

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

**State Office Building, Room 300 South
St. Paul, Minnesota**

Friday, May 4, 2012

MEETING OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD
State Office Building, Room 300 South, Minnesota
Friday, May 4, 2012
8:30 a.m.

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**MEETING OF THE IRON RANGE RESOURCES
AND REHABILITATION BOARD
State Office Building, Room 300 South
St. Paul, Minnesota
Friday, May 4, 2012 – 8:30 a.m.**

Agenda

- 1) Roll Call

- 2) Approval of the April 12, 2012, Minutes

- 3) Commissioner's Comments

- 4) Taconite Area Environmental Protection Fund
Action required: Project approval requires 7 votes
 - a) DeCare Dental, LLC

- 5) Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 8 votes
 - a) Ellefson Off Highway, Inc.

- 6) Other

- 7) Adjournment

Approval of the April 12, 2012, Minutes

Thursday, April 12, 2012

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 Carly Melin, Senator John Carlson, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura and Mr. Jack Ryan. Excused: Representative Carolyn McElfatrick, Senator Tom Bakk, Senator Paul Gazelka, Senator Tom Saxhaug. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Doug Gregor, Assistant Attorney General; Steve Peterson, Executive Director of Development; Matt Sjoberg, Director of Development; Dave Hart, Assistant Director Business Development; Richard Walsh, Community Development Representative, Jim Plummer, Community Development Representative; Jean Dolensek, Chief Financial Officer; Dan Jordan, Mining and Reclamation Supervisor; Sheryl Kochevar, Communications and Marketing Coordinator; Janette Paul, Executive Assistant; Roy Smith, Workforce Development Coordinator; Lee Bloomquist, Information Officer; Doug Green, President, and Mark Krezowski, Executive Advisor, American Peat Technology; Daniel Shea, President, Furin & Shea; Rick Christenson, President, R.C. Fabricators; Tim Bungarden, Owner & CEO and Laura Rusich, Comptroller, Cast Corporation and St. Louis County Commissioner Keith Nelson.

II. Approval of the December 14, 2011, Minutes

Action required: Approval requires 7 votes

Senator John Carlson moved approval of the December 14, 2011, minutes. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Carolyn McElfatrick, Senator Tom Bakk, Senator Paul Gazelka, Senator Tom Saxhaug

IV. Douglas J. Johnson Economic Protection Trust Fund

Action required: Approval requires 8 votes

a. American Peat Technology – Resolution No. 12-023

Motion by Representative Tom Anzelc to approve the American Peat Technology request for financial assistance in the form of a direct loan, in an amount not to exceed \$100,000, which will allow the company to continue its work with NRRI to modify its APTsorb product to target specific pollutants, such as mercury and sulfates, as presented in Resolution No. 12-023. Seconded by Senator David Tomassoni. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Carolyn McElfrick, Senator Tom Bakk, Senator Paul Gazelka, Senator Tom Saxhaug

American Peat Technology, LLC
Direct Loan Program

APPLICANT:
American Peat Technology, LLC

PRINCIPAL(S):
Douglas Green, President

BRIEF PROJECT DESCRIPTION:
American Peat Technology, LLC (APT), was formed in 2003 and began producing powdered and granulated peat for the seed inoculant industry.

APT has continued to explore other uses for peat products. Recently, APT developed a product that effectively removes dissolved heavy metals from both water and soil. This product, APTsorb, is effective in treating stormwater, mine dewatering and process water.

Currently, APT is working with the University of Minnesota, Duluth's Natural Resources Research Institute (NRRI) to develop an APTsorb product that will be effective in removing other specific pollutants, such as, mercury and sulfates.

PROJECT COST:
\$201,273

PROJECT BREAKDOWN:

IRRRB Direct Loan at formula rate, repayment on royalties over 10 years	\$100,000
American Peat Technology	\$ 51,273
NRRI	\$ 50,000

COLLATERAL:

IRRRB will hold a shared first-position lien on the intellectual property developed as a result of this project.

JOBS:

5 2 full-time jobs created with wages of \$12.50 to \$22/hr. plus benefits.

CONTINGENCIES:

None.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

The Technical Advisory Committee recommended approval of the project on April 3, 2012

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:

American Peat Technology, LLC (APT) was formed in August 2003. APT purchased all assets and intellectual property of the former Peat Technologies Corp. New equipment was built and the plant started producing BioAPT, a granular or powdered peat product that serves as carrier of the rhizobia bacteria for sale to the seed inoculant industry to enhance the growth and productivity of legume crops, particularly soybeans.

APT is also developing new products and pursuing new markets. A recent product developed is APTsorb, which is used to treat various wastewater streams. APTsorb is used to treat stormwater, mine dewatering and process water to remove various heavy metals.

The current work being done in partnership with UMD's NRRI indicates that the peat can be modified to target specific pollutants. The goal is to modify the APTsorb product to target mercury and sulfate. If successful, this will have significant impact on Northeast Minnesota's mining industry.

MANAGEMENT TEAM:

Douglas Green, President, joined the company in 2003 and is involved in all facets of the business. Mr. Green holds an M.S. in geology from Utah State University and has over 20 years of experience in mining and minerals exploration.

Ryan Menzel, Vice President of Operations and Safety, joined APT in 2006. He holds a B.A. in Management from the College of St. Scholastica and an M.B.A. from Capella University.

Mark Krezowski, Executive Advisor, holds engineering degrees from the University of Minnesota and an M.B.A. from St. Thomas University.

William Forder, Executive Advisor, holds a Mechanical Engineering degree from the University of Minnesota and has many years of experience as a successful businessman.

Peggy Jones, Lab Manager and Research Chemist, holds degrees in biology and environmental studies. She has been with APT since 2008 and works closely with NRRI in the development of new APT products.

MARKET OPPORTUNITY:

American Peat Technology's BioAPT products currently provide strong cash flow for the company. The new product line, APTsorb, is an effective, economical solution for wastewater treatment and removal of heavy metals. If successful in removing mercury and sulfates from waste water, APTsorb will not only have a significant impact on Minnesota's mining industry, but will impact many industries located around the world.

COLLATERAL REVIEW:

Collateral for this loan consists of a lien on the intellectual property to be developed with NRRI's assistance. If marketable products are not developed as a result of this project, collateral value will be negligible.

PAST IRON RANGE RESOURCES HISTORY:

IRRRB advanced \$100,000 under a Bank Participation Loan to APT for equipment in 2006. The loan has been repaid in full.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
FUNDING FOR DIRECT LOAN FOR
AMERICAN PEAT TECHNOLOGY, LLC PROJECT**

Resolution No.: 12-023

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 FY12 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, American Peat Technology, LLC, a Minnesota limited liability company ("APT"), which has its principal offices in Aitkin, Minnesota, at a location within the TAA, has made application to the Commissioner for financial assistance to enable it, in combination with funds provided from other sources, to develop, in collaboration with the University of Minnesota's NRRI research team, a new peat product line that is anticipated to be an effective and economical solution for treating water to remove sulfates and mercury, which new product, if successful, could have a significant impact on Minnesota's mining industry (the "**Proposed Project**"); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$100,000 of FY12 DJJ Business Development Project funds to provide a direct loan in the amount of \$100,000 to APT to enable it to finance, in connection with at least an equivalent amount of funds from other sources, the costs of the Proposed Project, with said direct loan to be made 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 April 3, 2012, and recommended approval of the requested financial assistance for the Proposed Project; and

WHEREAS, the Board met at the agency's Administration Building near Eveleth on Thursday, April 12, 2012, at 10:00 a.m. to consider, among other matters, APT's request for financial assistance for the Proposed Project; and

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

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$100,000 of FY12 DJJ Business Development Project funds to provide a direct loan in the amount of \$100,000 to American Peat Technology, LLC to enable it to finance, in connection with at least an equivalent amount of funding from other sources, the costs of the Proposed Project, with such direct loan to be made 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 12th DAY OF APRIL 2012.

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	0	0	4

Signed: _____
Tom Rukavina, Chair

b. Furin & Shea Welding & Fabricating, Inc. – Resolution No. 12-024

Motion by Representative Carly Melin to approve the Furin & Shea Welding & Fabricating, Inc. request for financial assistance in the form of a bank participation loan, in an amount not to exceed \$170,000, to purchase additional manufacturing equipment, as presented in Resolution No. 12-024. Seconded by Senator David Tomassoni. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Carolyn McElfatrick, Senator Tom Bakk, Senator Paul Gazelka, Senator Tom Saxhaug

Furin & Shea Welding & Fabricating, Inc.
Bank Participation Loan Program

APPLICANT:

Furin & Shea Welding & Fabricating, Inc.

PRINCIPAL(S):

David Furin & Daniel Shea

BRIEF PROJECT DESCRIPTION:

Purchase additional manufacturing equipment.

PROJECT COST:

\$340,000

PROJECT BREAKDOWN:

Bank loan, 7-year term	\$170,000
IRRRB bank participation loan, 7-year term at formula rate	170,000

COLLATERAL:

New equipment to be purchased, existing equipment and personal guarantees of the principals.

JOBS:

This project will result in the creation of two full-time positions with wages of \$15 to \$20 per hour plus a full benefit package.

CONTINGENCIES:

Bank financing, as indicated above, must be approved.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

The Technical Advisory Committee recommended approval of the project on April 3, 2012.

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:

Furin & Shea was established by David Furin and Daniel Shea in 1979 and serves the mining, paper, power generation and construction industries around the world with complete steel fabrication from design to delivery. Furin & Shea also manufactures products for OEM equipment companies that service the mining industry locally and abroad. They also provide engineering and detailing services to their customers.

This project will increase their capabilities with the addition of a New Standard Industrial 600 ton press-brake.

MANAGEMENT TEAM:

Daniel Shea, President, owns 40% of the company.
David Furin, Treasurer, owns 40% of the company.
Aaron Tronnes, Mechanical Engineer, owns 10% of the company.
Jim Perry, Sales Manager, owns 10% of the company.

MARKET OPPORTUNITY:

As a well-established company, Furin & Shea will continue to market their products and services around the world. This project will allow them to expand their services and increase sales to existing OEM accounts.

COLLATERAL REVIEW:

The loan will be secured with all business equipment and the personal guarantees of owners David Furin and Daniel Shea. Collateral is considered adequate.

PAST IRON RANGE RESOURCES HISTORY:

No past history with the IRRRB.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
FUNDING FOR PURCHASE OF A PARTICIPATION INTEREST IN
LOAN FOR FURIN & SHEA PROJECT**

Resolution No.: 12-024

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 FY12 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, Furin & Shea Welding & Fabricating, Inc., a Minnesota business corporation which has its principal office and production facilities located within the TAA (“**Furin & Shea**”), has made application to the Commissioner for financial assistance to enable it, in combination with funds provided from other sources, to purchase additional manufacturing equipment for its manufacturing facility in Hibbing (the “**Proposed Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$170,000 of FY12 DJJ Business Development Project funds to purchase a participation interest

in a \$340,000 bank loan which is being made to enable Furin & Shea to finance the costs of the Proposed Project, with said participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting (the “**Board Packet Materials**”); and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on April 3, 2012, and recommended approval of the requested financial assistance for the Proposed Project; and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Thursday, April 12, 2012, at 10:00 a.m. to consider, among other matters, Furin & Shea’s request for financial assistance for the Proposed Project; and

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

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$170,000 of FY12 DJJ Business Development Project funds to purchase a participation interest in a \$340,000 bank loan which is being made to enable Furin & Shea to finance the costs of the Proposed Project, with such participation interests to be purchased on the terms and subject to the conditions set forth in the Board Packet Materials.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 12th DAY OF APRIL 2012.

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	0	0	4

Signed: _____
Tom Rukavina, Chair

c. R.C. Fabricators, Inc. – Resolution No. 12-025

Motion by Mr. Jack Ryan to approve the R.C. Fabricators, Inc. request for financial assistance in the form of a bank participation loan, in an amount not to exceed \$175,578, to purchase a machining center and sandblasting equipment and the expansion of a facility to house the equipment, as presented in Resolution No. 12-025. Seconded by Mr. David Chura. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Carolyn McElpatrick, Senator Tom Bakk, Senator Paul Gazelka, Senator Tom Saxhaug

R. C. Fabricators, Inc.
Bank Participation Loan Program

APPLICANT:
R.C. Fabricators, Inc.

PRINCIPAL(S):
Rick Christenson, President.

BRIEF PROJECT DESCRIPTION:
Equipment and building expansion.

PROJECT COST:
\$353,156

PROJECT BREAKDOWN:

Bank loan, 7-year term	\$176,578
IRRRB bank participation loan, 7-year term at formula rate	176,578

COLLATERAL:
Existing and new equipment. Personal guaranty of owner.

JOBS:
In addition to retaining 29 full-time positions, this expansion project will create 5 full-time positions at \$13.50 to \$19.00 per hour plus benefits.

CONTINGENCIES:
Bank financing, as indicated above, must be approved.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

The Technical Advisory Committee recommended approval of the project on April 3, 2012

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:

R. C. Fabricators, Inc. was formed in 1993 and serves the mining, paper and custom-machine building industries. This project consists of the addition of a machining center and sandblasting unit with related equipment and the construction of a facility to house the sandblasting unit.

MANAGEMENT TEAM:

Rick Christenson, President, is the sole owner of R. C. Fabricators, Inc. Over the past 18 years, he has grown the company to serve customers in the United States, Mexico and Canada.

MARKET OPPORTUNITY:

The outlook for the mining and custom machine building industries is strong and the outlook for fabricators, such as R. C. Fabricators that serve these industries is strong as well.

COLLATERAL REVIEW:

Collateral for the loan will consist of equipment, inventory and accounts receivable. In addition, the loan will have the personal guaranty of owner, Rick Christenson. Collateral coverage is considered sufficient.

PAST IRON RANGE RESOURCES HISTORY:

No history with the IRRRB.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
FUNDING APPROVAL FOR PURCHASE OF PARTICIPATION INTEREST IN
LOAN FOR R.C. FABRICATORS, INC. PROJECT**

Resolution No.: 12-025

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 FY12 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, R. C. Fabricators, Inc., a Minnesota business corporation (“**R.C. Fabricators**”), has made application to the Commissioner for financial assistance to enable it, in combination with funds provided from other sources, to purchase additional manufacturing equipment and to expand its manufacturing facility in Hibbing, which is a city located within the TAA (the “**Proposed Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$176,578 of FY12 DJJ Business Development Project funds to purchase a participation interest in a \$353,156 bank loan which is being made to enable R.C. Fabricators to finance the costs of the Proposed Project, with said participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting (the “**Board Packet Materials**”); and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on April 3, 2012, and recommended approval of the requested financial assistance for the Proposed Project; and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Thursday, April 12, 2012, at 10:00 a.m. to consider, among other matters, R.C. Fabricator’s request for financial assistance for the Proposed Project; and

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

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$176,578 of FY12 DJJ Business Development Project funds to purchase a participation interest in a \$353,156 bank loan which is being made to enable R.C. Fabricators to finance the costs of the Proposed Project, with such participation interests to be purchased on the terms and subject to the conditions set forth in the Board Packet Materials.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 12th DAY OF APRIL 2012.

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	0	0	4

Signed: _____

Tom Rukavina, Chair

d. Cast Corporation – Resolution No. 12-026

Motion by Senator David Tomassoni to approve the Cast Corporation request for financial assistance in the form of a bank participation loan, in an amount not to exceed \$390,000, for the expansion of its facility, specifically the construction of an 8,200 square foot addition, as presented in Resolution No. 12-026. Seconded by Representative Carly Melin. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Carolyn McElfatrick, Senator Tom Bakk, Senator Paul Gazelka, Senator Tom Saxhaug

Cast Corporation
Bank Participation Loan Program

APPLICANT:
Cast Corporation

PRINCIPAL(S):
Tim Bungarden

BRIEF PROJECT DESCRIPTION:
Expansion of business to include an addition of 8,200 square foot expansion to existing facility.

PROJECT COST:

\$930,000

PROJECT BREAKDOWN:

IRRRB participation loan (up to 20 years, formula rate)	\$390,000
Security State Bank of Hibbing (up to 20 years, negotiated rate)	\$390,000
Security State Bank of Hibbing (revolving credit line)	<u>\$150,000</u>
	\$930,000

COLLATERAL:

Shared first position real estate mortgage on property.

JOBS:

13 FTE positions retained and 5 new FTE positions created. Wages range from \$13-25 with a benefit package that included company paid health insurance.

CONTINGENCIES:

An appraisal of collateral acceptable to Security State Bank and the IRRRB is obtained. Additional alternative collateral may be considered in the event that an appraisal of the property does not support the contemplated level of debt.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Approval on April 3, 2012

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:

Cast Corporation, incorporated in 1995, produces tooling, castings and production machining for the automotive, recreational, heavy equipment, and electrical utility industries. Recently the company has added truncated domes to its product line. The truncated domes are Americans with Disabilities Act compliant detectable warning plates installed in sidewalks that are sold to cities, counties, states and private parties.

In 2005 the business relocated from Buhl to its present location, a 13,000 square foot facility on Highway 37 in Hibbing just west of the Range Regional Airport. The contemplated expansion of the business would include an 8,200 square foot addition that will allow the business to meet their growing sales volume.

MANAGEMENT TEAM:

Tim Bungarden, the owner and CEO, founded Cast in 1995. Prior to that time, he was employed at Intermet Corporation in Hibbing as a manufacturing manager for four years. He grew up involved in a family owned foundry in western Minnesota and holds a B.S. degree in Metalurgical Engineering.

MARKET OPPORTUNITY:

The contemplated expansion will allow the company to continue to grow and diversify its products to its existing and new customer base.

COLLATERAL REVIEW:

The loan will be secured with a shared first position real estate mortgage. 8,200 square feet will be added to the existing 13,000 square foot facility as part of this expansion. An appraisal acceptable to Security State Bank and the IRRRB, with a maximum loan to value of 80%, will be required to support the loan. In the event that the appraisal does not support the contemplated level of debt, additional alternative collateral may be considered.

PAST IRON RANGE RESOURCES HISTORY:

Cast Corporation currently has an outstanding bank participation loan with the agency. The agency portion of the loan has an original principal balance of \$250,000, has a current balance of \$147,000, and is secured by a real estate mortgage. This loan has been paid as agreed.

The company also had a bank participation loan secured with equipment. The loan had an original balance of \$165,000, was paid as agreed and has been paid in full.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
FUNDING APPROVAL FOR PURCHASE OF A PARTICIPATION INTEREST IN
LOAN FOR CAST CORPORATION PROJECT**

Resolution No.: 12-026

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 FY12 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, Cast Corporation., 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 expand its manufacturing facility in Hibbing, which is located within the TAA (the “**Proposed Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$390,000 of FY12 DJJ Business Development Project funds to purchase a participation interest in a \$780,000 bank loan which is being made to enable Cast Corporation to finance the costs of the Proposed Project, with said participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting (the “**Board Packet Materials**”); and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on April 3, 2012, and recommended approval of the requested financial assistance for the Proposed Project; and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Thursday, April 12, 2012, at 10:00 a.m. to consider, among other matters, Cast Corporation’s request for financial assistance for the Proposed Project; and

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

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$390,000 of FY12 DJJ Business Development Project funds to purchase a participation interest in a \$780,000 bank loan which is being made to enable Cast Corporation to finance the costs of the Proposed Project, with such participation interests to be purchased on the terms and subject to the conditions set forth in the Board Packet Materials.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 12th DAY OF APRIL 2012.

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	0	0	4

Signed: _____
Tom Rukavina, Chair

V. Taconite Area Environmental Protection Fund
Action required: Approval requires 7 votes

a) Amendment to FY12 Budget – Resolution No. 12-021

Motion by Representative David Dill to amend the agency’s FY12 Budget to add \$321,777 transferred TEDF funds (an action taken by the Board at its December 14, 2011, meeting) and also an additional \$34,983 of other FY12 TEPF funds in the Carryforward balance into the Public Works Projects line item in the FY12 Budget, as presented in Resolution No. 12-021. Seconded by Representative Carly Melin. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Carolyn McElfatrick, Senator Tom Bakk, Senator Paul Gazelka, Senator Tom Saxhaug

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

Resolution No.: 12-021

WHEREAS, the Board and Governor have previously approved a FY12 Budget pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11, for the funding of the operational expenditures, programs and projects of the agency during the State’s fiscal year 2012 (the “**FY12 Budget**”); and

WHEREAS, as result of prior amendments of that FY12 Budget the Board has made a total of \$8,742,564 available for Public Works Projects in the FY12 Budget; and

WHEREAS, the Board at its December 14, 2011, took actions that resulted in the transfer into the FY12 Budget’s Carryforward balance, for credit to the Taconite Area Environmental Protection Fund account (“**TEPF**”), of the sum of \$321,777, which funds previously had been available for expenditure under the provisions of the Taconite Economic

Development Fund (the “**December Transferred TEDF Funds**”); and

WHEREAS, the Commissioner has requested the Board to approve an amendment of the FY12 Budget to add both the amount of the December Transferred TEDF Funds and also an additional \$34,983 of other FY12 TEPF funds in the Carryforward balance (the “**Special Transfer Amount**”) into the Public Works Projects line item in the FY12 Budget, which action would have the cumulative effect of increasing the authorized balance in the FY12 Budget’s Public Works Projects Budget line item by \$356,760 (the “**Proposed Budget Amendment**”) to the total sum of \$9,099,324 for FY12; and

WHEREAS, the Board met in open session at 10:00 a.m. on April 12, 2012, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the Proposed Budget Amendment and determined that amending the FY12 Budget as proposed would help promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board approves amending the FY12 Budget to add both the full amount of the December Transferred TEDF Funds and also the Special Transfer Amount to the Public Works Projects line item in the FY12 Budget, thereby cumulatively increasing the authorized amount of the FY12 Budget line item for Public Works Projects to the sum of \$9,099,324, of which \$429,700 has not yet been approved for expenditure.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 12th DAY OF APRIL 2012.

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 McElfpatrick				X
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	9	0	0	4

Signed: _____
 Tom Rukavina, Chair

b) Public Works Infrastructure Grants – Resolution No. 12-022

Motion by Mr. Joe Begich to approve public works infrastructure grant requests in an amount not to exceed \$429,700, as presented in Resolution No. 12-022. Seconded by Representative Tom Anzelc. Motion carried.

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

Voting Against the Motion: None

Abstain: Mr. Jack Ryan

Excused: Representative Carolyn McElfatrick, Senator Tom Bakk, Senator Paul Gazelka, Senator Tom Saxhaug

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

Resolution No.: 12-022

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

WHEREAS, the agency’s approved FY12 Budget, as amended earlier this date, includes the allocation of \$9,099,324 of TEPF Funds for Public Works Projects (“**TEPF Public Works Funds**”), of which sum \$429,700 has not yet been approved by the Board for expenditure during FY12; and

WHEREAS, the Commissioner has received proposals for the expenditure of up to \$429,700 of such TEPF Public Works Funds for those certain community and economic development projects that are more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Projects**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on April 12, 2012, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of TEPF Funds for the purposes and in the amounts specified below would be in the public interest and promote economic development within the TAA; and

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$429,700 of FY12 TEPF Public Works Funds to provide grants for the Proposed Projects to the cities of Eveleth, Hibbing and Kinney and to the Chisholm-Hibbing Airport Authority in the amounts and for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY 12 TEPF Public Works Funds for the City of Hibbing’s Proposed Project which has associated private development work is contingent upon the agency, in its grant contract with the City, requiring such grantee entity to commit to entering into a development agreement with Iracore under the terms of which the payment of prevailing wages, consistent with the requirements the Board’s Resolution 96-005, will be paid by contractors of Iracore that are engaged in the expansion project construction work.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of \$429,700 of FY12 TEPF Public Works Funds for the Proposed Projects is further contingent upon the grantee in each case having all of the project financing for its Proposed Project in place before the agency’s funds for that project are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 12th DAY OF APRIL 2012.

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	8	0	1	4

Signed: _____
Tom Rukavina, Chair

**EXHIBIT A
PUBLIC WORKS GRANTS APRIL - FY12**

Chisholm – Hibbing Airport Authority (CHAA)

Grant Amount: \$150,000

The project is comprised of design cost for the remodeling of 12,734 sq. ft. and expansion of 5,750 sq. ft. of the Range Regional Airport Passenger Terminal building. The remodeling and expansion will include: restrooms in the boarding lounge area; expansion of security checkpoint, check-in, baggage inspection and updates to HVAC, lighting and wall insulation. CHAA is seeking \$5 million dollars in 2012 bonding funds for the project. The project is expected to create 35 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Terminal	\$5,000,000	IRRRB	\$150,000
Remodeling /expansion			
A&E	448,000	Applicant/bonding/FAA	5,298,000
TOTAL	\$5,448,000	TOTAL	\$5,448,000

City of Eveleth

Grant Amount: \$35,000

The project is comprised of the replacement of the air conditioning system at the United States Hockey Hall of Fame Museum, which is a city-owned facility. The old system was installed in 1972 and has been repaired many times. The system is no longer repairable. Funding matches will come from the city and other outside sources.

<u>USES</u>		<u>SOURCES</u>	
Air conditioning system	\$65,000	IRRRB	\$35,000
		City/other sources	30,000
TOTAL	\$65,000	TOTAL	\$65,000

City of Hibbing

Grant Amount: \$211,000

The project is comprised of water, sewer, roads and site work for the \$1.269 million dollar expansion of Iracore on 13th Ave East in North Hibbing. The project also includes relocation of a building for the expansion. The project is expected to create 20 FTE jobs over the next five years, and approximately 9 FTE construction jobs, plus the retention of 100 jobs.

<u>USES</u>		<u>SOURCES</u>	
Development & Relocation of building	\$1,269,000	IRRRB	\$211,000
Infrastructure & site work	211,000	Private	1,269,000
TOTAL	\$1,480,000	TOTAL	\$1,480,000

City of Kinney

Grant Amount: \$33,700

The project is comprised of refurbishing the sand filters in their water treatment plant, the last time this was done is 1979. They will remove the sand from existing filters, install new piping for the air wash and drain grid and install filter sand.

<u>USES</u>		<u>SOURCES</u>	
Refurbishing sand filters	\$33,957	IRRRB	\$33,700
		City	257
TOTAL	\$33,957	TOTAL	\$33,957

c) IRRRB Residential Redevelopment Program – Resolution No. 12-020

Motion by Representative David Dill to approve an expenditure from the TEPF, not to exceed \$350,000, for the IRRRB Residential Redevelopment Program, as presented in Resolution No. 12-020, with a friendly amendment to delete the words *proposed guidelines for the new* as shown below in the BE IT FURTHER RESOLVED paragraph of Resolution No. 12-020. Motion carried.

BE IT FURTHER RESOLVED that the Board approves the Commissioner’s ~~proposed guidelines for the new~~ Residential Redevelopment Program and the expenditure by the Commissioner of up to \$350,000 of the FY12 TEPF Funds in the new “Residential Redevelopment Program” budget line item as approved above to implement and administer the said new Residential Redevelopment Program.

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

Voting Against the Motion: None

Abstain: None

Excused: Mr. Joe Begich

IRRRB Residential Redevelopment Program



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 & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: April 12, 2012

Re: IRRRB RESIDENTIAL REDEVELOPMENT PROGRAM

The former residential building demolition program has been in hiatus since 2010. The demand for removing dilapidated structures has grown and reached a level needed to restart the program. With recent staff reductions and the costs of replacing our old equipment, it is no longer practical for the agency to operate the program in its traditional format.

I am proposing a new structure for a Residential Redevelopment Program which addresses how the IRRRB can best serve the needs of our communities. Cities and townships can access the program in one of two options. The first option will best serve our larger communities and their adjacent neighbors. TAA cities and townships that have the staff, equipment and ability to demolish and remove dilapidated residences can apply to perform the demolition in-house, agree to meet and follow guidelines, secure all necessary authorizations and receive cost share reimbursement from the IRRRB upon complete demolition, removal and site cleanup of a structure.

The second option is for cities or townships to hire licensed, insured contractors to perform the demolition work on behalf of the city or township. The contractor retained by the city or township is required under the program to pay its workers prevailing wages. Cities and townships are strongly encouraged to collaborate with neighboring cities and townships to schedule projects geographically to minimize the overhead costs.

Currently, 84 structures are on a "to do" list for 2012 demolition. These structures are located in Babbitt, Buhl, Chisholm, Ely, Eveleth, Gilbert, Grand Rapids, Hibbing, Hoyt Lakes, Keewatin, Kelly Lake, Mountain Iron, Nashwauk, Palo, Pengilly, Soudan, Two Harbors, and Virginia. Additional structures are expected to be added to the list upon Board approval of the program.

Reconfiguring the Residential Redevelopment Program will allow it to encourage our communities to maintain aesthetically pleasing appearances, keep our communities clean, safe and healthy, remove impediments for new development and tax base and encourage collaboration among communities.

The new Residential Redevelopment Program also provides additional work for licensed, insured contractors and direct employment for their workers. Utilizing contractors to perform the demolition work will allow numerous structures in multiple communities across the TAA to be simultaneously demolished. This will allow for the demolition and removal of a larger number of structures on an annual basis.

I am proposing that the Board repurpose \$350,000 from the FY12 Taconite Area Environmental Protection Fund to the Residential Redevelopment Program in support of TAA communities.

HISTORY

For 36 years, the Iron Range Resources & Rehabilitation Board has improved the region's quality of life by removing dilapidated residential structures within the Taconite Assistance Area. The program, which began in 1972, has demolished more than 6,800 residential structures over that time, paving the way for cleaner, safer and healthier communities and removing impediments for new development. From 2002 to 2007, the program was suspended due to an economic downturn, dwindling inventory and budget constraints. In 2007, at the request of nine cities which demonstrated a need, the program was reinstated for two years with 77 residential structures targeted for demolition. Although scheduled to conclude in 2008, the program was extended for an additional two years, as a result of demand and need. In November 2010, the agency completed its list of structures to be demolished. This, along with staff reductions and aging equipment, resulted in the program being returned to its hiatus status.

Since its inception, more than 600 structures have been razed in the city of Hibbing and more than 500 in the city of Virginia. On average, one structure has been removed for every 1.9 square miles within the 13,000 square-mile Taconite Assistance Area. New construction has occurred at approximately 50 percent of the demolition sites, strengthening the tax base of each community and the region.

The program has been exemplary and award winning. In 1988, the program received the federal "Public Service Excellence Award." In 1996, the program received the Range Association of Municipalities & Schools "Innovative Services Award," named in honor of Rudy Perpich.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
BUDGET TRANSFER FROM TEPF PUBLIC WORKS FUNDS TO
RESIDENTIAL REDEVELOPMENT PROGRAM**

Resolution No.: 12-020

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

WHEREAS, the agency’s approved FY12 Budget includes the allocation of \$58,571 of TEPF Funds in the Operations section for Residential Building Demolition operations (“**RBD Funds**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$350,000 of FY12 TEPF Funds for a new agency program that is to be known as the Residential Redevelopment Program that will be administered by the agency staff in accordance with the guidelines and for the purposes set forth in materials and statements provided to the Board at its meeting held on April 12, 2012 (the “**Residential Redevelopment Program**”); and

WHEREAS, the Commissioner has requested the Board to approve the re-allocation of the \$58,571 of RBD Funds and the transfer of \$291,429 of the TEPF Funds in the FY12 carryforward balance to a new budget line item in the Programs section of the FY12 Budget that would be identified as the “Residential Redevelopment Program” budget line item; and

WHEREAS, the Board met in open session at 10:00 a.m. on April 12, 2012, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the proposed transfer of RBD Funds and TEPF carryforward Funds into the new “Residential Redevelopment Program” budget line item and the approval of the expenditure of such funds for the Commissioner’s proposed new Residential Redevelopment Program.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the modification of the approved FY12 Budget to establish a new Program line item in the FY12 Budget that would be identified as the “Residential Redevelopment Program” budget line item and to transfer into that new budget line item the \$58,571 of RBD Funds and the \$291,429 of TEPF carryforward Funds.

BE IT FURTHER RESOLVED that the Board approves the Commissioner’s Residential Redevelopment Program and the expenditure by the Commissioner of up to \$350,000 of the FY12 TEPF Funds in the new “Residential Redevelopment Program” budget line item as approved above to implement and administer the said new Residential Redevelopment Program.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 12th DAY OF APRIL 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson	X			
Senator Paul Gazelka				X
Senator Tom Saxhaug				X
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Carolyn McElfrick				X
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich	X			
Mr. David Chura	X			
Mr. Jack Ryan	X			
TOTAL	9	0	0	4

Signed: _____
 Tom Rukavina, Chair

5) Adjournment

The meeting adjourned at 11:50 a.m.

Taconite Area Environmental Protection Fund

Action Required: Approval requires 7 votes

- a) DeCare Dental, LLC

DeCare Dental, LLC Capital Investment

APPLICANT:

DeCare Dental, LLC

PROJECT LOCATION:

Gilbert, Minnesota

PROJECT DESCRIPTION:

DeCare Dental, LLC (“DeCare”) has approached the agency with a desire to increase the capacity of its Gilbert service center as a result of additional business opportunities. The proposed 10,260 square foot expansion would provide space to accommodate 120 additional work stations in the facility, bringing its total capacity to 335 work stations. A preliminary budget for the expansion of the building estimates the costs to be \$2,000,000, including: construction costs; architectural and engineering; other soft costs, and; reasonable contingencies. In addition, an expansion to the parking area, across Alaska Avenue and other improvements to the site are estimated to cost \$553,500, including all hard and soft costs.

The current proposal under consideration would have the IRRRB construct the addition to the facility, bringing the total space under lease to approximately 32,310 square feet. DeCare would enter into a 20 year lease for the facility at an annual rate of \$2.85 per square foot, on a triple net basis. DeCare would have the right to terminate the lease after its initial seven year term with a six month notice to the agency. DeCare would have the right to purchase the facility, along with the parking areas, at any time after the initial five year period of the lease for the unamortized amount of the current contemplated IRRRB capital investment, using a discount rate of 3%. The existing lease between the IRRRB and Delta Dental Plan of Minnesota (“Delta”) (and DeCare through the aforementioned sublease) would be terminated upon execution of the new lease. The City of Gilbert would provide the contemplated site improvements, including the additional parking lot, and lease the area to DeCare for nominal consideration.

DeCare, a wholly owned subsidiary of WellPoint, provides administrative services to leading dental benefit carriers, including Delta. DeCare manages revenue in excess of \$1 billion annually, supporting 4.6 million individuals in over 25,000 employer groups including Fortune 500 corporations as well as nonprofit organizations, government entities, and small to mid-size businesses. Services provided out of its Gilbert service center include customer service, claims processing, and market support. As of March 2012, DeCare has 158 full-time employees at its Gilbert center. All lease payments and other obligations of DeCare and Delta have been fulfilled as agreed.

PROJECT COST:

\$2,553,500*

*Not including an undetermined cost for furniture and equipment related to the expansion that will be the responsibility of DeCare.

PROJECT BREAKDOWN:

IRRRB Capital Investment	\$2,000,000
City of Gilbert*	<u>553,500</u>
	\$2,553,500

*Infrastructure grants of \$308,750 and \$244,750 from the IRRRB and DEED, respectively, have been approved for this project.

JOBS:

The company projects 120 new positions created with 158 full-time positions retained. Average wages are in excess of \$15 with a comprehensive benefit package.

PAST IRRRB HISTORY:

In order to facilitate the lease of the former IGA building in Gilbert to Delta for the operation of a customer service center, in July 2000 the IRRRBoard approved an allocation of funding to acquire and improve the facility. The property was acquired by the agency in September of 2000 and leased to Delta upon completion of the renovation. It was anticipated that Delta would use the facility as a temporary location and would move to a new Taconite Assistance Area location within two years. Delta found the facility to meet its needs and chose to expand on site. In 2001, the IRRRB participated in the 12,600 square foot expansion of the center with financial assistance including a capital investment of \$750,000. The project was approved the IRRRBoard in June 2001 and Delta entered into a new fifteen year lease with the agency upon completion of the expansion in January 2002. In 2008, the IRRRB consented to a sublease of the facility from the nonprofit Delta to a for profit affiliate, DeCare Dental, LLC. DeCare was acquired by WellPoint, Inc. (“WellPoint”), the nation’s largest health benefits provider, in April 2009.

CONTINGENCIES:

None.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Approval at its April 3, 2012 meeting.

FUNDING AUTHORIZATION:

This project is authorized under the provisions of the Taconite Area Environmental Protection Funds, as codified under the Minnesota Statutes, Section 298.223, by supporting local economic development project located within the Taconite Assistance Area defined in Section 273.1341.

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 votes

- a) Ellefson Off Highway, Inc.

Ellefson Off Highway, Inc.
Bank Participation Loan Program

APPLICANT:

Ellefson Off Highway, Inc.

PROJECT LOCATION:

Iron, Minnesota

PRINCIPAL(S):

Christopher David Ellefson

BRIEF PROJECT DESCRIPTION:

Ellefson Off Highway, Inc. is seeking financing to assist in an expansion of its business that is engaged in the sale of used and refurbished mining equipment as well as refurbished parts from its location in Iron, MN. The company, founded in 2010, is a supplier to mining operations world-wide. This expansion would include the construction of a 42 ft. X 60 ft. machine shed as well as a 60 ft. X 150 ft. cold storage building to house parts and inventory. The proposed financing package would also provide adequate working capital to facilitate continued growth of the company.

PROJECT COST:

\$3,100,000

PROJECT BREAKDOWN:

IRRRB participation loan (up to 15 years, formula rate)	\$ 650,000
Security State Bank of Hibbing (up to 15 years, negotiated rate)	\$ 650,000
Security State Bank of Hibbing (revolving credit line)	<u>\$1,800,000</u>
	\$3,100,000

COLLATERAL:

Shared first position real estate mortgage on property. Personal guaranty of Christopher David Ellefson.

JOBS:

The company projects 9 new FTE positions created with 13 FTE positions retained. Wages range from \$16-25 with a benefit package that includes paid health insurance and a 401K plan.

MANAGEMENT TEAM:

Chris Ellefson is the owner and President of Ellefson Off Highway, Inc. Mr. Ellefson has many years of experience, across a broad range of capacities, with Dom-Ex, a company in a similar line of business that was founded by his father, Dave Ellefson, in 1982. During his years with Dom-Ex, Mr. Ellefson was exposed to all facets of the business having specialized in purchasing,

sales, and shop management. The company was sold to HE Parts International in 2006 and Mr. Ellefson decided to form his own business after leaving Dom-Ex in 2008.

Dan Houck the VP Sales and Doug Mertens the Service Manager for Ellefson Off Highway, Inc. held similar positions with Dom-Ex.

MARKET OPPORTUNITY:

The global mining of natural resources is strong at this time and this trend is expected into the intermediate future. In addition, construction markets have stabilized creating additional demand for used equipment.

COLLATERAL REVIEW:

The loan will be secured with shared first position real estate mortgage, including the existing building and the two additional buildings to be constructed as part of this project. An appraisal satisfactory to Security State Bank of Hibbing and the IRRRB, with a maximum loan to value of 80%, will be required to support the loan. The gross book value of land and buildings, which were paid for with cash, is over \$1 million and the property recently appraised at \$900,000. Additional alternative collateral may be considered in the event that the appraisal does not support the contemplated level of debt.

PAST IRRRB HISTORY:

None.

CONTINGENCIES:

An appraisal of collateral acceptable Security State Bank of Hibbing and IRRRB is obtained. Additional alternative collateral may be considered in the event that an appraisal of the property does not support the contemplated level of term debt.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Approval at its April 30, 2012 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.