly designed guards that will be specific to each piece of equipment or install new guards where none are currently present. The issue is that many pieces of equipment have guards that do not cover all of the moving parts, and the new designs will alleviate this potential safety issues.

The benefit of this project is that an employee working on or around a piece of equipment will be better protected from injury with the new guards in place. The goal of this project is to eliminate exposure to moving parts on all the facilities equipment.

| | |
|------------------------------|--------------------|
| TEDF Grant | \$0 |
| Company | <u>\$1,330,000</u> |
| Estimated Project Total Cost | \$1,330,000 |

Project 5 - Automation Ball Charges - \$440,000

Liberation of the iron units found in the taconite ore requires the rock to be crushed and ground to very small particles and this happens in the concentrator process. The Keetac concentrator utilizes 10 Semi Autogenous Grinding Mills to reduce rock that is sized 8” to ¼” minus sized material in order to liberate the iron units. These mills are charged with 5” diameter steel grinding balls used to pulverize and grind the ore. The balls must be periodically added to the grinding mills. Employees are required to manually count and if necessary add balls to the mill, which can be hazardous and may provide inconsistent results if not accurately counted. Automatic Ball Chargers enable grinding balls to be added to the mills in small consistent batches at a greater frequency, while enhancing safety.

| | |
|------------------------------|------------------|
| TEDF Grant | \$0 |
| Company | <u>\$440,000</u> |
| Estimated Project Total Cost | \$440,000 |

The following are Residual Projects that will be eligible for funding upon completion of the approved and funded Primary Projects.

Project 6 - Exploratory Drilling and Analysis - \$250,000

Keetac needs to conduct additional investigation regarding the ore reserves on the west end of the Keetac Pit in the area referred to as the Nashwauk Reserve. Ten diamond drill holes are needed to further define the pit limits and quantify the ore reserves. Idea Drilling in Virginia performed the drilling. Lerch Brothers in Hibbing performed the drill core analysis. The analysis will be used to determine how the ore will be mined in the future

| | |
|------------------------------|------------------|
| TEDF Grant | \$0 |
| Company | <u>\$250,000</u> |
| Estimated Project Total Cost | \$250,000 |

Project 7 – Crusher Canopy Doors - \$600,000

The Keetac crusher buildings each have two doors separating the crusher cavity from the maintenance bay. One door is a bi-fold door; the other is a swinging canopy door. They are configured in a T-Shape with the tall bi-fold door below the swinging canopy door. These doors also provide a dust seal between the crusher cavity and the rest of the building but they need to be opened periodically to perform maintenance on the crusher. The doors are past their useful life, have become very difficult to use, and are therefore unsafe because they no longer open and close properly. The bi-fold door in #1 crusher is four feet narrower than the door in the #2 crusher. Keetac will widen this door. This will

facilitate the easy removal of the spider assembly. The assembly will be lifted out of the crusher cavity and placed in the maintenance bay when repairs are performed. This will provide more room to work in and increase the safety for the maintenance workers. Keetac will replace with the doors with new ones fabricated by a local company.

The new doors will provide for safer, more reliable operation, and provide a better dust seal between the cavity and the building, thus providing a cleaner workplace.

| | |
|------------------------------|------------------|
| TEDF Grant | \$0 |
| Company | <u>\$600,000</u> |
| Estimated Project Total Cost | \$600,000 |

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
UNITED STATES STEEL - KEETAC – PAY 2011 TEDF FUNDS**

Resolution No.: 12-012

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 United States Steel-Keetac (“**Applicant Producer**”) is eligible to receive up to \$1,095,354 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 Pay 2011 TEDF Funds for the projects described in the attached Addendum A, which the Commissioner has determined are for Eligible Purposes (the “**Proposed Projects**”); and,

WHEREAS, the TEDF Committee of the Applicant Producer on September 7, 2011, indicated to the Commissioner that it has approved the Proposed Projects 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 has 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 298.225 (“**TEPF Statute**”); and,

WHEREAS, the Board met in open session at 10:00 a.m. on October 20, 2011, at the Eveleth Administrative Building to consider the Proposed Projects and the Applicant Producer’s request to receive Pay 2011 TEDF Funds for such projects; and,

WHEREAS, the Board has determined that a 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 \$623,871, for the purpose of paying a portion of the Applicant Producer’s costs associated with the Proposed Projects, subject to the understanding that the 14.7 c.p.t. Portion of the Pay 2011 TEDF Funds, in the amount of \$471,483, 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 20th DAY OF OCTOBER 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 McElpatrick | | X | | |
| Representative Carly Melin | X | | | |

| | | | | |
|-----------------------------|-----------|----------|----------|----------|
| Representative Tom Rukavina | X | | | |
| Mr. Joe Begich | X | | | |
| Mr. David Chura | | X | | |
| Mr. Jack Ryan | X | | | |
| TOTAL | 10 | 3 | 0 | 0 |

Signed: _____
Tom Rukavina, Chair

Addendum A
UNITED STATES STEEL-KEETAC'S PROPOSED PROJECT DESCRIPTION

Project 1 – Tailings Basin Reclamation & Dust Control - \$540,000

The Keetac active tailings pond is 2,500 acres in size and has a perimeter dike of 44,000 feet. Each year, 12,000 linear feet of the perimeter dike is built up by six feet by using coarse tailings and bulldozing the coarse tailings up onto the dike. The tailings beaches adjacent to the 12,000 lineal feet of tailings basin dike vary in width between the dike and the water from 600 to 2,000 feet. The tailings beaches starting at the perimeter dike consist of the coarse and medium tailings; second, the medium and the fine tailings; and the third, the fine tailings. The water carries the medium and fine tailings flows toward the interior of the pond, finally settling out in the interior water reservoir.

Keetac is required to establish and execute an annual reclamation activity by the Department of Natural Resources and control fugitive dust to levels established by the Minnesota Pollution Control Agency. The annual vegetation and tree planting activity on the tailings basin is used to satisfy the requirements of both of these agencies.

Seed and fertilizer are applied to bare areas of tailings on the inactive areas of the basin by using specialized low ground pressure seeding equipment. Various seed mixtures are used to match the needs of each seeded area. Temporary vegetated areas are seeded within the basin during March and April while the ground is still frozen. Permanent seeding activities on the outer slopes are generally completed in May. The nutrient levels of tailings are very low, so significant amount of fertilizer are required to establish and sustain plant growth. In lieu of chemical fertilizers, bio-solids have been tried and found to be a successful alternative.

The use of tackified hay mulch has been an effective method of controlling dust on the tailings basin. Mulch is spread by either bale busters that are pulled by low ground pressure tractors or it can be spread effectively by a helicopter. Tractors and other ground equipment can only be used when the ground is dry or frozen. The use of helicopters is needed in areas where tailings have been recently deposited. Native trees are used to enhance the perimeter of the tailings basin. The benefits of trees include acting as a noise and visual buffer for the operation, and they have proved effective as a

means of windbreak controlling wind erosion and fugitive dust. The trees that are used are either supplied by the IRRRB, purchased from local nurseries, or grown from seed and cuttings collected from the Keetac property. Approximately 15,000 trees are planted annually.

Estimated Project Total Cost \$540,000

Project 2 – Mobile Equipment Storage Building - \$575,000

Keetac removed the West Hill Equipment Storage Building in February 2011 in order to allow for overburden removal in the area of the South Stevenson Mining Area on the east end of the Keetac Pit. Keetac must find a site and build a new cold storage building to store maintenance equipment.

Estimated Project Total Cost \$575,000

Project 3 – Mine Data Communication Equipment - \$250,000

Keetac currently uses a wideband, wireless radio transmitting infrastructure in their mine. In 2013, the Federal Communications Commission (FCC) is mandating all radio transmitting systems be narrow band compliant, therefore, Keetac needs to install an updated radio transmission system to relay mine production dispatch communications to the mobile units in the pit. Keetac has researched the available systems and has selected the Motorola Mesh Network to meet their needs and satisfy the FCC requirements.

Estimated Project Total Cost \$250,000

e) United States Steel – Minntac – Resolution No. 12-013

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

Voting Against the Motion: Senator Paul Gazelka, Representative Carolyn McElfattrick, Mr. David Chura

Abstain: None

Excused: None

Motion carried.



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 Members

From: Tony Sertich
Commissioner

Date: October 20, 2011

**Re: UNITED STATES STEEL – MINNTAC TACONITE ECONOMIC
DEVELOPMENT FUND PROJECTS (Pay 2011, Production 2010) - \$3,329,354**

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.

The US Steel Minntac Mining Company is eligible for a pay 2011, based on 2010 production, Taconite Economic Development Fund rebate of \$3,329,354, subject to the company providing a match of \$806,100, for a total project cost of \$4,135,454.

The US Steel Minntac Mining Company TEDF Review Committee completed its review on September 7, 2011, and unanimously approved submitting the following projects.

Projects 1 – 5 are Primary Projects and projects 6 – 7 are Residual Projects. Approved Primary Projects are funded first. If the eligible expenses or the total cost of the project is less than the estimated project total cost the company may not receive their total rebate. To address this

possibility the company may submit Residual Projects for Board review and approval. The Residual Projects become eligible for funding upon completion of the approved and funded Primary Projects.

Project 1 –Agglomerator Line 6 Kiln Burner - \$2,300,000

Minntac currently operates five iron ore pelletizing lines that fuel their pellet furnaces. The indurating process uses a “grate-kiln” system that employs a traveling grate, rotary kiln, and annular cooler. In the process, green pellets are dried and heated in an oxidation atmosphere.

Effective February 1, 2010, Minntac will comply with a new air emission limit of 7,300 tons/year NO_x as established in their latest Prevention of Significant Deterioration (PSD) Air permit. The new NO_x limit is a rolling sum based on the previous 365 days emissions.

To prepare the pellet furnaces for the new limit, Minntac replaced the Line 6 kiln burner with a new low NO_x burner and burner combustion blowers. The new burner operates at a much higher stoichiometric ratio which significantly reduces NO_x emissions.

| | |
|------------------------------|-------------------|
| TEDF Grant | \$1,851,730 |
| Company | <u>\$ 448,270</u> |
| Estimated Project Total Cost | \$2,300,000 |

Project 2 – Crusher Turn Bin 3 Dust Collectors - \$875,000

When taconite ore is removed from the pit, it is hauled to the Primary and Fines Crushing facilities prior to delivery to the concentrator. The Minntac Fines Crusher System consists of 15 second stage crushers, 27 third stage crushers, 91 conveyor belts with over 11.5 miles of conveyor and 64 dust collectors. Most of the major equipment is over 30 years old, including the dust collectors that capture emissions from the screens and transfer points. These dust collectors are beyond their economic life and due to age and wear, are not performing to their design capabilities. The dust collection equipment needs to operate properly in order to control respirable silica dust levels in the facility.

Therefore, Minntac purchased and installed a new cartridge type dust collector system and associated ductwork for the Step 3 turn bin building of the fines crushing system. The new system is sized for an increase of 20% over the original exhaust design flows, thus reducing the potential for respirable dust.

| | |
|------------------------------|------------------|
| TEDF Grant | \$704,463 |
| Company | <u>\$170,537</u> |
| Estimated Project Total Cost | \$875,000 |

Project 3 – Agglomerator I & II Control System Upgrade - \$790,000

Minntac upgraded their distributed control systems in the agglomerator. This project included the installation of 21 pairs of controllers, application and configuration software conversion by Emerson, new fiber infrastructure for input/output, Human Machine Interface (HMI) and control system interfaces, eight server workstations, and operator HMI's all utilizing Minntac's existing input/output structure for Agglomerator 1 & 2. The original Westinghouse Distributed Processing Family control systems were close to their maximum limit capabilities for internal control. As additional requests for operating control strategies were continuously being made, such as changes to reduce NO_x emissions, it became obvious that the distributed control systems were inadequate.

The project's benefits are that the new Ovation distributed control systems have increased the internal control point capacity allowing for future control development and expansion, enhanced the capacity of developing new control strategies, provided the ability to interface to a wider range of smart plant devices, and provided better fiber infrastructure access. Minntac's upgrade has also eliminated the concern that support and supplies for the original Westinghouse hardware and software would no longer be available due to equipment obsolescence.

| | |
|------------------------------|------------------|
| TEDF Grant | \$636,029 |
| Company | <u>\$153,971</u> |
| Estimated Project Total Cost | \$790,000 |

Project 4 – Capacity of the Tailings Basin Increase - \$500,000

The tailings basin at Minntac covers an area approximately 8,000 acres in size. This area is used to deposit the tailings which are a product of processing taconite. The tailings basin also provides a way to reclaim water that is used in processing taconite. The basin is divided into cells allowing Minntac to limit disturbance to the active cell which is the location where the tailings are being deposited. The other cells have been temporarily vegetated to minimize dust generation. The tailings settle out in the active cell and the water flows to a reservoir where there is a pump station. Minntac pumps the water back to the concentrator allowing it to be reused to process taconite.

The Minntac basin was designed to operate by relying on gravity flow of water and tailings. The concentrator is set at the highest elevation at Minntac allowing the slurry of tailings and water to flow out of the concentrator and to the active cell in the basin. When this active cell is filled to a preset decant height, a different cell becomes the active cell. All of the cells continue to alternate between being active and temporarily vegetated. This process allows Minntac to control where the tailings flow to and where the tailings are deposited, resulting in additional height of the tailings basin.

Minntac's original design of their tailings basin acknowledged the fact that the present foot-print would eventually fill in. Minntac's future plan was to build a substantial addition to the west of the present tailings basin. However, upon further analysis few years back, Minntac determined that environmental permitting for this addition would be extremely difficult so they modified the operation of the basin by discontinuing their dependency on gravity and instead they will use a pump to distribute the tailings and increase the height of the basin.

Minntac will accomplish this by increasing the tank height in the concentrator. Minntac will then install a pump and pipe outside of the concentrator to carry the slurry to a higher elevation before discharging the slurry into the basin. Discharging the tailings slurry at a higher elevation will allow the existing cells to be filled to a higher elevation without expanding the footprint of the tailings basin.

| | |
|------------------------------|------------------|
| TEDF Grant | \$137,132 |
| Company | <u>\$362,868</u> |
| Estimated Project Total Cost | \$500,000 |

Project 5 – Shop Burning Machine - \$500,000

Minntac is replacing the existing multi-head, submerged plasma cutting table with a new model. Replacement parts for the old machine have become harder to locate and the existing unit is no longer cost effective to repair. The new machine allows for greater precision when cutting and it also handles thicker pieces of material.

| | |
|------------------------------|------------------|
| TEDF Grant | \$0 |
| Company | <u>\$500,000</u> |
| Estimated Project Total Cost | \$500,000 |

The following are Residual Projects that will be eligible for funding upon completion of the approved and funded Primary Projects.

Project 6 – 045 Conveyor Product Load Out Motor Soft Start - \$36,000

A motor soft starter is a device used with AC electric motors to temporarily reduce load and torque in the power train of the motor during startup. This reduces the mechanical stress on the motor and shaft, as well as the electrodynamic stresses on the attached power cables and electrical distribution network, thereby extending the lifespan and reducing the downtime of the system.

Minntac installed a motor soft start on the 045 load out conveyer. The old drive that was replaced had a multitude of problems, including a high cost to rebuild and a high failure rate.

| | |
|------------|-----|
| TEDF Grant | \$0 |
|------------|-----|

| | |
|------------------------------|-----------------|
| Company | <u>\$36,000</u> |
| Estimated Project Total Cost | \$36,000 |

Project 7 – Administration Building Elevator - \$500,000

The Administration Building at Minntac was built before American with Disabilities Act (ADA) requirements. The building has three total floors accessible only by traveling internal stairwells. Additionally, the employment office located on the main floor is only accessible from the front of the building by going up five steps. Installation of an elevator and ramp would make the Administration Building accessible and compliant with the current ADA guidelines. In addition, this would improve the safety of moving heavy and bulky objects between floors.

| | |
|------------------------------|------------------|
| TEDF Grant | \$0 |
| Company | <u>\$500,000</u> |
| Estimated Project Total Cost | \$500,000 |

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
UNITED STATES STEEL - MINNTAC – PAY 2011 TEDF FUNDS**

Resolution No.: 12-013

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 United States Steel-Minntac (“**Applicant Producer**”) is eligible to receive up to \$3,329,354 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 Pay 2011 TEDF Funds for the projects described in the attached Addendum A, which the Commissioner has determined are for Eligible Purposes (the “**Proposed Projects**”); and,

WHEREAS, the TEDF Committee of the Applicant Producer on September 7, 2011, indicated to the Commissioner that it has approved the Proposed Projects 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 has 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 298.225 (“**TEPF Statute**”); and,

WHEREAS, the Board met in open session at 10:00 a.m. on October 20, 2011, at the Eveleth Administrative Building to consider the Proposed Projects and the Applicant Producer’s request to receive Pay 2011 TEDF Funds for such projects; and,

WHEREAS, the Board has determined that a 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 \$1,717,155, for the purpose of paying a portion of the Applicant Producer’s costs associated with the Proposed Projects, subject to the understanding that the 14.7 c.p.t. Portion of the Pay 2011 TEDF Funds, in the amount of \$1,612,199, 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 20th DAY OF OCTOBER 2011.

| Member | Aye | Nay | Abstain | Excused |
|----------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator John Carlson | X | | | |
| Senator Paul Gazelka | | X | | |

tailings and water to flow out of the concentrator and to the active cell in the basin. When this active cell is filled to a preset decant height, a different cell becomes the active cell. All of the cells continue to alternate between being active and temporarily vegetated. This process allows Minntac to control where the tailings flow to and where the tailings are deposited, resulting in additional height of the tailings basin.

Minntac's original design of their tailings basin acknowledged the fact that the present footprint would eventually fill in. Minntac's future plan was to build a substantial addition to the west of the present tailings basin. However, upon further analysis few years back, Minntac determined that environmental permitting for this addition would be extremely difficult, so they modified the operation of the basin by discontinuing their dependency on gravity and instead they will use a pump to distribute the tailings and increase the height of the basin.

Minntac will accomplish this by increasing the tank height in the concentrator. Minntac will then install a pump and pipe outside of the concentrator to carry the slurry to a higher elevation before discharging the slurry into the basin. Discharging the tailings slurry at a higher elevation will allow the existing cells to be filled to a higher elevation without expanding the footprint of the tailings basin.

Estimated Project Total Cost \$500,000

Chairman Rukavina appointed a Board working committee to meet with the Commissioner and staff, industry and labor to review the TEDF program, as follows: Representative Tom Anzelc, chair; Senator John Carlson, Senator David Tomassoni, Representative Carolyn McElfatrick, Representative Carly Melin and Mr. Joe Begich.

5) Other

- a) Motion by Representative Tom Anzelc that the Board hereby signifies that it is in support of legislation, which Representative Tom Anzelc intends to introduce in the 2012 Legislative Session, the repeal of the special data practices authority which was granted to the agency during the 2008 Legislative Session and is codified in Minnesota Statutes Section 298.22, Subdivision 12, as follows:

298.22 IRON RANGE RESOURCES AND REHABILITATION

Subd. 12 Data classification. Data collected by the commissioner on any application to determine the eligibility of an applicant for any loan or equity investment made from funds that are available to the commissioner under this section or otherwise by law, and to assess or monitor the applicant's or recipient's default risk or to collect payments owned are: (1) private data on individuals as defined in section 13.02, subdivision 12; and (2) nonpublic data as defined in section 13.02, subdivision 9. The names of the recipients of the financial assistance and the amounts of financial assistance are public data.

Motion failed.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfatrick, Representative Tom Rukavina, Mr. Joe Begich

Voting Against the Motion: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Representative David Dill, Representative Carly Melin, Mr. David Chura, Mr. Jack Ryan

Abstain: None

Excused: None

- b) Motion by Representative Tom Anzelc that the Board encourages the Commissioner to try to engage Excelsior Energy, Inc. in negotiations to amend the existing loan/debenture agreements, which the agency has in place with the company, to provide for larger annual installment payments in order to accelerate the rate at which the loans/debentures are repaid by the company.

Motion failed.

Voting in Favor of the Motion: Representative Tom Anzelc, Senator Tom Saxhaug, Representative David Dill, Representative Carly Melin, Mr. Joe Begich

Voting Against the Motion: Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator David Tomassoni, Representative Carolyn McElfatrick, Representative Tom Rukavina, Mr. David Chura, Mr. Jack Ryan

Abstain: None

Excused: None

6) Adjournment

The meeting adjourned at 11:55 a.m.

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 votes

- a) Midwest Manufacturing and Mechanical, Inc.

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.

Taconite Area Environmental Protection Fund

Action Required: Approval requires 7 votes

- a) FY12 Public Works Infrastructure Grants

FY12 Public Works Infrastructure Grants



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 14, 2011

Re: **FY12 PUBLIC WORKS 40 GRANT AWARDS TOTALING \$8,462,564**

PURPOSE

The Public Works grants provide funds for cities and townships that can be used for infrastructure, site work, or healthcare capital projects that support community and economic development.

CRITERIA

- A. Economic Impact – Priority #1
- B. Jobs Created – Priority #2
- C. Leverage – Priority #3
- D. Project Readiness – Priority #4
- E. Need – Priority #5

This list contains a large number of infrastructure awards directly tied to private development projects. With our agency's participation of \$8.5 million, the amount of the regional construction projects will total \$85.3 million--which represents around a 9-to-1 leverage ratio. These public works projects are expected to create 515 FTE construction jobs and at least 171 permanent jobs with more to be announced as development deals are finalized.

Agency staff has worked with communities to make sure that all projects are intended to be "shovel-ready" for the next construction season.

Every dollar invested by the IRRRB is one less dollar that a community has to raise by property tax on local businesses and homeowners.

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 |
| <hr/> | | <hr/> | |
| 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 |
| <hr/> | | <hr/> | |
| 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 |
| <hr/> | | <hr/> | |
| 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 |

Taconite Economic Development Fund (TEDF) – Production 2010, Pay 2011

Action Required: Approval requires 7 votes

- a) TEDF Chart
- b) Arcelor Mittal Minorca
- c) Magnetation, Inc.

TEDF Chart

Taconite Economic Development Fund M.S. 298.227

Pay 2011 (2010 production)

| PRODUCER | 15.4 c-p-t | 14.7 c-p-t | Total TEDF Pay 2011 | Producer Match 7.35 c-p-t |
|-------------------------|------------------|------------------|---------------------------|---------------------------------|
| Hibbing Taconite | 793,066 | 757,017 | 1,550,083 | 378,509 |
| ArcelorMittal - Minorca | 456,979 | 320,497 | 777,476 | 160,249 |
| Magnetation, Inc. | 11,700 | 1,280 | 12,980 | 640 |
| Northshore | 748,048 | 636,039 | 1,384,087 | 318,020 |
| US Steel - Keetac | 623,871 | 471,483 | 1,095,354 | 235,742 |
| US Steel - Minntac | 1,717,155 | 1,612,199 | 3,329,354 | 806,100 |
| United Taconite | 848,445 | 675,826 | 1,524,271 | 337,913 |
| Totals | 5,199,264 | 4,474,341 | 9,673,605 | 2,237,171 |

Reference: Department of Revenue Minerals Tax Office, February 2011.

Note: Chips and fines are reflected in the 15.4 c-p-t amount.

c-p-t = cents per ton

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

Magnetation, Inc.



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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

Other

- a) Iron Range Higher Education Account
 - (1) Technical Correction to Resolution No. 11-039

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



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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.