EXECUTIVE COUNCIL MEETING

Thursday, May 25, 2023
10:00am

Location: G23 Senate Committee Room of the State Capitol

AGENDA

ITEM

♦ Approval of Executive Council Meeting Minutes .........................................................1
  APPROVAL
  March 2, 2023

♦ Request to Approve Collateral for State Funds ..........................................................2
  APPROVAL

♦ Designation of State Community Depository Accounts...........................................3
  APPROVAL

♦ Request to Approve Extension of a State Peat Lease in Koochiching County to Berger Horticultural Products Ltd.................................................................4
  APPROVAL

♦ Request to Approve Issuance of State Taconite Iron Ore Mining Leases in St. Louis County to Cleveland-Cliffs Hibbing Inc., Cliffs Mining Holding Sub Company, Ontario Hibbing Company, and Hibbing Development Company.........................................................5
  APPROVAL

♦ Request to Approve Issuance of State Taconite Iron Ore Mining Leases in Itasca County to Cleveland-Cliffs Minnesota Land Development LLC.........................................................6
  APPROVAL
At 10:00 am Governor Walz called the meeting of the Executive Council to order. A quorum was present.

Governor Walz brought forth the first agenda item, approval of Executive Council Meeting Minutes from November 30, 2022.

The Governor called for any discussion around the minutes. Hearing none, the Governor called for a motion to approve. Lt. Governor motioned to approve. The motion to approve the minutes, dated November 30, 2023, was approved on a voice vote.

Moving to the second agenda item, the Governor recognized Joseph Henderson, Director, DNR Division of Lands and Minerals, to present the request for approval of the issuance of two new taconite leases and amend one taconite lease under Minnesota Statutes, section 93.1925, subdivision 1. Mr. Henderson was recognized for as much time as they may consume.

Mr. Henderson provided an overview of the agenda item.

Governor Walz called for any questions regarding the approval of the taconite leases. Hearing none, Governor Walz called for any public testimony on the agenda item.

The Governor recognized Patrick Bloom from Cleveland Cliffs. Mr. Bloom urged approval of these requests. The Governor asked for any questions from the Council. Hearing none, the Governor thanked Mr. Bloom for his comments.

The Governor recognized Ms. Julie Mariucci, the St. Louis County Land Commissioner, speaking in support of the request. The Governor asked for any questions from the Council. Hearing none, the Governor thanked Ms. Mariucci for his comments.

Governor Walz called for any discussion regarding the approval of the taconite leases. Hearing none, he called for a motion to approve. So moved by Lt. Governor.

The motion was approved unanimously on a voice vote to approve the taconite leases.

Moving to the third agenda item, the Governor recognized Minnesota Management and Budget (MMB) Assistant Commissioner Jennifer Hassemer to present the request for the approval of collateral for State funds, under Minnesota Statutes, section 9.031, subdivisions 2 and 3. Assistant Commissioner Hassemer was recognized for as much time as they may consume.
Assistant Commissioner Hassemer provided an overview of the agenda item.

Governor Walz called for any discussion regarding the approval of collateral for State funds. Hearing none, he called for a motion to approve. So moved by Lt. Governor.

The motion was approved unanimously on a voice vote to approve collateral for State funds.

Governor Walz welcomed any final comments. Hearing none, Governor Walz called for a motion to adjourn the meeting. Lt. Governor so moved. The meeting was adjourned by a unanimous voice vote.

Governor Walz called the meeting adjourned at 10:14 am.
Date: May 8, 2023

To: Alice Roberts-Davis
Executive Secretary
Executive Council

From: James Schowalter
Commissioner

Phone: 651-201-8011

Subject: Approval of Collateral for State Funds

As required by Minnesota Statutes, Section 9.031, subdivisions 2 and 3, the Department of Management and Budget (MMB) requests that the Executive Council approve the list of new collateral used to secure state funds on deposit at its May 25, 2023, meeting.

Collateral to be approved by the Executive Council, under Minnesota Statutes, Section 9.031, subdivisions 2 and 3:

**US Bank**

$72,630,562.47 Federal Reserve Bank

**Bremer Bank, N.A.**

$578,785.22 Wells Fargo

APPROVED BY EXECUTIVE COUNCIL

DATE ___________________________

BY _____________________________

Executive Secretary
Office Memorandum

Date: May 8, 2023

To: Alice Roberts-Davis
   Executive Secretary
   Executive Council

From: James Schowalter
   Commissioner

Phone: 651-201-8011

Subject: Designation of State Community Depository Accounts

As required by Minnesota Statutes, Section 9.031, subdivision 1, Minnesota Management and Budget (MMB) requests that the Executive Council designate the following accounts at its May 25, 2023 meeting.

The Single Bank Community Depository account listed below is a new account that was recently bid out. The account is used by the Department of Veterans Affairs in a community having only one bank. This account is established to provide a community bank account where state agencies deposit fees and payments to the State. These funds are then withdrawn by MMB – Cash Management and deposited in the State's main bank account in St. Paul. The contract will be effective through June 30, 2025.

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Bank Name</th>
<th>Compensating Balance Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preston Vets Home H75-450</td>
<td>F&amp;M Community Bank, N.A.</td>
<td>$ 5,000.00</td>
</tr>
</tbody>
</table>

The Multiple Bank Community Depository accounts listed below are new accounts that were recently bid out. The accounts are used by various state agencies in communities having more than one bank. These accounts are established to provide community bank accounts where state agencies and deputy registrars deposit fees and payments to the State. These funds are then withdrawn by MMB – Cash Management and deposited in the State's main bank account in St. Paul. The contracts will be effective through June 30, 2025.

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Bank Name</th>
<th>Compensating Balance Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bemidji Vets Home H75-650</td>
<td>Deerwood Bank</td>
<td>$ 2,500.00</td>
</tr>
<tr>
<td>Dawson Public Safety P07-181</td>
<td>Dawson Co-op Credit Union</td>
<td>$ 30,000.00</td>
</tr>
<tr>
<td>Montevideo Vets Home H75-550</td>
<td>Minnwest Bank</td>
<td>$245,000.00</td>
</tr>
</tbody>
</table>

APPROVED BY EXECUTIVE COUNCIL

DATE _____________________________

BY _____________________________
   Executive Secretary
A. Request to Approve Extension of a State Peat Lease in Koochiching County to Berger Horticultural Products Ltd.

This request is for the approval of a negotiated peat lease to Berger Horticultural Products Ltd. The proposed lease area covers 1,190 acres in Koochiching County, Minnesota, comprising 238.32 acres of trust fund swamp lands, 670 acres of consolidated conservation area lands, and 281.68 acres of Volstead lands, all administered by the Department of Natural Resources. Berger Horticultural Products Ltd., and its predecessor in interest Koochiching County, has leased the proposed area from the State since 1998.

Authority:

State peat leases are issued pursuant to authority granted in Minnesota Statutes, section 92.50, subdivision 1 which provides, as follows:

Subdivision 1. Lease Terms. a) The commissioner of natural resources may lease land under the commissioner’s jurisdiction and control:

1) to remove sand, gravel, clay, rock, marl, peat, and black dirt;
2) to store ore, waste materials from mines, or rock and tailings from ore milling plants;
3) for roads or railroads; or
4) for other uses consistent with the interests of the state.

b) The commissioner shall offer the lease at public or private sale for an amount and under terms and conditions prescribed by the commissioner. Commercial leases for more than ten years and leases for the removal of peat that cover 320 or more acres must be approved by the Executive Council.

c) The lease term may not exceed 21 years except:

1) leases of lands for storage sites for ore, waste materials from mines, or rock and tailings from ore milling plants, or for the removal of peat may not exceed a term of 25 years; and
2) leases for commercial purposes, including major resort, convention center, or recreational area purposes, may not exceed a term of 40 years.

d) Leases must be subject to sale and leasing of the land for mineral purposes and contain a provision for cancellation for just cause at any time by the commissioner upon six months’ written notice. A longer notice period, not exceeding three years, may be provided in leases for storing ore, waste materials from mines or rock or tailings from ore milling plants. The commissioner may determine the terms and conditions, including the notice period, for cancellation of a lease for the removal of peat and commercial leases.
e) Money received from leases under this section must be credited to the fund to which the land belongs.

Application:

Pursuant to Minnesota Statutes, sections 92.50, Berger Horticultural Products Ltd ("Berger") submitted its request to extend its peat lease on May 13, 2022. The company requests to continue leasing 238.32 acres of trust fund swamp lands, 670 acres of consolidated conservation area lands, and 281.68 acres of Volstead lands.

Berger is a corporation organized under the laws of the State of Delaware. The corporation is a family-owned business and has been in existence for fifty years in Quebec, Canada. The co-chief executive officers are two granddaughters of the company’s founders. Earlier this year, the company was named one of the top women-owned businesses in Quebec. The corporation is a global leader in the production of high-quality growing media comprising of peat moss and horticultural mixes for the agricultural and nursery industries. The corporation operates 11 harvest sites and 9 production plants in North America (United States and Canada).

The State has leased this site for peat harvesting since 1998. The original lessee of the site was Koochiching County. The county saw the site as a local economic development opportunity. The lease issued to the county in 1998, with Executive Council approval, stipulated that the county must assign the lease within three years of issuance to a party with the financial and technical qualifications to hold and perform under the lease. The Department of Natural Resources approved an assignment of the lease in 2001 to Berger Horticultural Products Ltd. The current lease term will expire on June 11, 2023. The lease area is fully permitted with a state permit to mine from the Department of Natural Resources and a Section 404 permit from the United States Army Corps of Engineers. Berger has yet to harvest peat from the leased site. Berger has been a good tenant and pays its rentals on time.

The lease area has a significant harvestable peat resource, estimated at 8 million cubic yards of sphagnum peat, and it is to the state's and county’s benefit to continue to lease this site for peat harvesting.

The lease site comprises a total of 1,190 acres and are located about 20 miles northwest of the City of Big Falls. The map attached as “Exhibit A-i” shows the location of the lease area.

The commissioner has the option of negotiating the terms of the peat lease with a party who applies for a lease or offering the property for leasing through public auction. The Department of Natural Resources believes it is in the best interests of the State to issue this lease to Berger through negotiation because:

1. Berger currently leases this site for peat harvesting;
2. Berger possesses the required permits to harvest peat at this site;
3. A known state peat resource will be harvested, generating revenue for the State and Koochiching County; and
4. Re-leasing of this site continues the use of a leased peat resource, delaying the disturbance of new lands in the area for peat production.

Summary of Lease Terms:

The proposed peat lease contains terms which were negotiated with Berger. The basic terms of the state lease includes a base rental rate that increases over the term of the lease, a base royalty rate that increases annually, the requirement to submit reports and other data, the requirement to submit mining plans, and the requirement to comply with all applicable laws. Attached, as “Exhibit A-ii” is a copy of proposed Peat Lease No. MLPN200006.

Term of Lease
The proposed lease would be in effect for the term of twenty-five years, provided that the lessee complies with all the conditions of the lease. The lease contains a term which provides for the termination of the lease by the DNR if Berger has not obtained or renewed federal and state permits by December 31, 2028. Berger’s U.S. Army Corps of Engineers Section 404 permit expires in 2024. The lease also contains a term which gives the Department of Natural Resources the option to terminate the lease if Berger has not harvested peat from the leased premises by December 31, 2033.

Rental
The proposed base rental rate is $11.85 per acre per year. The base rental rate of $11.85 per acre per year is the escalated rental rate on Berger’s current peat lease, which will expire in June 2023. The proposed base rental rate is also comparable to escalated rental rates currently being paid by other state peat lessees.

Rental rates will be adjusted in 2027 and every fourth calendar year thereafter for the term of the lease. The escalator clause will use the unadjusted “Producer Price Index for Processed Materials Less Foods and Feeds” as published by the Bureau of Labor Statistics of the United States Department of Labor. However, at no time shall the rental be less than $11.85 per acre.

Royalty
The proposed base royalty to be paid by the lessee is $7.50 per ton of sphagnum moss peat. This base royalty rate is the escalated royalty rate on Berger’s current peat lease, which will expire in June 2023. The proposed base royalty is also comparable to escalated royalties currently being paid by other state peat lessees.

The royalty rates will be adjusted annually. The escalator clause will use the unadjusted “Producer Price Index for Processed Materials Less Foods and Feeds” as published by the
Bureau of Labor Statistics of the United States Department of Labor. At no time, however, will the royalty be less than $7.50 per ton of sphagnum moss peat.

**Regulatory Requirements:**

State lessees are required to comply with all regulatory laws. There is an extensive body of state law which regulates each stage of a peat mining operation on any land in the state (not just state-owned land). Peat mining operations exceeding 40 acres in size require a permit to mine from the Department of Natural Resources. The rules regarding peat mining are found at Minnesota Rules, parts 6131.0010 to 6131.0340.

Environmental review and permits may be required for new peat operations. An environmental assessment worksheet would need to be prepared for the development of a facility for the extraction or mining of peat that would excavate 160 acres or more during its existence. An environmental impact statement would be required to develop a facility for the extraction or mining of peat that would utilize 320 acres or more during its existence. The Minnesota Pollution Control Agency has permit authority associated with mining regarding air and water quality issues. Dewatering activities may require a water appropriation permit from the Department of Natural Resources.

The lessee is required to provide financial assurance to the State prior to any ground disturbance associated with peat mining to ensure the site is reclaimed after mining activities have ended. The financial assurance instruments will be in amounts and forms acceptable to the Commissioner of Natural Resources. The amount of financial assurance is reviewed annually by the Department of Natural Resources and the financial assurance may be increased or decreased to reflect changes in estimated costs of future reclamation.

Local units of government may also regulate certain activities that involve the harvesting of peat through land use and zoning laws.

**Revenue Distribution:**

*Consolidated Conservation Area Lands*

Fifty-six percent (670.00 acres) of the total leased acreage consists of consolidated conservation area lands. Consolidated Conservation Areas lands were acquired as the result of tax forfeitures and legislative action, and the state holds these lands free from the trust in favor of the taxing districts. Fifty percent of the revenue from the lease covering these lands is returned to the respective county (Koochiching County); and fifty percent of the revenue is distributed to the state’s general fund.
Volstead Lands
Twenty-seven percent (281.68 acres) of the total leased acreage consists of Volstead lands. Volstead lands are federal public domain lands which had been subject to Volstead liens for drainage projects and have subsequently been purchased by the State of Minnesota. Fifty percent of the revenue from the lease covering these lands is returned to the respective county (Koochiching County); and fifty percent of the revenue is distributed to the state’s general fund.

Permanent School Trust Fund Lands
The remaining twenty percent (238.32 acres) of the total leased acreage consists of trust fund swamp lands acquired by the State of Minnesota through federal grant. Revenue from the lease covering these lands is deposited into the corpus of the Permanent School Fund and is invested. Interest from the Permanent School Fund is distributed to the school districts throughout the state as aid to public schools, which will be a payment in addition to the general education aid payment.

Conclusion:
It is the opinion of the Department of Natural Resources that the applicant meets the qualifications to be issued a state peat lease. It is also the opinion of the Department of Natural Resources that the lease terms are fair and reasonable and that the issuance of the negotiated state peat lease to extend Berger’s operation, under the terms set forth in this report and in the attached proposed lease, would be in the best interests of the state.
RESOLUTION

RESOLVED, by the Executive Council of the State of Minnesota, at its meeting on May 25, 2023, that in accordance with Minnesota Statutes, section 92.50, subdivision 1, it approves the following agreements that are recommended by the Commissioner of Natural Resources:

State Peat Lease Numbered MLPN200006 to be issued to Berger Horticultural Products, Ltd., covering 1,190 acres in Koochiching County, Minnesota;

on the terms set forth in the proposed agreement, which was submitted and filed with the Secretary of the Council for the Council’s May 25, 2023, meeting; and the Commissioner of Natural Resources is hereby authorized and directed to execute such agreement on behalf of the State of Minnesota.

________________________________
Executive Secretary
State Executive Council
STATE OF MINNESOTA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LANDS AND MINERALS

PEAT LEASE
PURSUANT TO
MINNESOTA STATUTES 2022, SECTION 92.50;

Lease No. MLPN200006

This lease agreement is made this 26th day of May, 2023, and effective as of June 12, 2023, by and between the State of Minnesota, under the authority and subject to the provisions of Minnesota Statutes 2022, Sections 92.50, and acting by and through its Commissioner of Natural Resources, hereinafter called the State, and

Berger Horticultural Products, Ltd.
121 RR 1
Saint-Modeste, Quebec, Canada G0L 3W0, a Delaware corporation,

hereinafter called the Lessee.

NOW, THEREFORE, in consideration of the premises and agreements herein contained, IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO, as follows:

1. TERM; DESCRIPTION OF LEASED PREMISES. The state, for and in consideration of the sum of Seven thousand eight hundred sixty-four and 41/100 ($7,864.41) Dollars to it in hand paid by the Lessee, being the rental hereinafter provided for the unexpired portion of the current calendar year, the receipt whereof is hereby acknowledged, and in further consideration of the covenants and conditions hereof to be kept and performed by the Lessee, does hereby lease and demise unto the Lessee for a term of twenty-five (25) years beginning the 12th day of June, 2023, the following described lands, hereinafter collectively called "the leased premises", situated in the County of Koochiching in the State of Minnesota,

Southwest Quarter of Southwest Quarter (SW1/4-SW1/4), except the North 330 feet, in Section Twenty-three (23),

North Half of Northwest Quarter (N1/2-NW1/4),
Southwest Quarter of Northwest Quarter (SW1/4-NW1/4),
Northwest Quarter of Southwest Quarter (NW1/4-SW1/4), in Section Twenty-six (26),

Northeast Quarter (NE1/4),
Northwest Quarter (NW1/4),
North Half of Southwest Quarter (N1/2-SW1/4),

Exhibit A-ii
Southeast Quarter of Southwest Quarter (SE1/4-SW1/4),
Northwest Quarter of Southeast Quarter (NW1/4-SE1/4), in Section Twenty-seven (27),
all in Township One hundred fifty-six (156) North, Range Twenty-eight (28)
West, containing 670.00 acres, more or less, together, referred to as the “consolidated conservation area lands”;

AND

Lot 5,
Lot 6,
Southeast Quarter of Northeast Quarter (SE1/4-NE1/4),
Lot 7,
Lot 8,
North Half of Southeast Quarter (N1/2-SE1/4), in Section Twenty-six (26), Township One hundred fifty-six (156) North, Range Twenty-eight (28), containing 238.32 acres, more or less, referred to as the “school trust lands”; and

AND

Lot 1,
Lot 2,
Lot 3,
Lot 4, in Section Twenty-six (26),

East Half of Southeast Quarter (E1/2-SE1/4),
Southwest Quarter of Southeast Quarter (SW1/4-SE1/4), in Section Twenty-seven (27),
all in Township One hundred fifty-six (156) North, Range Twenty-eight (28), containing 281.68 acres, more or less, referred to as the “Volstead lands”.

2. DEFINITIONS. For the purposes of this lease, the following words shall have the meanings ascribed to them:

(a) "Commissioner" means the Commissioner of Natural Resources of the State of Minnesota, or the commissioner's designated representative.

(b) "Peat" means organic matter, excluding coal, formed by the partial decomposition of dead plant remains covered by water. It has an ash content not exceeding 25% by dry weight.

(c) "Fibers" means plant material 0.15 mm or larger, consisting of stems, leaves, or fragments of bog plants, but containing no plant material greater than 12.7 mm. Percentages of fiber are based on oven-dried weight at 105° Celsius.

(d) "Ton" means 2,000 pounds avoirdupois.
(e) "Disturbed Area" means any part(s) of the leased premises which have been cleared of vegetation or affected by drainage, mining, or facilities related to the operations conducted under the terms of this lease.

(f) "Reclamation" means the rehabilitation of the affected land for useful purposes, and the protection of the natural resources of the surrounding area. These "useful purposes" may be different from the original condition and may include, but are not limited to, revegetation, afforestation, reforestation, planting of crops, or creation of waterfowl ponding areas.

(g) "Sphagnum Moss Peat" means peat containing a minimum of 66 2/3% sphagnum moss fiber by weight. The sphagnum moss fiber shall be stems and leaves of sphagnum that have recognizable fibrous and cellular structure.

3. PURPOSE OF LEASE; RIGHT OF LESSEE TO CONTRACT WORK. This lease is granted to the Lessee for the purpose of opening, exploring, removing, and processing sphagnum peat found on or in the leased premises. Subject to paragraphs 18 and 19 and other applicable provisions of this lease, the Lessee shall have the right to construct or make such private drainage ditches, housing or storage facilities, processing plants, buildings, roads, or other improvements upon the leased premises as may be necessary or suitable for such purposes; provided that the plans for constructing any such private drainage ditches shall be subject to the written approval of the commissioner; and provided further that the construction, location, and operation of any such processing plant on the leased premises shall be subject to the written approval of the commissioner. All buildings and ditches must be constructed in accordance with applicable federal, state and local laws.

The Lessee may contract with others for doing any work authorized or required hereunder, or for the use of the leased premises or any part thereof for the purposes hereof, but no such contract shall relieve the Lessee of any duty, obligation, or liability hereunder. No such contract providing for harvesting, removing, or processing of peat shall become effective for any purpose until three duplicates of such contract have been executed as required by this lease and filed with the commissioner.

4. PROPERTY LINES TO BE POSTED. Prior to conducting any lease activities on the consolidated conservation area lands, school trust lands, or Volstead lands, the Lessee must survey and post the property lines of said lands. The location of the property lines must be verified and approved in writing by the Commissioner of Natural Resources prior to conducting any lease activities on the consolidated conservation area lands, school trust lands, or Volstead lands.

5. ANNUAL RENTAL. The Lessee covenants and agrees to pay to the lessor, through the Department of Natural Resources, rental for the leased premises at the rate of Eleven and 85/100 Dollars ($11.85) per acre of land included in the leased premises, per calendar year, for the unexpired portion of the current calendar year from the effective date hereof and for the next three (3) succeeding calendar years. Thereafter, the rental rate shall be subject to the escalation clause as specified in paragraph 7 herein. At no time, however, shall the rate per acre of land be
less than $11.85. Such rental shall be payable in advance for the unexpired portion of the current calendar year from the effective date hereof; and thereafter payable on the 15th day of March each year during the term of this lease, with each such annual payment covering the rental for the calendar year in which payment is due.

Any amount paid for rental accrued for any calendar year shall be credited on any royalty that may become due for the same calendar year in which the rental was due but no further, and only to the extent that such rental was paid or deposited into the particular fund to which the royalty for such peat is due. If this lease is canceled, terminated, or expires during a year for which rental has been paid, there shall be no reimbursement of the rental payment for that year.

6. ROYALTY RATES. The royalties to be paid by the Lessee to the state shall be based on a royalty rate of Seven and 50/100 Dollars ($7.50) per ton of sphagnum moss peat removed from the leased premises, subject to the escalator provisions of paragraph 7 herein.

7. ESCALATOR CLAUSE.

(a) Rental. The rental to be paid to the state by the Lessee, as specified in paragraph 5 herein, shall be escalated on January 1, 2027, and on January first of each subsequent fourth calendar year in accordance with the formula set forth below.

(b) Royalty. The royalty to be paid to the state by the Lessee, as specified in paragraph 6 herein, shall be escalated each calendar year in accordance with the formula set forth below.

Rental and royalty shall be increased for rental and royalty payment periods in relation to the variation from a Base Index, in the average of the values of the unadjusted Producer Price Index by Commodity for Intermediate Demand by Commodity Type: Processed Materials Less Foods and Feeds, not seasonally adjusted, (Final Demand-Intermediate Demand Code WPUID69111) (1982 equals 100), as originally published (unrevised) by the Bureau of Labor Statistics of the United States Department of Labor, or any succeeding Federal government agency publishing such Index, in the monthly publication entitled Producer Prices and Price Indexes, for the months of March, June, September, and December of the calendar year for which royalty is being computed and the same four months of the year previous to the year for which rental is being computed. The Base Index shall be 270.800, which is the average of the values of such index for the months of July through December, 2022. The variation shall be the difference between the Base Index and the average of the values of the Processed Materials Less Foods and Feeds, not seasonally adjusted, index for the months of March, June, September, and December of the calendar year for which royalty, rental, or both are being computed. The variation shall be divided by the Base Index to determine the Amount of Variation from the Base Index. The escalated royalty, rental, or both for the appropriate calendar year shall be determined by multiplying the royalty rate per ton payable on sphagnum peat pursuant to paragraph 6 herein or the rental rate per acre of land pursuant to paragraph 5 herein by the Amount of Variation from the Base Index, the resulting product carried to six decimal places, and adding the product to said royalty rate.
For example, if the Base Index under this lease were 270.800; and if the royalty rate for sphagnum peat pursuant to paragraph 6 herein were $7.50 per ton, and if the Producer Price Index for Processed Materials Less Foods and Feeds, not seasonally adjusted, were 283.101 for March, 2026, 283.230 for June, 2026, 283.200 for September, 2026, and 282.890 for December, 2026, then the escalated royalty payable on any such ton of sphagnum peat removed from the leased premises during 2026 would be computed as follows:

\[
\frac{283.101 + 283.230 + 283.200 + 282.890}{4} - 270.800 = 0.045439
\]

Escalated Royalty = (Amount of Variation from the Base Index X Royalty Rate) + Royalty Rate = (0.045439 x $7.50) + $7.50 = $7.8408.

In this example, the escalated royalty payable on any such ton of sphagnum peat removed from the leased premises during 2026 would be $7.8408.

Escalated Rental = (Amount of Variation from the Base Index X Rental Rate) + Rental Rate - (0.045439 x $11.85) + $11.85 = $12.3885.

In this example, the escalated rental payable per acre of land for each of the successive four calendar years commencing January 1, 2027 would be $12.3885.

In the event some period other than 1982 is used as a base of 100 in determining the Producer Price Index for Processed Materials Less Foods and Feeds, not seasonally adjusted, for the purposes hereof such index shall be adjusted so as to be in correct relationship to such 1982 base. In the event such index is not published by any Federal agency, the index to be used as aforesaid shall be that index independently published, which, after necessary adjustments, if any, provides the most reasonable substitute for such Producer Price Index for Processed Materials Less Foods and Feeds, not seasonally adjusted, during any period subsequent to December, 2022, it being intended to substitute an index that most accurately reflects fluctuations in the prices of commodities in the Processed Materials Less Foods and Feeds, not seasonally adjusted, index in the manner presently reported by the Producer Price Index for Processed Materials Less Foods and Feeds, not seasonally adjusted, (1982 equals 100), published by the Bureau of Labor Statistics of the United States Department of Labor.

In no case shall the royalties payable hereunder be less than the minimum royalties prescribed in paragraph 6 herein.

8. CONVERSION FORMULAS. The following formulas shall be used when peat is weighed or produced in units other than those specified for the calculation of royalties:

4.5 cubic yards of sphagnum peat moss equal 1 ton.
The commissioner may prescribe such other reasonable conversion formulas as may be necessary for the calculation of royalties.

9. METHOD OF COMPUTING ROYALTY RATES. In computing royalty rates hereunder, any fraction of a cent less than five-thousandths shall be disregarded and any fraction amounting to five-thousandths or more shall be counted as one-hundredth of a cent.

10. ANNUAL PAYMENT OF ROYALTY. The Lessee covenants and agrees to pay to the lessee through the Department of Natural Resources, on or before the fifteenth day of March in each year during the period this lease continues in force, royalty at the rates hereinbefore specified for all the sphagnum moss peat removed from the leased premises during the calendar year preceding the year in which such payment is due.

If the royalty due on the sphagnum moss peat shall not be determined and accounted for as herein otherwise provided by the fifteenth day of March for peat removed from the leased premises during the previous calendar year, the commissioner may determine such royalty by such method as the commissioner deems appropriate and give the Lessee written notice thereof, whereupon such royalty shall be due and payable within 20 days after the mailing or delivery of such notice, unless the time therefore shall be extended by the commissioner.

11. LESSEE TO TRANSMIT STATEMENT OF PEAT REMOVED AND ROYALTY DUE. The Lessee shall transmit to the commissioner with each royalty payment an exact and truthful statement of the tonnage of sphagnum moss peat removed from the tax-forfeited lands and from the school trust fund lands during each calendar year for which such payment is made, the royalty value of such peat, and the amount of royalty due thereon. The commissioner may prescribe the format for such statement.

The Lessee shall provide for all the operations required for such determinations except as otherwise specified.

12. WEIGHING. The method or methods of obtaining the weights used to determine tonnages for the calculation of royalty, or to determine other weights required by the state, shall be subject to the approval of the commissioner.

The State may appoint such special inspectors of such scales, weighing devices, and methods and practices (including vehicle count inspectors) as the State deems necessary to insure proper accounting and protect the interests of the State, and the Lessee shall reimburse the State monthly for the cost of all such inspection service upon notification thereof by the Commissioner.

Should the Lessee desire to stockpile sphagnum moss peat off the leased premises for a temporary period not to exceed one year, the commissioner may prescribe the method of removal and the method of sampling and weighing such peat for the purpose of determining the amount of royalty due.

Exhibit A-ii
13. INSPECTION. The commissioner may at all reasonable times enter the leased premises and any other premises used or operated by the Lessee in connection with the operation of said leased premises, inspect the operations conducted hereunder, and conduct such engineering and sampling procedures and other investigations as the commissioner may require, not unreasonably hindering or interrupting the operations of the Lessee.

The Lessee shall allow the commissioner, at all reasonable times, prompt access to and inspection of all records necessary to monitor compliance with the provisions of this lease.

14. SAMPLING. Samples for royalty purposes shall be taken of the peat at places and intervals subject to the approval of the commissioner. A portion of such sample or composite sample shall be delivered to the commissioner unless, by mutual agreement, it has been decided that certain of such portions are not needed by the state. Except as otherwise permitted by the commissioner, all peat removed from the leased premises shall be sampled as to type and its weight determined before commingling with any other peat or other materials.

15. REMOVAL OF PEAT FOR EXPERIMENTAL PURPOSES. Notwithstanding the provisions of paragraphs 6 and 7 relating to the payment of royalty, upon written application of the Lessee, the commissioner may authorize the removal of peat from the leased premises for experimental purposes without payment of royalty.

16. ADDITIONAL REPORTS.

(a) Except as otherwise permitted by the commissioner, the Lessee shall transmit to the commissioner on or before the twentieth of each month a statement in such form as the commissioner shall prescribe, covering the tonnage of sphagnum moss peat removed from the tax-forfeited lands and from the school trust fund lands during the preceding calendar month.

(b) In addition to the reporting requirements of paragraphs 11 and 14 of this lease, the Lessee shall provide the state by March 15 of each year a report which shall contain:

1. A description of the amount and location of acreage disturbed during the preceding calendar year on the leased premises;

2. An accurate map of the locations of all facilities, drainage ditches, and other structures on the leased premises, including those constructed within the preceding year;

3. A description of the plans for additional peat removal or additional drainage ditches, facilities, or other structures for the current year on the leased premises;

4. A description and map of the area for which reclamation has been completed during that year; and

5. Any other reasonable or necessary data which the state may require.
17. HOW REMITTANCES AND REPORTS ARE TO BE TRANSMITTED. All remittances by the Lessee hereunder shall be made payable to the Department of Natural Resources, and all such remittances and all reports, notices, and documents required hereunder shall be transmitted to the commissioner through the director of the Division of Lands and Minerals at Saint Paul, Minnesota.

18. LESSEE'S OBLIGATIONS UNDER LOCAL, STATE AND FEDERAL LAWS AND REGULATIONS. The provisions of this lease are subject to all applicable local, state and federal statutes, orders, rules and regulations, and all operations under this lease shall be conducted in conformity with them. These include, but are not necessarily limited to, the Permit to Mine and water appropriation permits from the Minnesota Department of Natural Resources; the NPDES-SDS permit and the Section 401 certification from the Minnesota Pollution Control Agency; the Section 404-Dredge and Fill from the Federal Corps. of Engineers and any other county or local government requirements. All activities shall be conducted in conformity with the applicable mineland reclamation statutes and rules. No interference, diversion, use or appropriation of any waters over which the commissioner or any other state agency has jurisdiction, shall be undertaken unless authorized in writing by the commissioner or the said state agency.

(a) The Lessee is subject to the rules of the Minnesota Environmental Quality Board, which require the following:

(1) an Environmental Assessment Worksheet (EAW) for development of a facility for the extraction or mining of peat which will result in the excavation of 160 or more acres of land during its existence, and

(2) an Environmental Impact Statement (EIS) for development of a facility for the extraction or mining of peat which will utilize 320 acres of land or more during its existence.

19. EXISTING ENCUMBRANCES. This lease is subject to all prior leases, easements, rights of way, permits, licenses, and other encumbrances upon the leased premises.

20. MANNER OF OPERATION. It is further understood and agreed as follows:

(a) The Lessee shall open, use and work the peat deposit on the leased premises in such manner only as is usual and customary in skillful and proper peat operations of similar character.

(b) The Lessee shall conduct its operations in accordance with the requirements, methods, and practices of good peat removal engineering and environmental engineering, and in a manner which

(1) will not cause any unnecessary injury to the land or the remaining peat deposits;
(2) will not cause any significant inconvenience or hindrance in the use, development, or disposal of any peat left on the leased premises after the termination, cancellation, or expiration of this lease; and

(3) will not endanger the public health, welfare, or safety. If a situation occurs in the construction or operations authorized by this lease which does endanger the public health or safety, the Lessee shall immediately take corrective measures and shall notify the commissioner. The Lessee shall cease construction or operations if the commissioner determines that danger to public health and safety will result from continued operations.

(c) The Lessee shall keep the leased premises in a neat, clean, and safe condition and remove all refuse and debris that may from time to time accumulate on the leased premises.

(d) The Lessee shall take all reasonable steps to prevent fires starting as a result of its operations, and shall maintain a reasonable and adequate system for suppressing fires on the leased premises. The Lessee shall be responsible for the suppression of fires started as a result of its operations. The Lessee shall hold the state harmless and indemnify the state for any damages caused by fires started as a result of its operations.

(e) No timber shall be cut, used, removed or destroyed by the Lessee without first paying to the state the stumpage value thereof as determined by the commissioner.

21. LESSEE TO OBTAIN REQUIRED STATE AND FEDERAL PERMITS WITHIN FIVE YEARS. If the Lessee fails to obtain or renew required state and federal permits to harvest peat from the leased premises by December 31, 2028, the state will terminate this lease in the manner hereinafter provided.

22. LESSEE TO HARVEST PEAT FROM THE PREMISES WITHIN TEN YEARS. If the Lessee fails to harvest peat from the leased premises by December 31, 2033, the state may, at its option cancel this lease in the manner hereinafter provided. If the Lessee fails to harvest peat from the leased premises by such date, and the state chooses not to cancel this lease, such other later date for harvesting peat shall be mutually agreed to between the state and Lessee.

23. DRAINAGE. Subject to paragraph 18, the Lessee may employ such drainage methods as are necessary for the efficient removal of peat except that the locations of all outlets must be approved by the commissioner prior to the construction of the drainage system.

24. INVASIVE SPECIES. The Lessee is responsible for controlling invasive species on the Premises.

25. RECLAMATION REQUIRED. The Lessee shall, at its own expense, begin reclamation of disturbed areas:

Exhibit A-ii
(a) During the first normal planting period following the point when a surface, structure, facility, or element is no longer scheduled to be disturbed or used in a manner that would interfere with the establishment and maintenance of vegetation; or

(b) Upon the termination of the lease, either by expiration of the term or by act of either party; unless directed otherwise in writing by the commissioner.

26. MINING AND RECLAMATION PROCEDURES. Unless otherwise required under a Minnesota Department of Natural Resources Permit to Mine Peat, the Lessee shall submit a mining plan for Minnesota Department of Natural Resources, Division of Lands and Minerals (“DNR”) approval prior to peat mining associated ground disturbance. The plan shall describe peat mine life expectancy and intended mining activities.

As required under the State Permit to Mine Peat, the Lessee shall submit a general reclamation plan for DNR approval prior to peat mining associated ground disturbance. The general reclamation plan shall describe the methods and sequence of reclamation activities. At least two (2) years prior to initiation of reclamation under the provisions of this lease, the Lessee shall submit a detailed reclamation plan for DNR approval. The detailed reclamation plan shall contain schedules, designs, specifications, and supporting data for reclamation activities, including site cleanup. Site cleanup will include, but not be limited to, building and foundation removal, equipment removal, and appropriate site preparation conducive to achieving reclamation requirements. The Lessee shall reclaim the leased premises in accordance with the State Permit to Mine Peat, Minnesota Rules Chapter 6131, and approved reclamation plan. Reclamation of disturbed areas shall proceed concurrently with mining operations to the extent practical and according to requirements of the State Permit to Mine Peat, Minnesota Rules Chapter 6131.

27. RECLAMATION FINANCIAL ASSURANCE. Prior to peat mining associated ground disturbance, the Lessee shall have on file with the State of Minnesota financial assurance instruments in amounts and forms acceptable to the commissioner, conditioned that the Lessee shall faithfully perform all reclamation requirements, including site cleanup, as specified in the State Permit to Mine Peat, Minnesota Rules Chapter 6131, and approved reclamation plan. Financial assurance instruments shall be signed by the Lessee as principal and by a good and sufficient surety licensed to do business in the State of Minnesota. Financial assurance instruments submitted pursuant to this section shall remain in force until such time as no longer considered necessary by the commissioner, or until reclamation is completed in accordance with the State Permit to Mine Peat, Minnesota Rules Chapter 6131, and approved reclamation plan.

The need for and amount of all financial assurance instruments shall be reviewed by the commissioner annually, and at the commissioner’s discretion, such financial assurance shall be increased or decreased to reflect changes in estimated costs of future reclamation, and site cleanup, of all peat mining disturbed lands. At the time of review, the Lessee shall submit a statement estimating the number of additional acres expected to be disturbed during the ensuing year and an updated reclamation cost estimate. The total number of acres disturbed and
unreclaimed plus those acres expected to be disturbed during said period shall be considered in
during review and potential revision of the financial assurance reclamation cost estimate. The
need for, and amount of, all changes to financial assurance requirements shall be documented in
the required annual State Permit to Mine Peat Annual Report.

28. RELEASE OF FINANCIAL ASSURANCE. If reclamation financial assurance
instruments were filed with the State pursuant to paragraph 25 herein, and Lessee has completed
reclamation of an area according to the State Permit to Mine Peat, Minnesota Rules Chapter
6131, and approved reclamation plan, as provided for in this lease, or its attachments, the Lessee
may request a release of a portion of the retained financial assurance commensurate with the
amount of land so reclaimed. During the growing season following the release request, DNR
personnel shall inspect the reclaimed area and rule on the release request within sixty (60) days
from the date of the inspection. If the commissioner determines reclamation criteria have been
met, the commissioner shall release the appropriate portion of any financial assurance. If
reclamation criteria have not been met, the commissioner shall notify the Lessee and recommend
corrective actions. Upon correction of the documented deficiency, the commissioner shall release
the appropriate portion of the financial assurance.

29. FORFEITURE OF FINANCIAL ASSURANCE. Should the Lessee fail to reclaim
in a timely manner, the commissioner shall initiate forfeiture proceedings against the financial
assurance instruments filed pursuant to paragraph 25 herein.

30. LESSEE TO ACQUIRE NECESSARY RIGHTS TO SURFACE NOT OWNED BY
STATE. It is understood and agreed that in case any interest in the land covered by this lease or
in any minerals therein is owned by anyone other than the state, this lease shall not be construed
as authorizing any invasion of or trespass upon such other interest, that in case it shall be
necessary to make use of any such other interest in connection with any operations hereunder,
the Lessee shall obtain all necessary legal rights therefore before proceeding therewith, that the
Lessee shall be liable for all damages to any other interest caused by any operations hereunder,
and that the state shall not incur or be subject to any liability therefore.

31. INDEMNIFICATION. No liability shall be imposed upon or incurred by the state or
any of its officers, agents, or employees, officially or personally, on account of the granting of
this lease or on account of any damage to any person or property resulting from any act or
omission of the Lessee or any of its agents, employees, or contractors relating to any matter
hereunder. The Lessee hereby agrees and is obligated to indemnify and hold the state harmless
from all claims arising out of the use of the property covered by this lease, regardless of the
manner in which the claims are asserted. This lease shall not be construed as estopping or
limiting any legal claim or right of action of the state against the Lessee, its agents, employees,
or contractors for violation of or failure to comply with the provisions of this lease or applicable
provisions of law.

32. LESSEE TO PAY ALL TAXES. The Lessee covenants and agrees to pay when due
all taxes, general and specific, personal and real, that may be assessed against the leased
premises and improvements made on the leased premises, the peat thereon or removed
therefrom, and any personal property thereon owned, used, or controlled by the Lessee. The
cancellation, termination, or expiration of this lease shall not relieve the Lessee of the obligation to pay taxes assessed during the continuance of the lease, even though such taxes may be due or payable after such cancellation, termination, or expiration date.

33. STATE LIEN FOR UNPAID SUMS DUE. The state reserves and shall at all times have a lien upon all peat removed from the leased premises and upon all improvements made by the Lessee upon the leased premises for any sums not paid when due and for any of the expenses specified in paragraph 37 herein.

34. LESSEE'S RIGHT TO TERMINATE LEASE. The Lessee may at any time deliver to the commissioner written notice of intention to terminate this lease, and this lease shall terminate sixty (60) days after such delivery unless notice is revoked by the Lessee by further written notice to the commissioner before the expiration of said sixty (60) days. Such termination shall not relieve the Lessee from any liability for payment or other liability incurred hereunder, or from any reclamation obligation under this Lease or the Permit to Mine. All sums due to state under this lease up to the effective date of such termination shall be paid by the Lessee.

35. STATE'S RIGHT TO CANCEL LEASE UPON DEFAULT. This lease is granted upon the express condition that, if any sum owing hereunder by the Lessee for rental, royalty, or otherwise shall remain unpaid after the time when the same became due as herein provided, or if the Lessee or any agent or servant thereof shall knowingly or willfully make any false statement in any report, account, or tabulation submitted to the state or to the commissioner, or any of the Lessee's agents pertaining to any matter hereunder, or if the Lessee shall fail to perform any of the covenants or conditions herein expressed to be performed by said Lessee, the commissioner may cancel this lease by mailing or delivering to the Lessee sixty (60) days' notice thereof in writing, specifying such non-payment or other default as the case may be, and this lease shall terminate at the expiration of said sixty (60) days, and the Lessee and all persons claiming under the Lessee shall be wholly excluded from the leased premises except as hereinafter provided. Such termination shall not relieve the Lessee from any liability for payment or other liability incurred hereunder. If the default consists of a non-performance of an act required hereunder other than payment of royalty or rental, the Lessee may perform within said period of sixty (60) days and the lease shall continue in full force and effect, and if the correction of any such default requires more time than sixty (60) days after the notice has been received by the Lessee, the commissioner, upon written request of the Lessee and for good cause shown, may, at the commissioner's discretion, grant an extension of such period of sixty (60) days. If the default consists of a nonpayment of royalty or rental and the Lessee performs within fifteen (15) days from the mailing or delivery of notice of cancellation, the lease shall continue in full force and effect; and if the Lessee performs at any time thereafter within said period of sixty (60) days, the commissioner, at the commissioner's discretion, may continue the lease in full force and effect.

36. RIGHTS OF STATE AND LESSEE DURING 180-DAY PERIOD FOLLOWING TERMINATION. Upon termination of this lease, whether by expiration of the term hereof or by act of either party, except as necessary to comply with the provisions of paragraph 23 herein, the Lessee shall have one hundred eighty (180) days thereafter in which to remove all equipment, materials, structures, and other property placed or erected by the Lessee upon the leased premises, and any such property not removed within said time shall, at the discretion of the
commissioner, become the property of the state. During said period of one hundred eighty (180) days, the Lessee shall, at its own expense, do all work which the commissioner deems necessary to leave the premises in a safe and orderly condition to protect against injury or damage to persons or property; and, except as otherwise directed by the commissioner, access roads are to be left in place and all drainage ditches are to be left intact and open. Subject to the foregoing, upon the termination of this lease, whether by expiration of the term hereof or otherwise, the Lessee shall quietly and peaceably surrender possession of the leased premises to the state. During said period of one hundred eighty (180) days, the Lessee shall not be relieved of any obligation or liability resulting from the occupancy of the leased premises, unless the Lessee has wholly vacated said leased premises prior to the expiration of said period and has notified the commissioner thereof in writing.

37. RECOVERY OF EXPENSES. If it is necessary for the state to incur expenses by court action or otherwise for the ejectment of the Lessee, or removal from the leased premises of the Lessee's property, or recovery of rent or royalties, or reclamation of the land, or for any other remedy of the state, the Lessee shall pay to the state all expenses, including attorneys' fees, thus incurred by the state.

38. SUBJECT TO LEASING FOR MINERAL AND OTHER PURPOSES. The state reserves the right to lease or grant to other persons or corporations the right to explore for, mine, remove, and beneficiate any minerals that are located on or in the leased premises. The state agrees that any permit or lease granted by it to any person or corporation to explore for, develop, mine, or dispose of such minerals shall contain a provision that the permittee or Lessee thereof shall exercise such rights so as not to cause any unnecessary or unreasonable injury or hindrance to the operations of the Lessee herein in the opening of, the exploration for, or removal of peat from the leased premises. Lessee herein agrees that it shall exercise the rights granted to it by this lease in such manner as not to cause any unnecessary or unreasonable injury or hindrance to the operations of any permittee or Lessee of the state in the exploration for, or the development, mining, or removal of any minerals from the leased premises.

The state further reserves the right to sell or dispose of timber, and to grant leases, permits, or licenses to any portion of the surface of the leased premises to any person, partnership, corporation, or other association under the authority of Minnesota Statutes, Section 92.50, or other applicable laws, after consultation with Lessee, and provided that such leases, permits or licenses shall not unduly interfere with peat development operations conducted thereon.

39. AGREEMENTS, ASSIGNMENTS, OR CONTRACTS. All assignments, agreements, or contracts affecting this lease shall be made in writing and signed by all parties thereto, witnessed by two witnesses, properly acknowledged and shall contain the post office addresses of all parties thereto, and when so executed shall be presented in triplicate to the commissioner for record. No such instrument shall be valid until approved in writing by the commissioner and approved as to form and execution by the attorney general. No assignment or other agreement shall relieve the Lessee of any obligation or liability imposed by this lease, and all assignees, sublessees, and subcontractors shall also be liable for all obligations or liabilities imposed by this lease.

Exhibit A-ii
40. LEASE BINDING ON ASSIGNEES AND SUCCESSORS. The covenants, terms, and conditions of this lease shall run with the land and shall extend to and bind all assignees and other successors in interest of the Lessee.

41. NOTICES. For the purposes of this lease, the addresses of the parties shall be as follows, unless changed by written notice to all parties: For the state -- Commissioner of Natural Resources, State of Minnesota, Box 45, 500 Lafayette Road, Saint Paul, Minnesota 55155-4045; for the Lessee – Berger Horticultural Products, Ltd., 121 RR 1, Sainte-Modeste, Quebec, Canada, G0L 3W0.

IN TESTIMONY WHEREOF, The state by and through its Commissioner of Natural Resources, has caused this instrument to be executed, and the Lessee has hereto set its hand, the day and year first above written.

Signed in Presence of:

STATE OF MINNESOTA
DEPARTMENT OF NATURAL RESOURCES

____________________________   __________________________________
Joseph Henderson, Director
Division of Lands and Minerals

As to State

STATE OF MINNESOTA   )
) SS
COUNTY OF_______________ )

The foregoing instrument was acknowledged before me this _____ day of ________________, 2023, by JOSEPH HENDERSON, Director, Division of Lands and Minerals, Department of Natural Resources, on behalf of the State of Minnesota.

_____________________________________
Notary Public
My commission expires: ___________________
Signed in Presence of: BERGER HORTICULTURAL PRODUCTS, LTD.

____________________________
Title:_________________________

____________________________

____________________________
By __________________________
Title:_________________________

____________________________

As to Lessee

STATE OF _________________ )
) SS
COUNTY OF_______________ )

The foregoing instrument was acknowledged before me this ____ day of ___________,
2023, by ____________________________ and ____________________________,
the ___________________ and ___________________ of Berger Horticultural
Products, Ltd., a Delaware corporation, on behalf of the corporation.

_________________________________
Notary Public
My commission expires: ________________

This Instrument was drafted by:
DEPT. OF NATURAL RESOURCES
Division of Lands and Minerals
500 Lafayette Road
St. Paul, MN 55155-4045
B. Request to Approve Issuance of State Taconite Iron Ore Mining Leases in St. Louis County to Cleveland-Cliffs Hibbing Inc., Cliffs Mining Holding Sub Company, Ontario Hibbing Company, and Hibbing Development Company

It is the Department of Natural Resources’ recommendation that the State Executive Council approve the issuance of eight new negotiated state taconite iron ore mining leases to Cleveland-Cliffs Hibbing Inc., Cliffs Mining Holding Sub Company, Ontario Hibbing Company, and Hibbing Development Company, as tenants in common, operating as Hibbing Taconite Company. The new leases cover 600 acres of school trust fund lands and 139.08 acres of tax forfeited lands at the Hibbing Taconite operation near the city of Hibbing, Minnesota, in St. Louis County.

Authority

Minnesota Statutes, section 93.1925, subdivision 1 provides as follows:

Subd. 1. Conditions required. When the commissioner finds that the best interests of the state will be served and the circumstances in clause (1), (2), or (3) exist, the commissioner, with the approval of the Executive Council, may issue an iron ore or taconite iron ore mining lease through negotiations to an applicant. A lease may be issued through negotiations under any of the following circumstances:

(1) the state taconite iron ore is adjacent to taconite iron ore owned or leased for mining purposes by the applicant and the commissioner finds that it is impracticable to mine the state taconite iron ore except in conjunction with the mining of the adjacent ore;

(2) the lands to be leased are primarily valuable for their natural iron ore content; or

(3) the state’s mineral ownership interest in the lands to be leased is an undivided fractional interest and the applicant holds under control a majority of the remaining undivided fractional mineral interests in the lands to be leased.

For the negotiation of the new taconite iron ore leases, it is the first and third circumstances described in Minnesota Statutes, sec. 93.1925, subd. 1, that are applicable.

Background Information

Cleveland-Cliffs Hibbing Inc., Cliffs Mining Holding Sub Company, Ontario Hibbing Company, and Hibbing Development Company, as tenants in common, operate a joint venture known as Hibbing Taconite Company (hereinafter, these four companies shall be referred to collectively as “Hibbing Taconite”). Hibbing Taconite Company operates a taconite mine and pellet plant near the city of Hibbing, Minnesota. The company employs over 700 people. There are few
mineable reserves of ore remaining at the Hibbing Taconite operation. Issuance of the eight new taconite iron ore mining leases will add months, not years, to Hibbing Taconite’s mine life.

Pursuant to Minnesota Statutes, section 93.1925, subd. 2, Hibbing Taconite filed applications with the Commissioner of Natural Resources on May 23, 2018, July 8, 2022, March 8, 2023, and March 22, 2023, for negotiated state taconite iron ore mining leases for the subject properties, along with other properties. Several negotiation sessions were held in 2018 and 2019, with no agreement regarding terms for the subject properties. Leases for other state-owned properties, which were greater priorities for the company, were negotiated and approved by the Executive Council in November 2019 and March 2023.

For six of the eight leases, the state owns all of the surface and minerals of the requested parcels. For the remaining two leases, the state owns an undivided fractional interest in the surface and minerals of the parcels, with Hibbing Taconite controlling the remaining undivided fractional interest.

The map attached as “Exhibit B-i” shows the location of the state-owned parcels to be added to the Hibbing Taconite operation in St. Louis County, Minnesota through the eight new state taconite iron ore leases.

The DNR finds that it would be impracticable to mine the state taconite iron ore except in conjunction with the mining of the adjacent ore controlled by Hibbing Taconite.

**Lease Terms**

The eight new state taconite iron ore mining leases to be issued to Cleveland-Cliffs Hibbing Inc., Cliffs Mining Holding Sub Company, Ontario Hibbing Company, and Hibbing Development Company contain basic terms found in all state taconite iron ore lease agreements.

**Length of Leases**

The new state taconite iron ore mining leases would be effective for a term of 25 years beginning on May 26, 2023. State law allows a maximum term of 50 years for a state taconite iron ore mining lease, however, recent state taconite leases have typically been 25 years in duration.

**Rental**

The annual rental rate is $3,600 per year per government lot or forty. In accordance with Minnesota Statutes, sec. 93.20, the annual rental payment may be credited against royalties due for ore mined under the lease during that same year.
Royalty Rate and Escalator

The base royalty rate for taconite iron ore removed from the new state taconite leases would be $0.80 per ton.

The royalty rate for the new state taconite leases will be increased based upon the change in the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group from a base of 170.000, a negotiated figure. The second quarter 2023 royalty using the base royalty and royalty escalator is $1.6360 per ton.

Attached as “Exhibit B-ii” is a copy of the State Taconite Iron Ore Mining Lease No. MLTN200006 to be issued for portions of Northwest Quarter of Northeast Quarter (NW1/4-NE1/4) and Southwest Quarter of Northeast Quarter (SW1/4-NE1/4) in Section 32, Township 58 North, Range 20 West in St. Louis County. The remaining seven leases in St. Louis County will be identical, except for the legal description and rentals. Attached as “Exhibit B-iii” is a list of the lease numbers, legal descriptions, acreage, and annual rent for each new proposed lease.

Revenue Distribution

Five of the eight leases are for school trust lands comprising 600 acres. Eighty percent of mineral lease revenue from school trust land is deposited into the corpus of the Permanent School Fund and is invested. The interest is distributed each year to the school districts throughout the state. The remaining 20% of mineral lease revenue from school trust fund lands is distributed to the minerals management account.

Three of the eight leases are for lands and minerals forfeited for non-payment of taxes comprising 139.08 acres. Mineral lease revenue on tax-forfeited lands and minerals is split as follows: 20% to the minerals management account and 80% to the local taxing districts. The 80% is split 4/9 to the school district, 3/9 to the county, and 2/9 to the township or city in which the leased lands lie. The tax-forfeited lands and minerals leased lie within the Hibbing school district, St. Louis County, and the city of Hibbing.

An estimate of mineable crude taconite on the proposed leased properties is 3-4 million tons. These leases could generate $5 million in royalty payments.

Conclusion

It is the Department of Natural Resources’ conclusion that Hibbing Taconite has met the requirements to qualify for negotiated state taconite iron ore leases in that it holds under exclusive control taconite iron ore that is adjacent to the state taconite iron ore and holds the remaining undivided fractional interest for those minerals in which the state owns an undivided fractional interest. It would be impracticable to mine the state ore except in conjunction with that ore.
It is the Department of Natural Resources’ recommendation that the State Executive Council approve the issuance of eight negotiated state taconite iron ore mining leases to Cleveland-Cliffs Hibbing Inc., Cliffs Mining Holding Sub Company, Ontario Hibbing Company, and Hibbing Development Company, which companies collectively comprise Hibbing Taconite Company, a joint venture, to be mined as part of the Hibbing Taconite Company operation in St. Louis County.
RESOLUTION

RESOLVED, by the Executive Council of the State of Minnesota, at its meeting on May 25, 2023, that it approves the following agreements recommended by the Commissioner of Natural Resources:

State Taconite Iron Ore Mining Leases Numbered MLTN200006 through MLTN200013 to be issued to Cleveland-Cliffs Hibbing Inc., Cliffs Mining Holding Sub Company, Ontario Hibbing Company, and Hibbing Development Company,

on the terms set forth in the proposed agreement, which was submitted and filed with the Secretary of the Council for the Council’s May 25, 2023, meeting; and the Commissioner of Natural Resources is hereby authorized and directed to execute such agreement on behalf of the State of Minnesota.

________________________________
Executive Secretary
State Executive Council
Lease No. MLTN200006

This indenture, made the 26th day of May, 2023, by and between THE STATE OF MINNESOTA, under authority and subject to the provisions of Minnesota Statutes 2022, sections 93.1925, 93.20, and 93.201, acting by and through its Commissioner of Natural Resources, 500 Lafayette Road, St. Paul, Minnesota 55155-4045, hereinafter called "Lessor", and

CLEVELAND-CLIFFS HIBBING, INC., 1 South Dearborn Street, Chicago, Illinois 60603, a Delaware corporation, hereinafter called “Cleveland-Cliffs Hibbing”; CLIFFS MINING HOLDING SUB COMPANY, 200 Public Square, Suite 3300, Cleveland, Ohio 44114, a Delaware corporation, hereinafter called “Cliffs”; ONTARIO HIBBING COMPANY, c/o United States Steel Corporation, 600 Grant Street, Philadelphia, Pennsylvania 15219, a Minnesota corporation, hereinafter called “Ontario”; and HIBBING DEVELOPMENT COMPANY, 200 Public Square, Suite 3300, Cleveland, Ohio 44114, a Minnesota general partnership, hereinafter called “Hibbing”; as tenants in common, Cleveland-Cliffs Hibbing to the extent of an undivided 50% interest, Cliffs to the extent of an undivided 10% interest, Ontario to the extent of an undivided 6.6667% interest, and Hibbing to the extent of an undivided 33.3333% interest; and Cleveland-Cliffs Hibbing, Cliffs, Ontario, and Hibbing are hereinafter called, severally not jointly, “Lessee”;

WITNESSETH:

The Lessor is the owner of the lands hereinafter described, acquired through forfeiture for non-payment of severed mineral interest taxes.

The Lessee has made application under Minnesota Statutes 2022, section 93.1925, for a state taconite iron ore mining lease on said premises owned by the Lessor, and has agreed with the Commissioner of Natural Resources upon the terms and conditions of such lease as hereinafter set forth.

The Commissioner of Natural Resources, pursuant to Minnesota Statutes 2022, section 93.1925, has found the state taconite iron ore is adjacent to taconite iron ore owned or leased for mining purposes by the applicant and the commissioner finds that it is impracticable to mine the state taconite iron ore except in conjunction with the mining of the adjacent ore.

By resolution adopted on May 25, 2023, the State Executive Council approved the

Exhibit B-ii
execution of this lease. A copy of this resolution is attached hereto and marked "Exhibit A".

NOW, THEREFORE, in consideration of the premises and the agreement herein contained, IT IS AGREED BY AND BETWEEN THE PARTIES HERETO, as follows:

1. TERM; DESCRIPTION OF MINING UNIT. That the Lessor, for and in consideration of the covenants and conditions hereof, to be kept and performed by the Lessee, does hereby lease and demise unto the Lessee for the period of the effective date listed above through March 2, 2048, the following described land, situated in St. Louis County, in the State of Minnesota, to-wit:

   Northwest Quarter of Northeast Quarter (NW1/4-NE1/4), except highway right of way and except that part lying East of Highway 169;
   Southwest Quarter of Northeast Quarter (SW1/4-NE1/4), except highway right of way and except that part lying East of Highway 169;
   all in Section Thirty-two (32), Township Fifty-eight (58) North, Range Twenty (20) West of the Fourth Principal Meridian.

2. PURPOSE OF LEASE; RIGHT OF LESSEE TO CONTRACT WORK. The above described premises are leased to the Lessee for the purpose of exploring for, mining, taking out and removing the taconite iron ore found on or in said land, together with the right to construct or make such buildings, excavations, openings, ditches, drains, railroads, roads and other improvements upon said premises as may be necessary or suitable for such purposes. The Lessee may contract with others for doing any work authorized or required hereunder, or for the use of said land or any part thereof for the purposes hereof, but no such contract shall relieve the Lessee from any duty, obligation, or liability hereunder. The Lessee shall furnish a copy of any such contract upon request of the Lessor.

3. STATE’S RIGHT TO LEASE SURFACE AND SELL TIMBER. The Lessor reserves the right to sell and dispose of, under the provisions of law now or hereinafter governing the sale of timber on state lands, all the timber upon the land hereby leased, and reserves to the purchaser of such timber, or agents and servants of the purchaser, the right at all times to enter thereon, and to cut and remove any and all such timber therefrom, according to the terms of the purchaser’s contract with the state, and without let or hindrance from the Lessee, but such purchaser shall not unnecessarily or materially interfere with the mining operations carried on thereon. The purchaser of the timber will agree to assume entire responsibility and liability for all damages and injury to all persons and property whether caused by the purchaser, the purchaser’s officers, agents or employees, arising from activities undertaken based on the timber permit or the purchaser’s use or occupancy of the premises covered by the timber permit.

   The Lessor further reserves the right to grant to any person or corporation the right-of-way necessary for the construction and operation of one or more railroads over or across the land thereby leased, without let or hindrance from the Lessee, but such railroads shall not unnecessarily or materially interfere with the mining operations carried on thereon. The grantee of a railroad right-of-way will agree, for the benefit of both parties to this lease, to assume entire

   Exhibit B-ii
responsibility and liability for all damages and injury to all persons and property whether caused by the grantee or the grantee’s officers, agents or employees, arising from activities undertaken based on the railroad right-of-way or the grantee’s use or occupancy of the premises covered by the railroad right-of-way.

The Lessor further reserves the right to grant leases, permits or licenses to any portion of the surface of the demised premises to any person or corporation under authority of section 92.50, or other applicable laws, without let or hindrance from the Lessee, but such leases, permits or licenses shall not unnecessarily or materially interfere with the mining operations carried on thereon. The surface lessee will agree, for the benefit of both parties to this lease, to assume entire responsibility and liability for all damages and injury to all persons and property whether caused by the surface lessee or the surface lessee’s officers, agents or employees, arising from activities undertaken based on the surface lease or the surface lessee’s use or occupancy of the premises covered by the surface lease.

4. RENTALS. The Lessee covenants and agrees to pay to the Lessor rental for said premises at the rate of $1,717.20 per year for the term hereof. Such rental shall be payable quarterly on or before the 20th day of April, July, October, and January each year during the term hereof. Each quarterly payment shall cover the rental at the rate hereinbefore specified for the calendar quarter or fraction thereof ending on the last day of the calendar month next preceding the due date for such payment. The rental for any fraction of a quarter shall be computed proportionately at the applicable rate. Any amount paid for rental accrued under this lease during any calendar year shall be credited on any royalty that may become due for taconite iron ore removed under this lease during the same calendar year but no further. And any amount paid for such royalty in excess of such credit during such year under this lease shall be credited on rental, if any, subsequently accruing under this lease during such year but no further.

5. DEFINITIONS. (a) Taconite Concentrates. Taconite concentrates shall be understood to mean the merchantable product, suitable for blast furnace use, which in accordance with good engineering and metallurgical practice, has been produced from taconite iron ore which requires treatment by fine grinding, magnetic separation, flotation, or some other method.

(b) Taconite Iron Ore. Taconite iron ore shall be understood to mean a ferruginous chert or ferruginous slate in the form of compact siliceous rock, in which the iron oxide is so finely disseminated that substantially all of the iron bearing particles of merchantable grade are smaller than 20 mesh.

(c) Ton. The word "ton" shall mean a gross ton of 2,240 pounds.

6. ROYALTY PAYABLE. (a) On a ton of taconite iron ore, regardless of its iron content, the royalty shall be $0.80, subject to the escalator provisions of paragraph 7 herein.

(b) Subject to the lien of the state as provided herein for any royalty payable thereon, taconite iron ore so mined and removed, upon which such royalty is paid or payable (and not delinquent) hereunder, and the taconite concentrates and residue resulting from the treatment thereof, including tailings, shall be the property of the Lessee and may be shipped, used,
beneficiated, or otherwise disposed of by it as it sees fit.

   (c) The Lessee shall be liable for royalty on all taconite iron ore removed from the leased premises for beneficiation or treatment from and after the actual time of removal.

   (d) If the royalty due on the taconite iron ore shall not be determined and accounted for as herein otherwise provided by the next quarterly payment date after the end of the quarter in which such taconite iron ore is removed, the Lessor may determine such royalty by such reasonable method as the Lessor deems appropriate and give the Lessee written notice thereof, whereupon such royalty shall be due and payable within 20 days after the mailing or delivery of such notice, unless the time therefor shall be extended by the commissioner. Final settlement and adjustment of the royalty due shall be made as soon as determination becomes possible.

7. ESCALATOR CLAUSE. (a) The royalties to be paid by the Lessee to the Lessor on taconite iron ore removed in each calendar quarter that the lease remains in force as hereinbefore specified shall be subject to increase determined in accordance with subparagraph (1) below:

   (1) Reference shall be made to the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group (1982=100)(Commodity Code No. WPU101), as originally published (unrevised) by the Bureau of Labor Statistics of the United States Department of Labor, or any succeeding federal agency publishing such index, for the first month in the calendar quarter for which royalty payment is to be made. If the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group exceeds 170.000, which is a negotiated value (hereafter called the “PPI-I&S Base Index”), the excess shall be computed and this excess shall become the numerator of a fraction, the denominator of which shall be the PPI-I&S Base Index, and the resulting fraction shall be multiplied by the royalty rate per ton payable on the ore mined and removed during any such quarter.

For example, if the PPI-I&S for October of 2022 is 338.202, the additional amount for the fourth calendar quarter 2022 would be computed as follows:

\[(338.202 - 170.000) / 170.000 \times 0.80 = 0.7915\]  \(\text{amount added to the base royalty}\)

\[0.7915 + 0.80 = 1.5915\]

In this example, the royalty rate for the fourth quarter of 2022 would be $1.5915.

In no event shall the royalty payable hereunder be less than the minimum base royalty of $0.80.

   (b) In the event some other period than 1982 is used as a base of 100 in determining the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group, for the purposes of this lease this index shall be adjusted so as to be in correct relationship to the appropriate base. In the event the Producer Price Index for the Iron and Steel Subgroup of the

Exhibit B-ii
Metals and Metal Products Group is not published by any federal agency, the index to be used as aforesaid shall be that index independently published, which, after necessary adjustments, if any, provides the most reasonable substitute for this index, it being intended to substitute for the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group (1982=100)(Commodity Code No. WPU101) an index that most accurately reflects fluctuations in the prices of iron and steel in the manner reported by the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group at the time of the issuance of this lease. In case such index shall cease to be available and the parties hereto fail within a reasonable time to agree upon such new method or formula for the adjustment of royalty rates hereunder, the same shall be determined by arbitration in the manner hereinafter provided.

8. METHOD OF COMPUTING ROYALTY RATES. In computing royalty rates hereunder, any fraction of a cent less than five-thousandths shall be disregarded and any fraction amounting to five-thousandths or more shall be counted as one-hundredth of a cent.

9. QUARTERLY ROYALTY PAYMENT ON ORE REMOVED. The Lessee covenants and agrees to pay to the Lessor, on or before the twentieth day of April, July, October, and January in each year during the period this lease continues in force, royalty at the rates hereinbefore specified for all the taconite iron ore mined and removed from said land during the three months preceding the first day of the month in which such payment is due as hereinbefore provided.

10. LESSEE TO TRANSMIT STATEMENT OF ORE REMOVED AND ROYALTY DUE. The Lessee at the time of such payment shall transmit to the Lessor an exact and truthful statement of the amount of taconite iron ore removed during the three months for which such payment is made and the royalty due thereon, determined as herein provided. The Lessee shall provide for all the operations required for such determination except as otherwise specified.

11. METHOD OF WEIGHING TACONITE IRON ORE; METHOD OF SAMPLING AND WEIGHING TACONITE IRON ORE STOCKPILED OFF PREMISES. The Lessee shall install and properly maintain adequate belt scales or other weighing devices for the determination of the weight of taconite iron ore. If taconite iron ore is intermingled with taconite iron ore from other lands before weighing, the weights shall be determined by a count of uniformly loaded vehicles from the leased lands and from said other lands or by such other means or methods that may be agreed upon by the Lessor and the Lessee for measuring the quantity of taconite iron ore produced from the leased lands and from said other lands, and by allocation of the combined weights determined by such belt scales or other weighing devices, upon the basics of such vehicle count or such other means or methods agreed upon by the Lessor and the Lessee. The Lessee shall adopt suitable methods and practices for determining, allocating and recording such weights. The scales and weighing devices installed, and the methods and practices for determining, allocating and recording such weights, shall be subject to the prior approval of and to review by the Lessor, and the Lessee shall comply with all reasonable requirements of the Lessor with respect thereto.

The Lessor may appoint such special inspectors of such scales, weighing devices, and methods and practices (including vehicle count inspectors) as the Lessor deems necessary to

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insure proper accounting and protect the interests of the state, and the Lessee shall reimburse the state monthly for the cost of all such inspection service upon notification thereof by the Commissioner.

Should the Lessee desire to stockpile iron ore off the demised premises for a temporary period not to exceed one year, the Lessor may prescribe the methods of removal and the method of sampling and weighing such taconite iron ore for the purpose of determining the amount of royalty due.

12. ARBITRATION CLAUSE. If any dispute shall arise between the parties as to the method of computing the weight and the royalty rate per ton, or if the parties to this lease cannot agree upon substitute price/index as provided under paragraph 7(b) herein, each shall choose an arbitrator and the two thus selected shall choose a third. The decision of the arbitrators or any two of them shall be final and binding on the parties in interest. The agreement or the decision of the arbitrators shall be attached as a supplement to the lease.

The Lessee shall reimburse the state for all costs and expenses incurred in connection with the determination of the weight of taconite iron ore. Each party to the arbitration shall bear their respective share of the costs for arbitration as to substitute price/index as provided under paragraph 7(b) herein.

13. TRANSMISSION OF MONTHLY REPORTS; RIGHT OF LESSEE TO COMPUTE ROYALTIES ON A CALENDAR MONTH BASIS. Except as otherwise permitted by the Lessor, the Lessee shall transmit to the Lessor on or before the tenth of each month a statement in such form as the Lessor shall prescribe, covering all taconite iron ore removed from said land during the preceding calendar month, showing the weight of the taconite iron ore, the royalty computed to be due thereon, and such other information pertaining thereto as the Lessor may require. With the approval of the Commissioner, for the purpose of computing and accounting for royalty, taconite iron ore may be considered as removed from said land in the month in which it was weighed, but the Lessee shall nevertheless be liable for the royalty on all taconite iron ore from and after the actual time of removal from said land. The weights of taconite iron ore as set forth in said monthly statements shall be prima facie binding as between the parties, but the Lessor shall have the right at any time, and in such manner as it may see fit, to sample the taconite iron ore, check the analyses, and inspect, review, and test the correctness of the methods, books, records, and accounts of the Lessee in sampling, analyzing, recording, and reporting such grades and weights, and to inspect, review, and test the correctness of the scales and other equipment used in weighing the taconite iron ore and of the weights reported as aforesaid, it being understood that any errors in these respects, when ascertained, shall be corrected. Should the Lessee desire to remove taconite iron ore for experimental purposes from the demised premises, the Lessor may prescribe the method of such removal and the method of sampling and weighing such taconite iron ore for the purpose of determining the amount of royalty due.

14. STATE INSPECTION. The Lessor shall have the right to enter upon and into said premises at any time, and to inspect and survey the same, and to measure the quantity of taconite iron ore which shall have been mined or removed therefrom, not unreasonably hindering or interrupting the operations of the Lessee.
The Lessee shall provide, upon written request from the Lessor, a suitable office on said premises, for the use of the Lessor or agents thereof in the work of inspection on said premises. The Lessor or agents thereof shall have the right to enter and inspect at any time any plant where taconite iron ore from said land is treated or beneficiated, and to take such samples and make such tests as may be necessary to determine the effects of such treatment or beneficiation.

15. ADDITIONAL MONTHLY AND ANNUAL REPORTS TO BE FURNISHED BY LESSEE; EXPLORATION, MINE AND MILL SAMPLES REQUIRED. In addition to other reports or statements required hereunder, the Lessee shall furnish, upon request of the Lessor, the following:

(a) Copies of all exploration reports, concentrating plant reports, mine maps, analysis maps, cross-sections and plans of development made and used in the operations on said leased premises;

(b) At least a quarter portion of all exploration samples, and, when requested by the Lessor in writing, a quarter portion of mine or mill samples;

(c) A monthly report showing the estimated weight or volume and analysis of all material stockpiled according to classification;

(d) A monthly report of all taconite iron ore beneficiated, showing the tonnage and analysis of taconite iron ore treated, and a record of any analysis made of tailings and rejects;

(e) At the time of each royalty payment, the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group for the first month in each quarter for which royalty is being paid and the escalation amount, if any, provided for in paragraph 7 herein;

(f) Not later than February 1st of each year during said term, a summary statement of the tonnage of all taconite iron ore and other iron-bearing material mined on said land during the previous calendar year, showing the average analysis of iron and silica on all merchantable ore, such analysis as the Lessor may require on other iron-bearing material, and such other information as to the grade, character and disposition of such ore and other material as the Lessor may direct.

16. LESSEE TO PAY ALL TAXES. The Lessee further covenants and agrees to pay all taxes, general and specific, which may be assessed against said land and the improvements thereon made, used or controlled by said Lessee, and the taconite iron ore product thereof, and any personal property thereon owned, used, or controlled by the Lessee, in all respects as if said land was owned in fee by the Lessee. The termination of this lease by expiration of the term hereof or in any other manner shall not relieve the Lessee of liability for taxes assessed prior to such termination, and such taxes shall be paid when due.

17. OPERATIONS TO BE CONDUCTED IN ACCORDANCE WITH GOOD MINING ENGINEERING. It is further understood and agreed as follows:

Exhibit B-ii
(a) The Lessee will open, use and work the mine or mines on said land in such manner only as is usual and customary in skillful and proper mining operations of similar character when conducted by the proprietors on their own land and in accordance with the requirements, methods, and practices of good mining engineering, and in such manner as not to cause any unnecessary or unusual permanent injury to such mine or mines or inconvenience or hindrance in the subsequent operation of the same or in the development, mining, or disposal of any taconite iron ore or other valuable mineral left on or in said land.

(b) Disposal of Taconite Iron Ore and Other Materials Not Otherwise Lawfully Disposed of. Subject to the approval of the Lessor, all taconite iron ore and other material produced or accumulated in connection with any operations hereunder and not otherwise lawfully disposed of shall be deposited or disposed of by the Lessee at such places and in such manner as will not hinder or embarrass such subsequent operations or activities; provided, that any such material containing iron or other minerals in such quantity or form as to have present or potential value shall be deposited only on the land covered by this lease, or on other land belonging to the state and available for the purpose, unless the Lessor shall approve in writing its disposal in some other manner.

c) Land Conveyed to the State for Stockpiling Purposes. Land conveyed to the state upon condition that it shall be used for the storage of taconite iron ore or other materials having present or potential value belonging to the state, subject to termination or reversion of title when no longer needed or used for that purpose, shall be deemed suitable and available therefor. The Lessor may accept such conveyance in behalf of the state if the Lessor shall determine that the conditions thereof conform with the foregoing provisions and will fully protect the interest of the state in the materials to be so stored, but no consideration shall be paid for such conveyance unless authorized by law. The existence of mineral reservations with rights to use or destroy the surface in connection therewith, shall not prevent lands being deemed suitable and available if the Lessor finds that the lands are located off the generally recognized limits of the iron formation, and the Lessor finds that no minerals of any present or foreseeable commercial value are known to exist thereon. The provisions of Minnesota Statutes, section 500.20 shall not apply to any conveyance of land to the state pursuant to this subdivision and shall not limit the duration of any covenant, condition, restriction, or limitation created by any such conveyance.

(d) The Lessee agrees that it will at all times duly comply with all legal requirements for the fencing and other protection of pits or other excavations made by it in the conduct of its mining operations hereunder; and that it will indemnify, protect, and save harmless the Lessor from and against any and all claims and liabilities for the death of, or injury to, persons or damage to property of others on account of or arising from any operations of the Lessee hereunder so long as this lease shall remain in effect. During the term of this lease, the Lessee further agrees that it will erect and maintain fencing along the outside perimeter of any inactive excavation, open pit or shaft located on the leased premises if ordered to do so by the inspector of mines pursuant to Minnesota Statutes, section 180.03. The fencing shall meet the requirements of Minnesota Statutes, section 180.03.

18. LESSEE TO ACQUIRE NECESSARY RIGHTS TO SURFACE NOT OWNED BY

Exhibit B-ii
STATE. It is understood and agreed that in case any interest in the land covered by this lease or in any minerals therein is owned by anyone other than the state, this lease shall not be construed as authorizing any invasion of or trespass upon such other interest, that in case it shall be necessary to make use of any such other interest in connection with any operations hereunder, the Lessee shall obtain all necessary legal rights therefor before proceeding therewith, that the Lessee shall be liable for all damages to any such other interest caused by any operations hereunder, and that the state shall not incur or be subject to any liability therefor.

19. SUPPLEMENTAL AGREEMENT PERMISSIBLE COVERING CERTAIN MATTERS. In case it shall become impossible or impracticable at any time during the term of this lease to comply with the provisions hereof relating to sampling, analysis, shipping, or weighing of ore, or in case methods for any of said operations shall be developed which appear to be superior to those herein prescribed and which will not result in any loss or disadvantage to the state hereunder, the Commissioner of Natural Resources, with the approval of the Executive Council, may make a supplemental agreement with the Lessee, modifying this lease so as to authorize the adoption of such other methods for any of said operations so far as deemed expedient.

20. REMITTANCES. All remittances by the Lessee hereunder shall be made payable to the Minnesota Department of Natural Resources and shall be transmitted to the Lessor who shall audit the same, take such action as may be necessary on account of any error or discrepancy discovered, and deposit all remittances found due with the state treasurer.

21. STATE LIEN FOR UNPAID SUMS DUE. The Lessor reserves and shall at all times have a lien upon all ore mined and upon all improvements made by the Lessee upon the land covered by this lease for any unpaid sums due hereunder.

22. LESSEE’S RIGHT TO TERMINATE LEASE. The Lessee shall have the right at any time to terminate this lease insofar as it requires the Lessee to mine taconite iron ore on said land, or to pay royalty therefor, by delivering written notice of such intention to terminate to the Lessor, who shall in writing acknowledge receipt of such notice, and this lease shall terminate sixty days after such delivery unless such notice is revoked by the Lessee by further written notice delivered to the Lessor before the expiration of said sixty days, and all arrearages and sums which shall be due under this lease up to the time of such termination shall be paid upon settlement and adjustment thereof by the Lessee.

23. LESSOR’S RIGHT TO TERMINATE LEASE UPON DEFAULT. This lease is granted upon the express condition that if any sum owing hereunder by the Lessee for rental, royalty, taxes, or otherwise shall remain unpaid after the expiration of sixty days from the time when the same became payable as herein provided, or in case the Lessee or any agent or servant thereof shall knowingly or willfully make any false statement in any statement, report, or account submitted to the state or to the Commissioner of Natural Resources or any agents of the commissioner pertaining to any matter hereunder, or in case the Lessee shall fail to perform any of the covenants or conditions herein expressed to be performed by said Lessee, then it shall be the duty of the Lessor to cancel this lease, first having mailed or delivered to the Lessee at least twenty days’ notice in writing thereof, whereupon this lease shall terminate at the expiration of
said twenty days, and the Lessor shall reenter and again possess said premises as fully as if no lease had been given to the Lessee, and the Lessee and all persons claiming under such party shall be wholly excluded therefrom except as hereinafter provided, but such termination and re-entry shall not relieve the Lessee from any payment or other liability thereupon or theretofore incurred hereunder. If the default consists of a nonperformance of an act required under this lease, the Lessee may perform within the period of twenty days; in which event the lease continues in effect and shall not so terminate. If the correction of any such default requires more than twenty days after the notice has been received by the Lessee, the commissioner, upon written request of the Lessee and for good cause shown, may, at his or her discretion, grant an extension of the period of twenty days.

24. RIGHTS OF LESSOR AND LESSEE DURING 90-DAY PERIOD FOLLOWING TERMINATION. It is mutually agreed that upon the termination of this lease, whether by expiration of the term thereof or by act of either party, the Lessee shall have ninety days thereafter in which to remove all equipment, materials, railroad tracks, structures, and other property placed or erected by the Lessee upon said land, and any such property not removed within said time shall become the property of the Lessor; but the Lessee shall not remove or impair any supports placed in any mine or mines on said land, or any timber or framework necessary to the use or maintenance of shafts or other approaches to such mine or mines or tramways within the same. Lessee further agrees that, upon termination of this lease, it will leave and surrender to the Lessor the said premises with all pits, excavations or other openings made by it thereon duly fenced and protected in such manner as will at the time fully comply with all statutory or legal requirements then in force and effect with respect thereto. Subject thereto, it is understood and agreed that upon termination of this lease by expiration of the term thereto or otherwise, the Lessee will quietly and peaceably surrender possession of the land covered thereby to the Lessor.

25. ASSIGNMENTS, AGREEMENTS OR CONTRACTS. This lease may not be assigned, subleased or otherwise transferred by the Lessee, or its successors in interest, without the written consent of the Lessor. The covenants, terms and conditions of this lease shall run with the land and shall extend to and bind all assignees and other successors in interest of the Lessee.

26. THIS LEASE IS ISSUED UNDER ALL APPLICABLE PROVISIONS OF MINNESOTA STATUTES 2022, CHAPTER 93.
IN TESTIMONY WHEREOF, the parties hereto have hereunto set their hands in triplicate the date and year first above written.

Signed in Presence of: STATE OF MINNESOTA
DEPARTMENT OF NATURAL RESOURCES

_________________________
_________________________

By
_________________________
Joseph Henderson, Director
Division of Lands and Minerals

As to State

__________________________________
Notary Public
My commission expires:__________________

The foregoing instrument was acknowledged before me this _____ day of ____________, 2023, by Joseph Henderson, Director, Division of Lands and Minerals, Department of Natural Resources, on behalf of the State of Minnesota.
Signed in Presence of: 

CLEVELAND-CLIFFS HIBBING INC.

________________________

By ____________________________

Title: ____________________________

As to Lessee

STATE OF ____________ )
) SS.
COUNTY OF ____________ )

The foregoing instrument was acknowledged before me this _____ day of ____________, 2023, by ____________________________________________ of CLEVELAND-CLIFFS HIBBING INC., a Delaware corporation, on behalf of the corporation.

________________________________________

Notary Public
My commission expires: ____________________

Exhibit B-ii
Signed in Presence of: CLIFFS MINING HOLDING SUB COMPANY

________________________

By __________________________

Title: __________________________

_________________________

As to Lessee

STATE OF ____________) 

COUNTY OF ____________) SS.

The foregoing instrument was acknowledged before me this _____ day of ___________, 2023, by _____________________________________________________________________
of CLIFFS MINING HOLDING SUB COMPANY, a Delaware corporation, on behalf of the corporation.

______________________________________________
Notary Public
My commission expires: ______________________

Exhibit B-ii
Signed in Presence of:  

__________________________  

ONTARIO HIBBING COMPANY

By  

Title: ______________________  

__________________________  

As to Lessee


STATE OF __________)  

) SS.

COUNTY OF __________)  

The foregoing instrument was acknowledged before me this _____ day of ________,  
2023, ______________________ of  
ONTARIO HIBBING COMPANY, a Minnesota corporation, on behalf of the corporation.

__________________________________  

Notary Public  

My commission expires: _______________  


Exhibit B-ii
Signed in Presence of: HIBBING DEVELOPMENT COMPANY

_________________________   By ________________________________

Title: ________________________________

Pickands Hibbing Corporation, as partner

As to Lessee

STATE OF ____________) )
COUNTY OF ____________) SS.

The foregoing instrument was acknowledged before me this _____ day of __________, 2023, by ________________________________,
of PICKANDS HIBBING CORPORATION, as a partner in HIBBING DEVELOPMENT COMPANY, a Minnesota general partnership, on behalf of the partnership.

__________________________________
Notary Public
My commission expires: _____________________________
Office of Commissioner of Natural Resources
STATE OF MINNESOTA

I hereby certify that this instrument was filed in this office on ____________________________

By _________________________________________

This Instrument was drafted by:

DEPT. OF NATURAL RESOURCES
Division of Lands and Minerals
500 Lafayette Road
St. Paul, MN 55155 4045

Exhibit B-ii
LEASES TO BE ISSUED TO CLEVELAND-CLIFFS HIBBING INC., CLIFFS MINING HOLDING SUB COMPANY, HIBBING DEVELOPMENT COMPANY, AND ONTARIO HIBBING COMPANY

Lease No. MLTN200006 (Tax Forfeit)

Northwest Quarter of Northeast Quarter, except highway right of way and except that part lying East of Highway 169; and
Southwest Quarter of Northeast Quarter (SW1/4-NE1/4), except highway right of way and except that part lying East of Highway 169,
in Section Thirty-two (32), Township Fifty-eight (58) North, Range Twenty (20) West of the Fourth Principal Meridian

Acres: 19.08
Annual Rental: $1,717.20

Lease No. MLTN200007 (Tax-forfeited)

Undivided 1097/1152 interest in Northwest Quarter of Southwest Quarter (NW1/4-SW1/4), and
Undivided 1097/1152 interest in Southwest Quarter of Southwest Quarter (SW1/4-SW1/4),
all in Section Thirty-two (32), Township Fifty-eight (58) North, Range Twenty (20) West of the Fourth Principal Meridian.

Acres: 80
Annual Rental: $6,856.56

Lease No. MLTN200008 (School Trust Fund)

Northeast Quarter (NE1/4), Section Thirty-six (36), Township Fifty-eight (58) North, Range Twenty-one (21) West of the Fourth Principal Meridian

Acres: 160
Annual Rental: $14,400.00

Lease No. MLTN200009 (School Trust Fund)

Northwest Quarter (NW1/4), Section Thirty-six (36), Township Fifty-eight (58) North, Range Twenty-one (21) West of the Fourth Principal Meridian

Acres: 160
Annual Rental: $14,400.00

Lease No. MLTN200010 (School Trust Fund)

North Half of Southwest Quarter (N1/2-SW1/4), Section Thirty-six (36), Township Fifty-eight (58) North, Range Twenty-one (21) West of the Fourth Principal Meridian

Acres: 80
Annual Rental: $7,200.00

Exhibit B-iii
Lease No. MLTN200011 (School Trust Fund)

North Half of Northeast Quarter (N1/2-NE1/4); and
Southwest Quarter of Northeast Quarter (SW1/4-NE1/4),
in Section Twelve (12), Township Fifty-seven (57) North, Range Twenty-one (21) West of the Fourth Principal Meridian

Acres: 120
Annual Rental: $10,800.00

Lease No. MLTN200012 (Tax Forfeit)

Undivided 27/72 interest in Northwest Quarter of Southeast Quarter (NW1/4-SE1/4); and
Undivided 9,028/30,000 interest in Northwest Quarter of Southeast Quarter (NW1/4-SE1/4),
in Section Six (6), Township Fifty-seven (57) North, Range Twenty (20) West of the Fourth Principal Meridian

Acres: 40
Annual Rental: $2,433.60

Lease No. MLTN200013 (School Trust Fund)

East Half of Southeast Quarter (E1/2-SE1/4), Section Six (6), Township Fifty-seven (57) North, Range Twenty (20) West of the Fourth Principal Meridian

Acres: 80
Annual Rental: $7,200.00
C. Request to Approve Issuance of State Taconite Iron Ore Mining Leases in Itasca County to Cleveland-Cliffs Minnesota Land Development LLC

It is the Department of Natural Resources’ recommendation that the State Executive Council approve the issuance of thirty negotiated state taconite iron ore mining leases to Cleveland-Cliffs Minnesota Land Development LLC. The new leases cover 2,662.29 acres of state-owned lands and minerals at Nashwauk, Minnesota, in Itasca County.

Authority

Minnesota Statutes, section 93.1925, subdivision 1 provides as follows:

Subd. 1. **Conditions required.** When the commissioner finds that *the best interests of the state will be served and the circumstances in clause (1), (2), or (3) exist*, the commissioner, with the approval of the Executive Council, may issue an iron ore or taconite iron ore mining lease through negotiations to an applicant. A lease may be issued through negotiations under any of the following circumstances:

1. the state taconite iron ore is adjacent to taconite iron ore owned or leased for mining purposes by the applicant and the commissioner finds that it is impracticable to mine the state taconite iron ore except in conjunction with the mining of the adjacent ore;

2. the lands to be leased are primarily valuable for their natural iron ore content; or

3. the state’s mineral ownership interest in the lands to be leased is an undivided fractional interest and the applicant holds under control a majority of the remaining undivided fractional mineral interests in the lands to be leased.

For this lease negotiation, it is the first and the third circumstances described in Minnesota Statutes, sec. 93.1925, subd. 1, that are applicable. The Department of Natural Resources believes issuing the thirty leases to Cleveland-Cliffs Minnesota Land Development LLC is in the best interests of the state.

Background Information on Cleveland-Cliffs Minnesota Land Development LLC

Cleveland-Cliffs Minnesota Land Development LLC (“Cliffs”) is a limited liability company organized under the laws of the state of Delaware. Cliffs is a wholly owned subsidiary of Cleveland-Cliffs Inc. Cleveland-Cliffs Inc. has a long history of mining in Minnesota. Cleveland-Cliffs Inc. is the owner, either in whole or in part, of four taconite operations in Minnesota: Northshore Mining Company, United Taconite, Cleveland-Cliffs Minorca Mine, and Hibbing Taconite Company.
Cliffs has under its control, through ownership or private lease, minerals which are adjacent to the state’s mineral ownership at the Nashwauk site.

Pursuant to Minnesota Statutes, section 93.1925, subd. 2, Cliffs filed an application with the Commissioner of Natural Resources on January 18, 2023 for state negotiated taconite iron ore mining leases at the Nashwauk site. Cliffs has stated that the ore mined from the Nashwauk site leases will be used to extend the life of Hibbing Taconite Company.

The map attached as “Exhibit C-i” shows the location of the state-owned parcels proposed to be leased to Cliffs in Itasca County, Minnesota through new state taconite iron ore mining leases. Exhibit C-ii shows the location of properties controlled by Cliffs in relation to the location of the proposed state leases.

The DNR finds that it would be impracticable to mine the state taconite iron ore except in conjunction with the mining of the adjacent ore controlled by Cliffs.

Background Information on State Land

Butler Taconite operation 1967 - 1985
Some of the state properties to be leased are part of the former Butler Taconite mining operation. Butler Taconite was owned by Inland Steel Corporation and Itasca Pellet Company which was owned by Wheeling-Pittsburgh Steel Corporation and Hanna Mining Company. The Butler Taconite operation had two contiguous open pits and a taconite plant that was constructed in 1966. Mining occurred from 1967 to 1985, with a total of 133 million tons of taconite mined and 40 million tons of taconite pellets produced. The Butler Taconite mine and plant were shut down in 1985 due to the bankruptcy of Wheeling-Pittsburgh Steel Company. The taconite plant was dismantled in 1990 and the mining area was reclaimed.

Essar Steel Minnesota, LLC/Mesabi Metallics Company, LLC 2004-2021
In December 2004, twenty-seven negotiated leases were issued in this area to Minnesota Steel Industries, LLC (later known as Essar Steel Minnesota, LLC). The leases contained performance requirements, including the construction of a taconite pellet plant, production from the state taconite iron ore leases, production minimums from the completed pellet plant, and value-added iron. During bankruptcy proceedings in 2016, Essar Steel Minnesota, LLC changed its name to Mesabi Metallics Company, LLC (“Mesabi Metallics”).

From 2004 until the final termination of the mineral leases on May 26, 2021, the DNR and Executive Council approved several extensions to performance requirements in the leases. On January 17, 2023, after extensive litigation over the DNR’s termination of the leases, the Minnesota Supreme Court denied Mesabi Metallics’ petition for review and all appeals by Mesabi Metallics regarding the state leases were exhausted. A more detailed history of DNR’s lease history with Mesabi Metallics can be found in the DNR filings with Ramsey County
District Court (case number 62-CV-21-3142), Minnesota Court of Appeals and Minnesota Supreme Court (case number A22-0410).

_Hill Annex Mine State Park_

The properties to be leased include 160 acres of school trust lands within the Hill Annex Mine State Park. When this park was established by the legislature in 1988, the law specifically provided that the commissioner of natural resources must recognize that mining may be conducted on the property in the future and that use of portions of the surface estate may be necessary for future mining operations (Laws of Minnesota 1988, Chapter 686, Article 1, Section 53). It is anticipated that any future taconite mining within the park limits will not take place for quite some time, but leasing the property now aids Cliffs by including the property in its environmental review and permitting process for the area. The area to be leased will not currently affect management of the state park.

_Terms of State Taconite Lease Agreements_

The state taconite leases to be issued to Cliffs contain basic terms found in all state taconite iron ore mining leases and includes additional terms specific to these leases.

_Length of Leases_

The new state taconite leases are being issued for a thirty (30) year term beginning on May 26, 2023. While the law allows a maximum term of 50 years, state taconite leases issued recently have typically been 25-years in duration.

_Rental_

The annual rental rate would be $3,600 per government lot or forty. In accordance with Minnesota Statutes, sec. 93.20, the annual rental payment may be credited against royalties due for ore mined under the same lease during that same year.

_Royalty Rate and Escalator_

The base royalty rate for taconite iron ore removed from the new state taconite leases would be $1.00 per ton. This base royalty is higher than other current state taconite leases due to the high quality resource at this site.

The royalty rate for the new state taconite leases will be increased based upon the change in the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group from a base of 170.000, a negotiated figure. The second quarter 2023 royalty using the base royalty and royalty escalator is $2.0450 per ton.

_Special Advance Minimum Royalties_

A term is added to these state taconite leases to collect special advance minimum royalties from Cliffs starting in Year 5 of the leases (January 1, 2028). The special advance minimum royalty is $50,000 per government lot or forty per year. Approximately $3.3 million will be collected.
annually. Special advance minimum royalties may be credited against royalties due for state ore mined off any of the state Nashwauk site leases for the period of January 1, 2028 through December 31, 2032, and each subsequent 5-year period. This provision encourages mining of the Nashwauk site leases.

Sweeping of the Special Advance Minimum Royalty Account
Any monies remaining in the special advance minimum royalty account at the end of Year 10 of the leases (December 31, 2032) will be swept out of the account and every fifth year thereafter for the term of the leases. Monies will be deposited according to the fund types for the leases. The school trust, University trust, and tax forfeited funds will receive a source of added revenue should Cliffs not mine the properties or royalties are less than the amount of money in the special advance minimum royalty account.

Sunsetting of Special Advance Minimum Royalties
After Cliffs has mined and paid royalties for 50 million tons of state-owned ore from the Nashwauk site leases, the requirement to pay special advance minimum royalties will end.

Attached as “Exhibit C-iii” is a copy of the State Taconite Iron Ore Mining Lease (lease number to be assigned) to be issued for the minerals and mineral rights in the East Half of Southwest Quarter and Lot 7 in Section 6, Township 56 North, Range 22 West in Itasca County. The remaining twenty-nine leases in Itasca County will be identical, except for the legal description, rentals, and special advance minimum royalties. Attached as “Exhibit C-iv” is a list of the legal descriptions, acreage, annual rent, and annual special advance minimum royalties (starting in Year 5) for each proposed lease.

Revenue Distribution

University Trust
The new state taconite iron ore mining leases to be issued to Cliffs cover 1,424.23 acres of University trust fund lands and minerals. Eighty percent of mineral lease revenue from university lands is deposited into the corpus of the Permanent University Fund and is split between two accounts of the fund, the Iron Range Scholarship Account and the Endowed Mineral Research Account. The principal is invested and the interest distributed each year.

The interest from the Iron Range Scholarship Account is distributed each year through the Iron Range scholarship program. The scholarships are distributed for scholastic achievement to freshmen, who are Minnesota residents, attending any of the four campuses of the University of Minnesota. Over twenty percent of the University of Minnesota’s new freshmen who are Minnesota residents receive an Iron Range Scholarship.

The interest from the Endowed Mineral Research Account is allocated to the Duluth and Coleraine facilities of the Natural Resources Research Institute for mineral and mineral-related
research. When mineral lease revenue to this account reaches $50 million, payments under the state mineral leases covering university lands will be distributed to the Endowed Scholarship Account.

The remaining 20% of mineral lease revenue from university lands is distributed to the minerals management account.

**Tax Forfeited**
Lands and minerals forfeited for non-payment of taxes comprise 918.06 acres of the new leases. Mineral lease revenue on tax-forfeited lands and minerals is split as follows: 20% to the minerals management account and 80% to the local taxing districts. The 80% is split 4/9 to the school district, 3/9 to the county, and 2/9 to the township or city in which the leased lands lie. The tax forfeited leases lie within the Nashwauk-Keewatin and Greenway school districts, Nashwauk Township, Greenway Township, and the City of Nashwauk, and Itasca County.

**School Trust**
The remaining 320 acres of the proposed leases are school trust fund land. Eighty percent of mineral lease revenue from school trust land is deposited into the corpus of the Permanent School Fund and is invested. The interest is distributed each year to the school districts throughout the state. The remaining 20% of mineral lease revenue from school trust fund lands is distributed to the minerals management account.

Based upon current drilling information, the state-owned lands at Nashwauk contain an estimated 100 million long tons of mineable crude taconite ore. These properties could generate at least $150 million in royalty payments to the state.

**Conclusion**
It is the Department of Natural Resources’ conclusion that Cleveland-Cliffs Minnesota Land Development LLC has met the requirements to qualify for negotiated taconite leases in that it holds under control the taconite iron ore that is adjacent to the state taconite iron ore and for those parcels in which the state owns an undivided fractional interest, the company holds the remaining fractional interest. The DNR believes it is in the best interest of the State to mine the state ore in conjunction with ore controlled by Cliffs.

It is the Department of Natural Resources’ recommendation that the State Executive Council approve the issuance of thirty state taconite iron ore mining leases to Cleveland-Cliffs Minnesota Land Development LLC in Itasca County.
RESOLUTION

RESOLVED, by the Executive Council of the State of Minnesota, at its meeting on May 25, 2023, that it approves the following agreements that are recommended by the Commissioner of Natural Resources:

Thirty (30) State Taconite Iron Ore Mining Leases to be issued to Cleveland-Cliffs Minnesota Land Development LLC covering 2,662.29 acres of state-owned lands and minerals in the Nashwauk Area of Itasca County, Minnesota,

on the terms set forth in the proposed agreement, which was submitted and filed with the Secretary of the Council for the Council’s May 25, 2023, meeting; and the Commissioner of Natural Resources is hereby authorized and directed to execute such agreements on behalf of the State of Minnesota.

________________________________
Executive Secretary
State Executive Council
STATE OF MINNESOTA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LANDS AND MINERALS

TACONITE IRON ORE MINING LEASE
PURSUANT TO
MINNESOTA STATUTES 2022, SECTIONS
93.1925, 93.20, AND 93.201

Lease No. MLTNxxxxx

This indenture, made the 26th day of May, 2023, by and between THE STATE OF MINNESOTA, under authority and subject to the provisions of Minnesota Statutes 2022, sections 93.1925, 93.20, and 93.201, acting by and through its Commissioner of Natural Resources, 500 Lafayette Road, St. Paul, Minnesota 55155-4045, hereinafter called "Lessor", and CLEVELAND-CLIFFS MINNESOTA LAND DEVELOPMENT LLC, 200 Public Square, Suite 3300, Cleveland, Ohio 44114, a Delaware corporation, “Lessee”;

WITNESSETH:

The Lessor is the owner of the lands hereinafter described.

The Lessee has made application under Minnesota Statutes 2022, section 93.1925, for a state taconite iron ore mining lease on said premises owned by the Lessor, and has agreed with the Commissioner of Natural Resources upon the terms and conditions of such lease as hereinafter set forth.

The Commissioner of Natural Resources, pursuant to Minnesota Statutes 2022, section 93.1925, has found the state taconite iron ore is adjacent to taconite iron ore owned or leased for mining purposes by the applicant and the commissioner finds that it is impracticable to mine the state taconite iron ore except in conjunction with the mining of the adjacent ore.

By resolution adopted on May 25, 2023, the State Executive Council approved the execution of this lease. A copy of this resolution is attached hereto and marked "Exhibit A".

NOW, THEREFORE, in consideration of the premises and the agreement herein contained, IT IS AGREED BY AND BETWEEN THE PARTIES HERETO, as follows:

1. TERM; DESCRIPTION OF MINING UNIT. That the Lessor, for and in consideration of the covenants and conditions hereof, to be kept and performed by the Lessee, does hereby lease and demise unto the Lessee for the period of the effective date listed above through May 26, 2053, the following described land, situated in Itasca County, in the State of Minnesota, to-wit:

Exhibit C-iii
The minerals and mineral rights in East Half of Southwest Quarter (E1/2-SW1/4) and Lot Seven (7), all in Section Six (6), Township Fifty-six (56) North, Range Twenty-two (22) West of the Fourth Principal Meridian.

2. PURPOSE OF LEASE; RIGHT OF LESSEE TO CONTRACT WORK. The above described premises are leased to the Lessee for the purpose of exploring for, mining, taking out and removing the taconite iron ore found on or in said land, together with the right to construct or make such buildings, excavations, openings, ditches, drains, railroads, roads and other improvements upon said premises as may be necessary or suitable for such purposes. The Lessee may contract with others for doing any work authorized or required hereunder, or for the use of said land or any part thereof for the purposes hereof, but no such contract shall relieve the Lessee from any duty, obligation, or liability hereunder. The Lessee shall furnish a copy of any such contract upon request of the Lessor.

3. STATE’S RIGHT TO LEASE SURFACE AND SELL TIMBER. The Lessor reserves the right to sell and dispose of, under the provisions of law now or hereinafter governing the sale of timber on state lands, all the timber upon the land hereby leased, and reserves to the purchaser of such timber, or agents and servants of the purchaser, the right at all times to enter thereon, and to cut and remove any and all such timber therefrom, according to the terms of the purchaser’s contract with the state, and without let or hindrance from the Lessee, but such purchaser shall not unnecessarily or materially interfere with the mining operations carried on thereon. The purchaser of the timber will agree to assume entire responsibility and liability for all damages and injury to all persons and property whether caused by the purchaser, the purchaser’s officers, agents or employees, arising from activities undertaken based on the timber permit or the purchaser’s use or occupancy of the premises covered by the timber permit.

The Lessor further reserves the right to grant to any person or corporation the right-of-way necessary for the construction and operation of one or more railroads over or across the land thereby leased, without let or hindrance from the Lessee, but such railroads shall not unnecessarily or materially interfere with the mining operations carried on thereon. The grantee of a railroad right-of-way will agree, for the benefit of both parties to this lease, to assume entire responsibility and liability for all damages and injury to all persons and property whether caused by the grantee or the grantee’s officers, agents or employees, arising from activities undertaken based on the railroad right-of-way or the grantee’s use or occupancy of the premises covered by the railroad right-of-way.

The Lessor further reserves the right to grant leases, permits or licenses to any portion of the surface of the demised premises to any person or corporation under authority of section 92.50, or other applicable laws, without let or hindrance from the Lessee, but such leases, permits or licenses shall not unnecessarily or materially interfere with the mining operations carried on thereon. The surface lessee will agree, for the benefit of both parties to this lease, to assume entire responsibility and liability for all damages and injury to all persons and property whether caused by the surface lessee or the surface lessee’s officers, agents or employees, arising from activities

Exhibit C-iii
undertaken based on the surface lease or the surface lessee’s use or occupancy of the premises covered by the surface lease.

4. RENTALS. The Lessee covenants and agrees to pay to the Lessor rental for said premises at the rate of $10,800.00 per year for the term hereof. Such rental shall be payable quarterly on or before the 20th day of January, April, July, and October each year during the term hereof. Each quarterly payment shall cover the rental at the rate hereinbefore specified for the calendar quarter or fraction thereof beginning in the calendar month of the due date for such payment. The rental for any fraction of a quarter shall be computed proportionately at the applicable rate. Any amount paid for rental accrued under this lease during any calendar year shall be credited on any royalty that may become due for taconite iron ore removed under this lease during the same calendar year but no further. And any amount paid for such royalty in excess of such credit during such year under this lease shall be credited on rental, if any, subsequently accruing under this lease during such year but no further.

5. SPECIAL ADVANCE MINIMUM ROYALTIES. From and after January 1, 2028, Lessee agrees to pay to the State a special advance minimum royalty of $150,000.00 per year. The special advance minimum royalty shall be payable in the same manner and at the same time as provided for in Paragraph 4 herein. Any payment of advance minimum royalties shall not be counted against the total tonnage of state-ore mined, removed and paid regarding the sunsetting of special advance minimum royalties as stated in Paragraph 13 herein.

6. DEFINITIONS. (a) Nashwauk Site Leases. Nashwauk Site Leases shall be understood to mean the State Taconite Iron Ore Mining Leases Numbered as follows: MLTN2xxxxx thru MLTN2xxxxx.

(b) Taconite Concentrates. Taconite concentrates shall be understood to mean the merchantable product, suitable for blast furnace use, which in accordance with good engineering and metallurgical practice, has been produced from taconite iron ore which requires treatment by fine grinding, magnetic separation, flotation, or some other method.

(c) Taconite Iron Ore. Taconite iron ore shall be understood to mean a ferruginous chert or ferruginous slate in the form of compact siliceous rock, in which the iron oxide is so finely disseminated that substantially all of the iron bearing particles of merchantable grade are smaller than 20 mesh.

(d) Ton. The word "ton" shall mean a gross ton of 2,240 pounds.

7. ROYALTY PAYABLE. (a) On a ton of taconite iron ore, regardless of its iron content, the royalty shall be $1.00, subject to the escalator provisions of paragraph 8 herein.

(b) Subject to the lien of the state as provided herein for any royalty payable thereon, taconite iron ore so mined and removed, upon which such royalty is paid or payable (and not delinquent) hereunder, and the taconite concentrates and residue resulting from the treatment

Exhibit C-iii
thereof, including tailings, shall be the property of the Lessee and may be shipped, used, beneficiated, or otherwise disposed of by it as it sees fit.

(c) The Lessee shall be liable for royalty on all taconite iron ore removed from the leased premises for beneficiation or treatment from and after the actual time of removal.

(d) If the royalty due on the taconite iron ore shall not be determined and accounted for as herein otherwise provided by the next quarterly payment date after the end of the quarter in which such taconite iron ore is removed, the Lessor may determine such royalty by such reasonable method as the Lessor deems appropriate and give the Lessee written notice thereof, whereupon such royalty shall be due and payable within 20 days after the mailing or delivery of such notice, unless the time therefor shall be extended by the commissioner. Final settlement and adjustment of the royalty due shall be made as soon as determination becomes possible.

8. ESCALATOR CLAUSE. (a) The royalties to be paid by the Lessee to the Lessor on taconite iron ore removed in each calendar quarter that the lease remains in force as hereinbefore specified shall be subject to increase determined in accordance with subparagraph (1) below:

(1) Reference shall be made to the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group (1982=100)(Commodity Code No. WPU101), as originally published (unrevised) by the Bureau of Labor Statistics of the United States Department of Labor, or any succeeding federal agency publishing such index, for the first month in the calendar quarter for which royalty payment is to be made. If the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group exceeds 170.000, which is a negotiated value (hereafter called the “PPI-I&S Base Index”), the excess shall be computed and this excess shall become the numerator of a fraction, the denominator of which shall be the PPI-I&S Base Index, and the resulting fraction shall be multiplied by the royalty rate per ton payable on the ore mined and removed during any such quarter.

For example, if the PPI-I&S for January of 2023 is 325.667, the additional amount for the first calendar quarter 2023 would be computed as follows:

\[ \frac{325.667 - 170.000}{170.000} \times 1.00 = 0.9157 \]

amount added to the base royalty

\[ 0.9157 + 1.00 = 1.9157 \]

In this example, the royalty rate for the first quarter of 2023 would be $1.9157.

In no event shall the royalty payable hereunder be less than the minimum base royalty of $1.00.

(b) In the event some other period than 1982 is used as a base of 100 in determining the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group,
for the purposes of this lease this index shall be adjusted so as to be in correct relationship to the appropriate base. In the event the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group is not published by any federal agency, the index to be used as aforesaid shall be that index independently published, which, after necessary adjustments, if any, provides the most reasonable substitute for this index, it being intended to substitute for the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group (1982=100)(Commodity Code No. WPU101) an index that most accurately reflects fluctuations in the prices of iron and steel in the manner reported by the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group at the time of the issuance of this lease. In case such index shall cease to be available and the parties hereto fail within a reasonable time to agree upon such new method or formula for the adjustment of royalty rates hereunder, the same shall be determined by arbitration in the manner hereinafter provided.

9. METHOD OF COMPUTING ROYALTY RATES. In computing royalty rates hereunder, any fraction of a cent less than five-thousandths shall be disregarded and any fraction amounting to five-thousandths or more shall be counted as one-hundredth of a cent.

10. QUARTERLY ROYALTY PAYMENT ON ORE REMOVED. The Lessee covenants and agrees to pay to the Lessor, on or before the twentieth day of April, July, October, and January in each year during the period this lease continues in force, royalty at the rates hereinbefore specified for all the taconite iron ore mined and removed from said land during the three months preceding the first day of the month in which such payment is due as hereinbefore provided.

11. LESSEE TO TRANSMIT STATEMENT OF ORE REMOVED AND ROYALTY DUE. The Lessee at the time of such payment shall transmit to the Lessor an exact and truthful statement of the amount of taconite iron ore removed during the three months for which such payment is made and the royalty due thereon, determined as herein provided. The Lessee shall provide for all the operations required for such determination except as otherwise specified.

12. USE OF SPECIAL ADVANCE MINIMUM ROYALTIES; SWEEP OF ACCOUNT. (a) Lessee shall be entitled to credit the amount of all special advance minimum royalties paid by it under the Nashwauk Site Leases for the period of January 1, 2028 through December 31, 2032, and subsequent 5-year periods. Special advance minimum royalty payments made under said Nashwauk Site Leases during the current 5-year period shall be credited, up to the amount of such payments made, against any royalty due for taconite iron ore removed under any of the Nashwauk Site Leases during the same 5-year period, after first having satisfied any rental payment required under Paragraph 4 with respect to the specific lease(s) from which the taconite iron ore was removed.

(b) On December 31, 2032 and December 31st of every fifth year thereafter (“Sweep Date”) for the length of the Nashwauk Site Leases, the special advance minimum royalty account for the Nashwauk Site Leases will be deemed swept; the money paid as special advance minimum royalties will no longer be available to the Lessee to credit against royalties owed on the Nashwauk Site Leases. Prior to the sweep of the account, any money to be used against
royalties that become due for taconite iron ore removed during the fourth calendar quarter, but not payable until January 20 of the next calendar year, shall be taken into account and credited only up to the actual amount of royalties due for that fourth quarter. All money that is swept from the account shall be deposited by the State into the appropriate land classes for the Nashwauk Site Leases, 20 days after the Sweep Date.

13. SUNSETTING OF SPECIAL ADVANCE MINIMUM ROYALTIES. At such time as the Lessee mines and removes a combined total of 50 million tons of state-owned taconite iron ore from the Nashwauk Site Leases and royalties on that combined tonnage have been paid in full pursuant to Paragraph 7, the requirement in Paragraph 5 to pay special advanced minimum royalties shall cease.

14. METHOD OF WEIGHING TACONITE IRON ORE; METHOD OF SAMPLING AND WEIGHING TACONITE IRON ORE STOCKPILED OFF PREMISES. The Lessee shall install and properly maintain adequate belt scales or other weighing devices for the determination of the weight of taconite iron ore. If taconite iron ore is intermingled with taconite iron ore from other lands before weighing, the weights shall be determined by a count of uniformly loaded vehicles from the leased lands and from said other lands or by such other means or methods that may be agreed upon by the Lessor and the Lessee for measuring the quantity of taconite iron ore produced from the leased lands and from said other lands, and by allocation of the combined weights determined by such belt scales or other weighing devices, upon the basics of such vehicle count or such other means or methods agreed upon by the Lessor and the Lessee. The Lessee shall adopt suitable methods and practices for determining, allocating and recording such weights. The scales and weighing devices installed, and the methods and practices for determining, allocating and recording such weights, shall be subject to the prior approval of and to review by the Lessor, and the Lessee shall comply with all reasonable requirements of the Lessor with respect thereto.

The Lessor may appoint such special inspectors of such scales, weighing devices, and methods and practices (including vehicle count inspectors) as the Lessor deems necessary to insure proper accounting and protect the interests of the state, and the Lessee shall reimburse the state monthly for the cost of all such inspection service upon notification thereof by the commissioner.

Should the Lessee desire to stockpile iron ore off the demised premises for a temporary period not to exceed one year, the Lessor may prescribe the methods of removal and the method of sampling and weighing such taconite iron ore for the purpose of determining the amount of royalty due.

15. ARBITRATION CLAUSE. If any dispute shall arise between the parties as to the method of computing the weight and the royalty rate per ton, or if the parties to this lease cannot agree upon substitute price/index as provided under paragraph 8(b) herein, each shall choose an arbitrator and the two thus selected shall choose a third. The decision of the arbitrators or any two of them shall be final and binding on the parties in interest. The agreement or the decision of the arbitrators shall be attached as a supplement to the lease.
The Lessee shall reimburse the state for all costs and expenses incurred in connection with the determination of the weight of taconite iron ore. Each party to the arbitration shall bear their respective share of the costs for arbitration as to substitute price/index as provided under paragraph 8(b) herein.

16. TRANSMISSION OF MONTHLY REPORTS; RIGHT OF LESSEE TO COMPUTE ROYALTIES ON A CALENDAR MONTH BASIS. Except as otherwise permitted by the Lessor, the Lessee shall transmit to the Lessor on or before the tenth of each month a statement in such form as the Lessor shall prescribe, covering all taconite iron ore removed from said land during the preceding calendar month, showing the weight of the taconite iron ore, the royalty computed to be due thereon, and such other information pertaining thereto as the Lessor may require. With the approval of the commissioner, for the purpose of computing and accounting for royalty, taconite iron ore may be considered as removed from said land in the month in which it was weighed, but the Lessee shall nevertheless be liable for the royalty on all taconite iron ore from and after the actual time of removal from said land. The weights of taconite iron ore as set forth in said monthly statements shall be prima facie binding as between the parties, but the Lessor shall have the right at any time, and in such manner as it may see fit, to sample the taconite iron ore, check the analyses, and inspect, review, and test the correctness of the methods, books, records, and accounts of the Lessee in sampling, analyzing, recording, and reporting such grades and weights, and to inspect, review, and test the correctness of the scales and other equipment used in weighing the taconite iron ore and of the weights reported as aforesaid, it being understood that any errors in these respects, when ascertained, shall be corrected. Should the Lessee desire to remove taconite iron ore for experimental purposes from the demised premises, the Lessor may prescribe the method of such removal and the method of sampling and weighing such taconite iron ore for the purpose of determining the amount of royalty due.

17. STATE INSPECTION. The Lessor shall have the right to enter upon and into said premises at any time, and to inspect and survey the same, and to measure the quantity of taconite iron ore which shall have been mined or removed therefrom, not unreasonably hindering or interrupting the operations of the Lessee.

The Lessee shall provide, upon written request from the Lessor, a suitable office on said premises, for the use of the Lessor or agents thereof in the work of inspection on said premises. The Lessor or agents thereof shall have the right to enter and inspect at any time any plant where taconite iron ore from said land is treated or beneficiated, and to take such samples and make such tests as may be necessary to determine the effects of such treatment or beneficiation.

18. ADDITIONAL MONTHLY AND ANNUAL REPORTS TO BE FURNISHED BY LESSEE; EXPLORATION, MINE AND MILL SAMPLES REQUIRED. In addition to other reports or statements required hereunder, the Lessee shall furnish, upon request of the Lessor, the following:

(a) Copies of all exploration reports, concentrating plant reports, mine maps, analysis maps, cross-sections and plans of development made and used in the operations on said leased premises;
(b) At least a quarter portion of all exploration samples, and, when requested by the Lessor in writing, a quarter portion of mine or mill samples;

(c) A monthly report showing the estimated weight or volume and analysis of all material stockpiled according to classification;

(d) A monthly report of all taconite iron ore beneficiated, showing the tonnage and analysis of taconite iron ore treated, and a record of any analysis made of tailings and rejects;

(e) At the time of each royalty payment, the Producer Price Index for the Iron and Steel Subgroup of the Metals and Metal Products Group for the first month in each quarter for which royalty is being paid and the escalation amount, if any, provided for in paragraph 8 herein;

(f) Not later than February 1st of each year during said term, a summary statement of the tonnage of all taconite iron ore and other iron-bearing material mined on said land during the previous calendar year, showing the average analysis of iron and silica on all merchantable ore, such analysis as the Lessor may require on other iron-bearing material, and such other information as to the grade, character and disposition of such ore and other material as the Lessor may direct.

19. LESSEE TO PAY ALL TAXES. The Lessee further covenants and agrees to pay all taxes, general and specific, which may be assessed against said land and the improvements thereon made, used or controlled by said Lessee, and the taconite iron ore product thereof, and any personal property thereat owned, used, or controlled by the Lessee, in all respects as if said land was owned in fee by the Lessee. The termination of this lease by expiration of the term hereof or in any other manner shall not relieve the Lessee of liability for taxes assessed prior to such termination, and such taxes shall be paid when due.

20. OPERATIONS TO BE CONDUCTED IN ACCORDANCE WITH GOOD MINING ENGINEERING. It is further understood and agreed as follows:

(a) The Lessee will open, use and work the mine or mines on said land in such manner only as is usual and customary in skillful and proper mining operations of similar character when conducted by the proprietors on their own land and in accordance with the requirements, methods, and practices of good mining engineering, and in such manner as not to cause any unnecessary or unusual permanent injury to such mine or mines or inconvenience or hindrance in the subsequent operation of the same or in the development, mining, or disposal of any taconite iron ore or other valuable mineral left on or in said land.

(b) Disposal of Taconite Iron Ore and Other Materials Not Otherwise Lawfully Disposed of. Subject to the approval of the Lessor, all taconite iron ore and other material produced or accumulated in connection with any operations hereunder and not otherwise lawfully disposed of shall be deposited or disposed of by the Lessee at such places and in such manner as will not hinder or embarrass such subsequent operations or activities; provided, that any such material containing iron or other minerals in such quantity or form as to have present or potential value shall be

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deposited only on the land covered by this lease, or on other land belonging to the state and available for the purpose, unless the Lessor shall approve in writing its disposal in some other manner.

c) Land Conveyed to the State for Stockpiling Purposes. Land conveyed to the state upon condition that it shall be used for the storage of taconite iron ore or other materials having present or potential value belonging to the state, subject to termination or reversion of title when no longer needed or used for that purpose, shall be deemed suitable and available therefor. The Lessor may accept such conveyance in behalf of the state if the Lessor shall determine that the conditions thereof conform with the foregoing provisions and will fully protect the interest of the state in the materials to be so stored, but no consideration shall be paid for such conveyance unless authorized by law. The existence of mineral reservations with rights to use or destroy the surface in connection therewith, shall not prevent lands being deemed suitable and available if the Lessor finds that the lands are located off the generally recognized limits of the iron formation, and the Lessor finds that no minerals of any present or foreseeable commercial value are known to exist thereon. The provisions of Minnesota Statutes, section 500.20 shall not apply to any conveyance of land to the state pursuant to this subdivision and shall not limit the duration of any covenant, condition, restriction, or limitation created by any such conveyance.

(d) The Lessee agrees that it will at all times duly comply with all legal requirements for the fencing and other protection of pits or other excavations made by it in the conduct of its mining operations hereunder; and that it will indemnify, protect, and save harmless the Lessor from and against any and all claims and liabilities for the death of, or injury to, persons or damage to property of others on account of or arising from any operations of the Lessee hereunder so long as this lease shall remain in effect. During the term of this lease, the Lessee further agrees that it will erect and maintain fencing along the outside perimeter of any inactive excavation, open pit or shaft located on the leased premises if ordered to do so by the inspector of mines pursuant to Minnesota Statutes, section 180.03. The fencing shall meet the requirements of Minnesota Statutes, section 180.03.

21. LESSEE TO ACQUIRE NECESSARY RIGHTS TO SURFACE NOT OWNED BY STATE. It is understood and agreed that in case any interest in the land covered by this lease or in any minerals therein is owned by anyone other than the state, this lease shall not be construed as authorizing any invasion of or trespass upon such other interest, that in case it shall be necessary to make use of any such other interest in connection with any operations hereunder, the Lessee shall obtain all necessary legal rights therefor before proceeding therewith, that the Lessee shall be liable for all damages to any such other interest caused by any operations hereunder, and that the state shall not incur or be subject to any liability therefor.

22. SUPPLEMENTAL AGREEMENT PERMISSIBLE COVERING CERTAIN MATTERS. In case it shall become impossible or impracticable at any time during the term of this lease to comply with the provisions hereof relating to sampling, analysis, shipping, or weighing of ore, or in case methods for any of said operations shall be developed which appear to be superior to those herein prescribed and which will not result in any loss or disadvantage to the state hereunder, the Commissioner of Natural Resources, with the approval of the Executive Council,

Exhibit C-iii
may make a supplemental agreement with the Lessee, modifying this lease so as to authorize the adoption of such other methods for any of said operations so far as deemed expedient.

23. REMITTANCES. All remittances by the Lessee hereunder shall be made payable to the Minnesota Department of Natural Resources and shall be transmitted to the Lessor who shall audit the same, take such action as may be necessary on account of any error or discrepancy discovered, and deposit all remittances found due with the state treasurer.

24. STATE LIEN FOR UNPAID SUMS DUE. The Lessor reserves and shall at all times have a lien upon all ore mined and upon all improvements made by the Lessee upon the land covered by this lease for any unpaid sums due hereunder.

25. NO ASSIGNMENT OR TERMINATION OF INDIVIDUAL LEASES. The Nashwauk Site Leases shall be held intact as a group by the Lessee. Lessee shall have the right at any time to terminate the Nashwauk Site Leases by delivering written notice of such intention to terminate to the Lessor, who shall in writing acknowledge receipt of such notice, and the leases shall terminate sixty days after such delivery unless such notice is revoked by the Lessee by further written notice delivered to the Lessor before the expiration of said sixty days, and all arrearages and sums which shall be due under the leases up to the time of such termination shall be paid upon settlement and adjustment thereof by the Lessee.

Lessee is prohibited from assigning or terminating individual leases within the group of Nashwauk Site Leases without the prior written consent of the State. If the State has provided prior written consent to terminate any individual lease or subgroup of the Nashwauk Site Leases, Lessee shall deliver written notice to terminate to the Lessor, who shall in writing acknowledge receipt of such notice, and the lease or leases shall terminate sixty days after such delivery unless such notice is revoked by the Lessee by further written notice delivered to the Lessor before the expiration of said sixty days, and all arrearages and sums which shall be due under the leases being terminated up to the time of such termination shall be paid upon settlement and adjustment thereof by the Lessee.

26. LESSOR'S RIGHT TO TERMINATE LEASE UPON DEFAULT. This lease is granted upon the express condition that if any sum owing hereunder by the Lessee for rental, royalty, taxes, or otherwise shall remain unpaid after the expiration of sixty days from the time when the same became payable as herein provided, or in case the Lessee or any agent or servant thereof shall knowingly or willfully make any false statement in any statement, report, or account submitted to the state or to the Commissioner of Natural Resources or any agents of the commissioner pertaining to any matter hereunder, or in case the Lessee shall fail to perform any of the covenants or conditions herein expressed to be performed by said Lessee, then it shall be the duty of the Lessor to cancel this lease, first having mailed or delivered to the Lessee at least twenty days’ notice in writing thereof, whereupon this lease shall terminate at the expiration of said twenty days, and the Lessor shall reenter and again possess said premises as fully as if no lease had been given to the Lessee, and the Lessee and all persons claiming under such party shall be wholly excluded therefrom except as hereinafter provided, but such termination and re-entry shall not relieve the Lessee from any payment or other liability thereupon or theretofore incurred.
hereunder. If the default consists of a nonperformance of an act required under this lease, the Lessee may perform within the period of twenty days; in which event the lease continues in effect and shall not so terminate. If the correction of any such default requires more than twenty days after the notice has been received by the Lessee, the commissioner, upon written request of the Lessee and for good cause shown, may, at his or her discretion, grant an extension of the period of twenty days.

27. RIGHTS OF LESSOR AND LESSEE DURING 90-DAY PERIOD FOLLOWING TERMINATION. It is mutually agreed that upon the termination of this lease, whether by expiration of the term thereof or by act of either party, the Lessee shall have ninety days thereafter in which to remove all equipment, materials, railroad tracks, structures, and other property placed or erected by the Lessee upon said land, and any such property not removed within said time shall become the property of the Lessor; but the Lessee shall not remove or impair any supports placed in any mine or mines on said land, or any timber or framework necessary to the use or maintenance of shafts or other approaches to such mine or mines or tramways within the same. Lessee further agrees that, upon termination of this lease, it will leave and surrender to the Lessor the said premises with all pits, excavations or other openings made by it thereon duly fenced and protected in such manner as will at the time fully comply with all statutory or legal requirements then in force and effect with respect thereto. Subject thereto, it is understood and agreed that upon termination of this lease by expiration of the term thereto or otherwise, the Lessee will quietly and peaceably surrender possession of the land covered thereby to the Lessor.

28. ASSIGNMENTS, AGREEMENTS OR CONTRACTS. The Nashwauk Site Leases as a group may not be assigned, subleased or otherwise transferred by the Lessee, or its successors in interest, without the written consent of the Lessor, which will not be unreasonably withheld. The covenants, terms and conditions of this lease shall run with the land and shall extend to and bind all assignees and other successors in interest of the Lessee.

29. VALUE-ADDED FACILITY IN MINNESOTA. Lessee agrees to work toward the goal of having state-owned ore leased under the Nashwauk Site Leases become utilized for value-added iron production at a facility located in Minnesota.

30. THIS LEASE IS ISSUED UNDER ALL APPLICABLE PROVISIONS OF MINNESOTA STATUTES 2022, CHAPTER 93.
IN TESTIMONY WHEREOF, the parties hereto have hereunto set their hands in triplicate the date and year first above written.

Signed in Presence of:

STATE OF MINNESOTA
DEPARTMENT OF NATURAL RESOURCES

____________________________________
By____________________________________
Joseph Henderson, Director
Division of Lands and Minerals

As to State

STATE OF MINNESOTA )
COUNTY OF __________ ) SS.

The foregoing instrument was acknowledged before me this _____ day of __________, 2023, by Joseph Henderson, Director, Division of Lands and Minerals, Department of Natural Resources, on behalf of the State of Minnesota.

____________________________________
Notary Public
My commission expires:__________________

Exhibit C-iii
Signed in Presence of: CLEVELAND-CLIFFS MINNESOTA LAND DEVELOPMENT LLC

_________________________  By ________________________________
Matthew T. Holihan, President

As to Lessee

STATE OF OHIO  )
) SS.
COUNTY OF CUYAHOGA  )

The foregoing instrument was acknowledged before me this _____ day of ___________, 2023, by Matthew T. Holihan, President of CLEVELAND-CLIFFS MINNESOTA LAND DEVELOPMENT LLC, a Delaware limited liability company, on behalf of the company.

__________________________________
Notary Public
My commission expires: ________________

Exhibit C-iii
Office of Commissioner of Natural Resources
STATE OF MINNESOTA

I hereby certify that this instrument was filed in this office on __________________________

By ________________________________

This Instrument was drafted by:

DEPT. OF NATURAL RESOURCES
Division of Lands and Minerals
500 Lafayette Road
St. Paul, MN 55155-4045
LEASES TO BE ISSUED TO CLEVELAND-CLIFFS MINNESOTA LAND DEVELOPMENT LLC

Lease No. MLTNxxxxx (University Trust)
The minerals and mineral rights in East Half of Southwest Quarter (E1/2-SW1/4) and Lot Seven (7), all in Section Six (6), Township Fifty-six (56) North, Range Twenty-two (22) West of the Fourth Principal Meridian.

Acres: 123.25
Annual Rental: $10,800
Advance Minimum Royalty: $150,000

Lease No. MLTNxxxxx (University Trust)
The minerals and mineral rights in Lot One (1), Section Seven (7), Township Fifty-six (56) North, Range Twenty-two (22) West of the Fourth Principal Meridian.

Acres: 42.41
Annual Rental: $3,600
Advance Minimum Royalty: $50,000

Lease No. MLTNxxxxx (University Trust)
Southeast Quarter of Northwest Quarter (SE1/4-NW1/4), North Half of Southwest Quarter (N1/2-SW1/4), Southwest Quarter of Southwest Quarter (SW1/4-SW1/4), all in Section One (1), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 160
Annual Rental: $14,400
Advance Minimum Royalty: $200,000

Lease No. MLTNxxxxx (University Trust)
East Half of Southeast Quarter (E1/2-SE1/4), Section One (1), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 80
Annual Rental: $7,200
Advance Minimum Royalty: $100,000

Lease No. MLTNxxxxx (University Trust)
Lot Two (2), Section Two (2), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 49.42
Annual Rental: $3,600
Advance Minimum Royalty: $50,000

Exhibit C-iv
Lease No. MLTNxxxx (University Trust)
Southwest Quarter of Southwest Quarter (SW1/4-SW1/4), Section Two (2), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 40
Annual Rental: $3,600
Advance Minimum Royalty: $50,000

Lease No. MLTNxxxx (University Trust)
The minerals and mineral rights in Southwest Quarter of Southeast Quarter (SW1/4-SE1/4), Section Three (3), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 40
Annual Rental: $3,600
Advance Minimum Royalty: $50,000

Lease No. MLTNxxxx (University Trust)
Southwest Quarter (SW1/4), South Half of Southeast Quarter (S1/2-SE1/4), all in Section Nine (9), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 240
Annual Rental: $21,600
Advance Minimum Royalty: $300,000

Lease No. MLTNxxxx (University Trust)
Northeast Quarter of Northeast Quarter (NE1/4-NE1/4); and the minerals and mineral rights in Northwest Quarter of Northeast Quarter (NW1/4-NE1/4); all in Section Ten (10), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 80
Annual Rental: $7,200
Advance Minimum Royalty: $100,000

Lease No. MLTNxxxx (University Trust)
Southwest Quarter of Northwest Quarter (SW1/4-NW1/4); and Northwest Quarter of Southwest Quarter (NW1/4-SW1/4), all in Section Ten (10), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 80
Annual Rental: $7,200
Advance Minimum Royalty: $100,000

Exhibit C-iv
Lease No. MLTNxxxxx (University Trust)
Southeast Quarter (SE1/4), Section Ten (10), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 160
Annual Rental: $14,400
Advance Minimum Royalty: $200,000

Lease No. MLTNxxxxx (University Trust)
Northwest Quarter of Northwest Quarter (NW1/4-NW1/4), Section Eleven (11), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 40
Annual Rental: $3,600
Advance Minimum Royalty: $50,000

Lease No. MLTNxxxxx (University Trust)
Lot Two (2), Section Eleven (11), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 40
Annual Rental: $3,600
Advance Minimum Royalty: $50,000

Lease No. MLTNxxxxx (University Trust)
The minerals and mineral rights in East Half of Northeast Quarter (E1/2-NE1/4), Section Twelve (12), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 80
Annual Rental: $7,200
Advance Minimum Royalty: $100,000

Lease No. MLTNxxxxx (University Trust)
Northeast Quarter of Northeast Quarter (NE1/4-NE1/4), South Half of Northeast Quarter (S1/2-NE1/4), all in Section Fourteen (14), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 120
Annual Rental: $10,800
Advance Minimum Royalty: $150,000

Lease No. MLTNxxxxx (University Trust)
Lot One (1), Lot Two (2), all in Section Fifteen (15), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 52.95
Annual Rental: $7,200
Advance Minimum Royalty: $100,000

Exhibit C-iv
Lease No. MLTNxxxxx (School Trust)
North Half of Northeast Quarter (N1/2-NE1/4),
Southeast Quarter of Northeast Quarter (SE1/4-NE1/4),
Northeast Quarter of Southeast Quarter (NE1/4-SE1/4),
all in Section Sixteen (16), Township Fifty-six (56) North, Range Twenty-three
(23) West of the Fourth Principal Meridian.

Acres: 160
Annual Rental: $14,400
Advance Minimum Royalty: $200,000

Lease No. MLTNxxxxx (School Trust)
Northeast Quarter of Southeast Quarter (NE1/4-SE1/4);
and the minerals and mineral rights in Northwest Quarter of Southeast Quarter (NW1/4-
SE1/4) and South Half of Southeast Quarter (S1/2-SE1/4);
all in Thirty-six (36), Township Fifty-seven (57) North, Range Twenty-three (23) West of the Fourth
Principal Meridian.

Acres: 160
Annual Rental: $14,400
Advance Minimum Royalty: $200,000

Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, in Lot Four (4), Section Thirty-one (31),
Township Fifty-seven (57) North, Range Twenty-two (22) West of the Fourth Principal Meridian.

Acres: 40.05
Annual Rental: $3,600
Advance Minimum Royalty: $50,000

Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, in East Half of Southeast Quarter (E1/2-SE1/4),
Section Thirty-one (31), Township Fifty-seven (57) North, Range Twenty-two (22) West of the Fourth
Principal Meridian.

Acres: 80
Annual Rental: $7,200
Advance Minimum Royalty: $100,000

Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, in an undivided one-half (1/2) interest in North
Half of Southeast Quarter (N1/2-SE1/4), Section Nine (9), Township Fifty-six (56) North, Range Twenty-
three (23) West of the Fourth Principal Meridian.

Acres: 80
Annual Rental: $3,600
Advance Minimum Royalty: $100,000
Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, including the 32.33 acres interest in the surface thereof owned by the state through tax forfeiture, in Southwest Quarter of Southwest Quarter (SW1/4 -SW1/4), Section Ten (10), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 40
Annual Rental: $3,600
Advance Minimum Royalty: $50,000

Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, including the interest in the surface thereof, if any, in southeast diagonal one-half of Southwest Quarter of Southwest Quarter (SW1/4-SW1/4), and Southeast Quarter of Southwest Quarter (SE1/4-SW1/4), Section Eleven (11), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 60
Annual Rental: $5,400
Advance Minimum Royalty: $75,000

Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, including the interest in the surface thereof, if any, in an undivided one-half (1/2) interest in Southwest Quarter of Southeast Quarter (SW1/4-SE1/4), Section Eleven (11), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 40
Annual Rental: $1,800
Advance Minimum Royalty: $50,000

Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, including the interest in the surface thereof, if any, in an undivided one-half (1/2) interest in Northwest Quarter of Northeast Quarter (NW1/4-NE1/4), Section Fourteen (14), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 40
Annual Rental: $1,800
Advance Minimum Royalty: $50,000

Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, in Southeast Quarter of Northwest Quarter (SE1/4-NW1/4), Section Fourteen (14), Township Fifty-six (56) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 40
Annual Rental: $3,600
Advance Minimum Royalty: $50,000

Exhibit C-iv
Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, including the interest in the surface thereof, if any, in Southeast Quarter of Southeast Quarter (SE1/4-SE1/4), Section Thirty-five (35), Township Fifty-seven (57) North, Range Twenty-three (23) West of the Fourth Principal Meridian.

Acres: 40
Annual Rental: $3,600
Advance Minimum Royalty: $50,000

Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, including the interest in the surface thereof, if any, in North Half of Southeast Quarter (N1/2-SE1/4), Southwest Quarter of Southeast Quarter (SW1/4-SE1/4), and Southeast Quarter of Southeast Quarter, except railroad right of way (SE1/4-SE1/4), Section Thirty (30), Township Fifty-seven (57) North, Range Twenty-two (22) West of the Fourth Principal Meridian.

Acres: 157
Annual Rental: $14,400
Advance Minimum Royalty: $200,000

Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, including the interest in the surface thereof, if any, in Northeast Quarter (NE1/4), Section Thirty-one (31), Township Fifty-seven (57) North, Range Twenty-two (22) West of the Fourth Principal Meridian.

Acres: 160
Annual Rental: $14,400
Advance Minimum Royalty: $200,000

Lease No. MLTNxxxxx (Tax Forfeit)
The minerals and mineral rights, without warranty of title, including the interest in the surface thereof owned by the state, if any, in:

West Half of Northwest Quarter (W1/2-NW1/4),
Northwest Quarter of Southwest Quarter (NW1/4-SW1/4), except the East 100 feet of the North 560 feet, and except the East 50 feet,
Southwest Quarter of Southwest Quarter (SW1/4-SW1/4), except Highway right of way 2.83 acres, and except Revised Description 1 as described in Document Number 428891 filed of record on March 17, 1992 in the Itasca County Recorder’s Office, more particularly described as:
Beginning at the southwest corner of the Southwest Quarter of Southwest Quarter (SW1/4-SW1/4) Section 32, Township 57, Range 22, proceed Easterly on the South line of Southwest Quarter of Southwest Quarter (SW1/4-SW1/4) for a distance of 896.30 feet to Point A on the west right of way line of State Highway Number 65 as it is now defined. The above said South line has an assumed bearing of South 89 degrees 40 minutes 30 seconds East, thence proceed along the west right of way line of State Highway Number 65 to Point B, Point B is determined thusly: from Point A proceed North 38 degrees 57 minutes 39 seconds East for a distance of 621.62 feet to Point B, thence North 38 degrees 57 minutes 39 seconds East for a distance of 621.62 feet to Point B, thence South 81 degrees 2 minutes 34 seconds West for a distance of 245.41 feet to Point C which is the surface crest of this open pit mine, thence westerly and northwesterly along the existing surface crest of this open pit mine for an approximate distance of 1,151 feet, intersecting the West line of the Southwest Quarter of Southwest Quarter (SW1/4-SW1/4) Section 32, Township 57, Range 22 to Point D, thence South 1 degree 0 minutes 0 seconds W. along the West line of the Southwest Quarter of Southwest Quarter (SW1/4-SW1/4) to the point of beginning for a distance of 820 feet, containing 14 acres;
all in Section Thirty-two (32), Township Fifty-seven (57) North, Range Twenty-two (22) West of the Fourth Principal Meridian

Acres: 141.01
Annual Rental: $13,200
Advance Minimum Royalty: $200,000