

**Meeting  
of the  
Iron Range Resources Board**

**Thursday, April 21, 2005**

**7:30 a.m.**

**Room 300 North – State Office Building  
St. Paul, Minnesota**

**MEETING OF THE IRON RANGE RESOURCES BOARD**

**Thursday, April 21, 2005**

**7:30 a.m.**

**Room 300 North – State Office Building**

**St. Paul, Minnesota**

**TABLE OF CONTENTS**

Agenda .....	3
Approval of the December 16, 2004, Minutes.....	4
Douglas J. Johnson Economic Protection Trust Fund .....	8
Minnesota Twist Drill Acquisition, Inc. ....	9
Rapids Hydraulic and Machine, Inc.....	13
Disability Specialists, Inc.....	16
Noble Industries, Ltd. ....	18
Board Account .....	21
City of Babbitt.....	22
Healthcare Provider Workforce Development and Recruitment Proposal .....	25
Other .....	27
Northwest Airlines, Inc.....	27

**MEETING OF THE IRON RANGE RESOURCES BOARD**

**Thursday, April 21, 2005**

**7:30 a.m.**

**Room 300 North – State Office Building  
St. Paul, Minnesota**

**Agenda**

1) Roll Call

2) Reorganization of the Board

a) 2005-2006 IRRR Board Members

Senator Tom Bakk

Senator Becky Lourey

Senator Tom Saxhaug

Senator Yvonne Prettner Solon

Senator David Tomassoni

Representative Dave Dill

Representative Maxine Penas

Representative Tom Rukavina

Representative Tony Sertich

Representative Loren Solberg

Citizen Joe Begich

Citizen Matt Matasich

Citizen Bill Henning

b) Election of Chair and Vice -Chair

3) Approval of the December 16, 2004, Minutes

4) Commissioner's Report

5) Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 votes

a) Minnesota Twist Drill Acquisition, Inc.

b) Rapids Hydraulic & Machine, Inc.

c) Disability Specialists, Inc.

d) Noble Industries, Ltd.

6) Board Account

Action required: Project approval requires 7 votes

a) City of Babbitt

b) Healthcare Provider Workforce Development and Recruitment Proposal

7) Other

Action required: Project approval requires 8 votes

a) Northwest Airlines, Inc.

8) Adjournment

# **Approval of the December 16, 2004, Minutes**

## **Meeting of the Iron Range Resources Board**

**Thursday, December 16, 2004  
5:00 p.m.**

**Iron Range Resources Administration Building  
Eveleth, Minnesota**

### **I. Roll Call**

Representative Tom Rukavina, Chair, called the meeting to order at approximately 5:02 p.m. Present: Representative David Dill; Representative Maxine Penas; Representative Tony Sertich; Representative Loren Solberg; Senator Tom Bakk; Senator Becky Lourey; Senator Tom Saxhaug; Senator David Tomassoni; Citizen Joe Begich; Citizen Bill Henning and Citizen Matt Matasich. Absent: Senator Yvonne Pretzner Solon. Also present were: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Gunnar Johnson, Assistant Attorney General; Marianne Bouska, Ironworld Discovery Center Director; Brian Hanson, Development Strategies Director; Jean Dolensek, Administrative Services Director; Jack LaVoy, Marketing, Communications & External Affairs Director; Matt Sjoberg, Loan Officer Supervisor; Richard Anderson, Loan Officer, Senior; Laureen Hall, Executive II; Sheryl Kochevar, Executive Assistant; David Torrel, Citizen; Steve Hicks, President and CEO, Minnesota Steel Industries, LLC; Doug Johnson, Consultant, Minnesota Steel Industries, LLC; Ron Dicklich, Consultant, Minnesota Steel Industries, LLC; Howard Hilshorst, Consultant, Minnesota Steel Industries, LLC; Mark de Naray, President, CEO and Director, Minnesota Diversified Industries, Inc.; Lance Novak, Chief Financial Officer, Minnesota Diversified Industries, Inc.; Kirk Buström, Director, Itasca Technology Exchange, Inc.; Peter McDermott, President, Itasca Development Corporation; Tomothy Bungarden, Chief Executive Officer and Sole Stockholder, Cast Corporation; and James Patterson, Chief Financial Officer, Cast Corporation.

### **II. Approval of the September 23, 2004, Minutes**

Citizen Henning moved approval of the September 23, 2004, minutes. Motion carried.

### **III. Commissioner's Report**

Commissioner Sandy Layman invited Brian Hanson, Director, Development Strategies to present a "shoe leather report." Hanson reported on visits to existing and new businesses; calls made and letters sent in support of JOBZ and regular business recruitment efforts; formal proposals; and lost business opportunities.

### **IV. Other**

David Torrel discussed his concerns regarding the retention and expansion of the ethnic festivals at Ironworld.

## **V. Ironworld Update**

Marianne Bouska, Director, Ironworld Discovery Center, presented an update on the subsidence issues at Ironworld. Marianne reviewed the next step of receiving a second opinion and review of the data and recommendations provided by Barr Engineering. This opinion would also include a prediction, if possible, of on-going and future subsidence activity at the site and its impact on the remediation or relocation options that are currently under consideration.

## **VI. Douglas J. Johnson Economic Protection Trust Fund**

*Action Required: Project approval requires 8 votes*

### **a. Minnesota Steel Industries, LLC**

Motion by Representative Solberg to approve the Minnesota Steel Industries, LLC project as presented. Seconded by Senator Saxhaug. Motion carried.

**Voting in favor of the Project:** Representative David Dill, Representative Maxine Penas, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Becky Lourey, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Project:** None.

**Abstain:** None.

**Absent:** Senator Yvonne Prettner Solon

### **b. Minnesota Diversified Industries, Inc.**

Motion by Senator Saxhaug to approve the Minnesota Diversified Industries, Inc. project as presented. Seconded by Representative Solberg. Motion carried.

**Voting in favor of the Project:** Representative David Dill, Representative Maxine Penas, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Becky Lourey, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Project:** None.

**Abstain:** None.

**Absent:** Senator Yvonne Prettner Solon

### **c. Itasca Technology Exchange, Inc.**

Motion by Representative Solberg to approve the Itasca Technology Exchange, Inc. project as presented. Seconded by Senator Saxhaug. Motion carried.

**Voting in favor of the Project:** Representative David Dill, Representative Maxine Penas, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Becky Lourey, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Project:** None.

**Abstain:** None.

**Absent:** Senator Yvonne Prettner Solon

#### **d. Cast Corporation**

Motion by Representative Sertich to approve the Cast Corporation project as presented. Seconded by Senator Tomassoni. Motion carried.

**Voting in favor of the Project:** Representative David Dill, Representative Maxine Penas, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Becky Lourey, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Project:** None.

**Abstain:** None.

**Absent:** Senator Yvonne Prettner Solon

### **VII. Board Account**

*Action Required: Project approval requires 7 votes*

#### **a. City of Eveleth – Eveleth Health Services Park**

Motion by Senator Tomassoni to approve the City of Eveleth – Eveleth Health Services Park project as presented. Seconded by Citizen Matasich. Motion carried.

**Voting in favor of the Project:** Representative David Dill, Representative Maxine Penas, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Becky Lourey, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

**Voting Against the Project:** None.

**Abstain:** None.

**Absent:** Senator Yvonne Prettner Solon

**VIII. Adjournment**

Meeting adjourned at 6:15 p.m.

## **Douglas J. Johnson Economic Protection Trust Fund**

Action required: Project approval requires 8 Votes

- a) Minnesota Twist Drill Acquisition, Inc.
- b) Rapids Hydraulic & Machine, Inc.
- c) Disability Specialists, Inc.
- d) Noble Industries, Ltd.

## **Minnesota Twist Drill Acquisition, Inc.**

Direct Loan Program

### **APPLICANT:**

Minnesota Twist Drill Acquisition, Inc. (MTD)

### **PRINCIPAL(S):**

Scott Allison, Terry Bergum, Al Lambert, Jon Larson, Jim Fena and John Dosen

### **BRIEF PROJECT DESCRIPTION:**

MTD was purchased from Milacron in August 2003. MTD produces drill bits (drills) through operation specific grinding equipment, organized in a cellular manufacturing environment, which enables MTD to be the low cost drill producer in the United States. The proposed financing will allow the company to remain operating in Chisholm.

### **PROJECT COST:**

\$1,650,000

### **PROJECT BREAKDOWN:**

American Bank (15 years on bldg., 5 years on equip., negotiated. rate)	\$1,500,000
Iron Range Resources (Five Years, Forgivable Loan) **	<u>150,000</u>
	\$1,650,000

\*\* \$50,000 will be forgiven in each of years 3, 4, and 5 of loan provided MTD maintains 50 employees at \$10/hr. plus benefits.

### **COLLATERAL:**

The collateral for this loan will be secured by specific pieces of equipment valued in excess of \$150,000. Personal guarantees of Al Lambert , Jon Larson , Scott Allison, and Terry Bergum.

### **JOBS:**

Retain 69 jobs (61 full-time permanent, 8 full-time temporary), at an average hourly rate of \$14.54/hour plus benefits.

### **CONTINGENCIES:**

None

### **TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:**

Approved 4/15/05

**FUNDING AUTHORIZATION:**

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

**PROJECT DESCRIPTION:**

MTD Acquisition, Inc., operating under the name Minnesota Twist Drill (MTD), has been in business since September 2003. The business itself dates back to the late 1960s, operating under various names. In September of 2002, under the previous owner (Milacron), MTD was declared a discontinued operation, which gave Milacron one year to sell the operation or close the doors and liquidate. At that time, a local investment group including previous owners was formed and purchased the business. MTD produces drill bits through operation specific grinding equipment, organized in a cellular manufacturing environment. The primary market for the drills is the private label and OEM markets. Over the past 17 months, the company has hired 46 of the past employees, and has increased the employment level to 69. The company also utilizes the local Occupational Development Center for assistance on and off site. The proposed financing will allow the company to remain in Chisholm, with the ability to add additional employees.

**MANAGEMENT TEAM:**

Jim Fena and John Dosen were previous owners of Minnesota Twist Drill. Fena and Dosen, along with two partners, sold the business to Cincinnati Milacron in 1998 and repurchased the business in 2003. They are currently the CEO and VP of Sales and Marketing, and also own numerous businesses across the Iron Range. There are also six inside/working owners: Scott Allison has six years experience with the drill bit manufacturing facility in Chisholm as Plant Manager, Manufacturing Engineer, and currently is the owner/president; Terry Bergum has 11 years of experience relative to sales marketing and management of high speed drill bit at the current site; Al Lambert has 27 years in the manufacturing of high speed drill bits at the Chisholm site; Jon Larson also has 27 years experience at this site relative to the manufacturing of high speed drill bits, router bits and a fabrication division; Paul Janssen has 8 years of controller experience at the Minnesota Twist Drill site and 21 years overall experience as a CPA and/or controller in multiple fields of business; and Frank Cooper has 13 years experience relative to manufacturing of high-speed drill bits at the Chisholm site. Among these principals in the business, there is over 125 years of cumulative drill manufacturing experience.

Jim Fena and John Dosen are phasing themselves out of the day-to-day activity of the business, but will remain as members of the board and in an advisory capacity.

**MARKET OPPORTUNITY:**

The drill end users are in the do it yourself (DIY) and hardware market, such as Home Depot or Lowe's store; the maintenance, repair and operation of equipment (MRO) market; the construction/contractor market, and the light to heavy industrial market. MTD's only product is drills; however, the drills are sold in numerous combinations including: jobber, heavy duty jobber, screw machine, etc. MTD's drills are sold in bulk, envelope, and/or sets and labeled with the customer name or brand.

MTD's competition consists of what are now four major competitors. The industry has gone from 25 producers of drills to five. Although a declining number, MTD is and will continue to be the low cost provider of drills in the United States. The key is a continued American made need within the MTD market, and with off shore lead times getting longer and prices from China on the rise as much as 35% in recent months, the belief among management is the American made need will only get stronger.

MTD has an edge in dealing with the private label market due to the “no brand” philosophy, which assures customers they will not use their brand to compete against them in their respective markets. This is not true with their competition. Because MTD does not have a brand, a catalog is not necessary; thereby reducing overhead, which enables MTD to remain competitive in the private label market.

**COLLATERAL REVIEW:**

The collateral for this loan will be secured by specific pieces of equipment valued in excess of \$150,000. Personal guarantees of Al Lambert, Jon Larson , Scott Allison, and Terry Bergum.

**PAST IRON RANGE RESOURCES HISTORY:**

While the agency has no prior experience with the management team involved with this particular project, it has funded several projects for the business in the past. The agency funded four separate loans to the local group that purchased the assets from Omark Corporation in the 1980s. The total principal amount of the loans from the agency was over \$900,000 and all were paid as agreed. The agency made a loan to Cincinnati Milacron for \$1,250,000 in 1998 to fund an expansion of the company. The loan was paid as agreed and has been paid off.

## **Rapids Hydraulic and Machine, Inc.**

Bank Participation Loan Program

### **APPLICANT:**

Rapids Hydraulic & Machine, Inc.

### **PRINCIPAL(S):**

Brian Erdahl & Michael Markey

### **BRIEF PROJECT DESCRIPTION:**

Rapids Hydraulic & Machine, Inc., established in Grand Rapids in 2002, provides custom manufacturing of hydraulic components as well as repair services for hydraulic cylinders, pumps and valves. The proposed financing will allow the company to purchase approximately 3 acres of land and construct a new facility (approximately 5,200 square feet) in the Cohasset Industrial Park.

### **PROJECT COST:**

\$397,000

### **PROJECT BREAKDOWN:**

Iron Range Resources (up to 15 year term, formula rate)	\$50,000
Bank (up to 15 year term, negotiated rate)	272,000
Great River Energy (up to 15 year term, formula rate)	50,000
Equity	<u>25,000</u>
Total	\$397,000

### **COLLATERAL:**

Collateral will consist of a shared first mortgage with the bank on the land and new building to be constructed in the Cohasset Industrial Park. The personal guarantees of Brian Erdahl and Michael Markey also will be required.

### **JOBS:**

Retain 4 employees and create 2 jobs, at an hourly rate of \$15.00/hour plus benefits.

### **CONTINGENCIES:**

The Borrowers must agree to the conditions of a loan agreement to be drafted at the discretion of the Bank.

Iron Range Resources financing is contingent upon the approval by the other sources of financing as identified in the full application. Should any source not be approved, substitutions will be considered as acceptable as long as Iron Range Resource's position is not adversely affected.

**TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:**

Approved 4/15/05

**FUNDING AUTHORIZATION:**

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

**PROJECT DESCRIPTION:**

Rapids Hydraulic & Machine, Inc. was incorporated in 2002 by Brian Erdahl, Michael Markey and two other individuals, all of whom relocated to the Grand Rapids area from western Minnesota. The company was established to provide hydraulic and machining services as well as custom manufacturing to industrial clients and independent loggers in Grand Rapids and surrounding communities. The proposed financing will allow the company to construct its own facility in the Cohasset Industrial Park.

**MANAGEMENT TEAM:**

The four founders of the company, Brian Erdahl, Michael Markey, Ryan Salberg and Guy Gunnwald each have ten or more years of experience in the manufacture and repair of hydraulic components. All previously worked for Friesen's, Inc. of Detroit Lakes, MN in various capacities. Friesen's is large regional supplier of hydraulic components and related manufacturing services.

Brian Erdahl along with Michael Markey are the controlling stockholders, with each owning 35% of the company. Erdahl serves as the President and focuses his attention on sales along with assistance from Ryan Salberg. Michael Markey and Guy Gunnwald are the machining and repair technicians for the company.

**MARKET OPPORTUNITY:**

The trend in the paper, wood products and mining industries has been to outsource certain technical repair functions. Motion controls, hydraulics and the related machining services fit into this category. With their experience and contacts in the above noted industries, the founders of the Rapids Hydraulic & Machine, Inc. felt there was an opportunity to build a business on their own and each relocated to Grand Rapids to pursue their goal. Their initial customer was Blandin Paper Company. Since then, their primary customer list has grown to include Ainsworth (formerly Potlatch) and Jasper Engineering, a significant vendor to the mining industry.

**COLLATERAL REVIEW:**

Collateral will consist of a shared first mortgage with the bank on the land (approximately 3 acres) and the new building to be constructed in the Cohasset Industrial Park. The personal guarantees of Brian Erdahl and Michael Markey also will be required.

**PAST IRON RANGE RESOURCES HISTORY:**

Iron Range Resources has not had any prior financing arrangements with the company.

**Disability Specialists, Inc.**  
Bank Participation Loan Program

**APPLICANT:**

Disability Specialists, Inc.

**PRINCIPAL(S):**

Thomas Ehrbright

**BRIEF PROJECT DESCRIPTION:**

Construction of a new facility to support continued expansion of the company in Cook, Minnesota.

**PROJECT COST:**

\$435,000

**PROJECT BREAKDOWN:**

American Bank Loan (10 years, negotiated rate)	\$185,000
Iron Range Resources (10 years, formula rate)	185,000
Equity	<u>65,000</u>
	\$435,000

**COLLATERAL:**

Shared first mortgage on the new building.

**JOBS:**

Retain 10 full-time and 2 part-time jobs and create 7 full-time jobs, at an hourly rate of \$9.50 to \$15 per hour plus a comprehensive benefit package.

**CONTINGENCIES:**

Participating bank financing must be approved.

**TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:**

Approved 4/15/05

**FUNDING AUTHORIZATION:**

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

**PROJECT DESCRIPTION:**

Disability Specialists, Inc. was established in 1988 to represent people with claims for Social Security Disability benefits. They represent clients in Minnesota, North and South Dakota and Wisconsin. Since 1991, the company has contracted with the Minnesota Department of Human Services to represent welfare recipients in the state. Pricing for payment on social security claims is controlled by the Social Security Administration and the Minnesota Department of Human Services. Disability Specialists only receives payment if the client receives benefits. Disability Specialists currently has 10 full-time and 2 part-time employees in Cook, MN.

With the increase in the number of people over age 50, disability claims will continue to increase and the demand for the company's services also will increase. In 2003, the company doubled the size of their facility. They have outgrown that facility and now need to construct a larger facility that will support current operations and future growth. With this expansion, Disability Specialists anticipates adding 7 full-time employees.

**MANAGEMENT TEAM:**

Thomas Ehrbright is owner and Chief Operating Officer of Disability Specialists, Inc. He has successfully operated the company in Cook, MN since 1988. Prior to forming Disability Specialists, Mr. Ehrbright had 11 years of experience in social services with St. Louis County. While with St. Louis County, one of his responsibilities was to assist clients with their Social Security Disability claims.

**MARKET OPPORTUNITY:**

Disability Specialists' target market is those people applying for Social Security Disability benefits. To access this market they have contracted with the Minnesota Department of Human Resources, they advertise in papers throughout their service area and they get referrals from social service agencies, doctors, psychologists, psychiatrists and satisfied customers.

**COLLATERAL REVIEW:**

The agency will share (pro-rata) in a first position mortgage on the new facility. The loan will also be secured with a personal guaranty and life insurance on Thomas Ehrbright.

**PAST IRON RANGE RESOURCES HISTORY:**

None.

## **Noble Industries, Ltd.**

Direct Loan Program

### **APPLICANT:**

Noble Industries, Ltd.

### **PRINCIPAL(S):**

Stan Gentry and Judy Gentry

### **BRIEF PROJECT DESCRIPTION:**

Provide working capital to the company, which manufactures printed circuit boards for customers in the electronic manufacturing industry.

### **PROJECT COST:**

\$150,000

### **PROJECT BREAKDOWN:**

Iron Range Resources (7 years, formula rate)**	\$50,000
Hibbing EDA (negotiated term and rate)	25,000
Equity	<u>75,000</u>
Total	150,000

\*\* two years no payment, five year amortization over remaining term.

### **COLLATERAL:**

Personal guarantees of Stan and Judy Gentry.

### **JOBS:**

Create 10 jobs and Retain 55 (50 full-time and 5 part-time), at an hourly rate of \$7.80/hr. to \$20.00/hour plus benefits.

### **CONTINGENCIES:**

None

### **TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:**

Approved 4/15/05

**FUNDING AUTHORIZATION:**

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

**PROJECT DESCRIPTION:**

Noble Industries, Ltd. (Noble) manufactures blank circuit boards for customers in the electronics manufacturing industry. Stan Gentry purchased the business from OECO (Hibbing Electronics) in 1992. The Hibbing business, and similar operations owned by Gentry in Iowa and Texas, performed quite well through 2000. Beginning in November 2000, the weak U.S. economy, combined with increasing pressure from foreign suppliers, caused the industry to decline dramatically. Gentry closed the Texas operation in 2001 and the Iowa operation in 2002. All customers were consolidated into Hibbing.

**MANAGEMENT TEAM:**

Stan Gentry has 39 years of printed wiring board experience and founded Wellborn Industries, Ltd. Mr. Gentry diversified his venture by acquiring Hibbing Printed Circuits in 1992.

**MARKET OPPORTUNITY:**

Noble provides its customers with a quick turn-around product. Noble's standard production time is ten business days, but the company can satisfy customer needs in as few as three days. As the medical supply field continues to grow, Noble also will market to this industry as a means to remain competitive with the industrial trends in the United States and abroad.

At the present time, there are a total of 320 circuit board shops in the U.S. Because of Noble's quick turn-around time, their competition consists of approximately 25 circuit board manufacturers. Noble Industries utilizes direct sales as its form of distribution.

**COLLATERAL REVIEW:**

Personal guarantees of Stan and Judy Gentry.

**PAST IRON RANGE RESOURCES HISTORY:**

None.

## **Board Account**

Action required: Project approval requires 7 Votes

- a) City of Babbitt
- b) Healthcare Provider Workforce Development and Recruitment Proposal

## City of Babbitt

Non-recourse Loan

**APPLICANT:**

City of Babbitt

**PRINCIPAL(S):**

City of Babbitt

**BRIEF PROJECT DESCRIPTION:**

Purchase former Kasson facility from USDA for lease to Great Lakes Home & Resort (Great Lakes) for continued production of pool tables in Babbitt, Minnesota

**PROJECT COST:**

\$1,373,500

**PROJECT BREAKDOWN:**

Iron Range Resources (up to 15 year term, formula rate)	\$300,000
Iron Range Resources (7 year lease)*	109,000
Northland Foundation (2 year lease)	264,500
City of Babbitt (7 year lease)	50,000
Equity	<u>650,000</u>
	\$1,373,500

\* No new money. Lease is for equipment currently owned by Iron Range Resources

**COLLATERAL:**

First mortgage and assignment of rents and leases on the facility.

**JOBS:**

Retain 15 full-time positions with wages from \$10.50 to \$17 per hour plus a comprehensive benefit package.

**CONTINGENCIES:**

All financial participants must confirm their participation in this project at the levels indicated above.

**TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:**

Approved 4/15/05

**FUNDING AUTHORIZATION:**

Funding for this project will be provided from monies made available to the Commissioner under the provisions of Minnesota Statutes Section 298.22 (the “Board Account Statute”) and Minnesota Statutes Section 298.28, Subd. 7 (collectively, the “Act”). Approval by the Board of the expenditure of such funds for this project constitutes a determination by the Board that:

- the specified project is for a purpose, and the requested public funds will be used in a manner, that is authorized under the provisions of the Act; and
- the proposed use of the funds made available to the agency under the Act will promote the economic development of and otherwise benefit the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

**PROJECT DESCRIPTION:**

Kasson Manufacturing began in Babbitt in 1983. Over the years, Kasson continued to grow and serve a larger market. By the year 2000, Kasson was the fifth largest U.S. manufacturer of billiards tables and had 35 full-time employees in Babbitt. As the company grew, outside management was brought in to handle the much larger company.

Unfortunately, management was not successful in competing in the world market and maintaining profits. In 2003, Kasson's main lender, the Northland Foundation, as agent for the USDA, took control of the property and most of the equipment. Since that time, the Northland Foundation has been searching for a buyer for the operation. The purchaser is Great Lakes Home & Resort of Holland, Michigan (Great Lakes).

Great Lakes has negotiated with Northland Foundation, US Bank, Iron Range Resources and the city of Babbitt to take over the Kasson operation. Babbitt has agreed to purchase the Kasson real estate and lease it to Great Lakes. To fund this purchase, Babbitt has requested a \$300,000 non-recourse loan from Iron Range Resources. The Great Lakes lease payments will flow through to the agency to amortize the Babbitt loan.

Northland Foundation will lease their equipment to Great Lakes. Babbitt and Iron Range Resources each own equipment that was acquired in satisfaction of previous loans to Kasson. These pieces of equipment also will be leased to Great Lakes. In addition, Iron Range Resources holds the patents and trade mark of Kasson. These will be licensed to Great Lakes for their use in the Taconite Assistance Area.

**MANAGEMENT TEAM:**

Great Lakes was formed in 1969 by William Mouw. Rick Mouw, President, and his brother Jeff have operated Great Lakes Home & Resort since 1994 when their father died.

**MARKET OPPORTUNITY:**

The focus of Kasson's marketing will be on rebuilding the Kasson brand with dealers and consumers. Sales effort will be focused on stabilizing and building dealer relationships. These goals will be accomplished with a combination of Brand and Corporate image development, trade shows, print advertising, in-store materials for dealers and web site development.

**COLLATERAL REVIEW:**

The real estate loan to the city will be secured with a first-position mortgage on the property.

Iron Range Resources will maintain ownership of the Weeke machine during the course of the lease. Great Lakes may purchase the equipment at the end of the lease.

**PAST IRON RANGE RESOURCES HISTORY:**

Iron Range Resources has had no prior dealings with Great Lakes Home & Resort.

## Healthcare Provider Workforce Development and Recruitment Proposal



**Iron Range Resources**  
P.O. Box 441  
4261 Highway 53 South  
Eveleth, Minnesota 55734-0441  
(218) 744-7400 • 800-765-5043  
Fax: (218)744-7403

**To:** IRRR Board Members

**From:** Sandy Layman  
Commissioner

**Date:** October 11, 2012

**Re:** Healthcare Provider Workforce Development and Recruitment Proposal

---

The Northeast Minnesota Area Health Education Center (AHEC) and Rural Health Resources Center (RHRC), in cooperation with the Iron Range Rural Health Care Recruitment Committee and area partners, have developed and submitted a proposal requesting \$100,000 in agency funding to implement a workforce development and recruitment program within the TAA.

The healthcare industry is one of the fastest growing sectors of the economy. In addition to being the area's largest employer, a vibrant medical community is a vital component of development infrastructure and is a driving force behind regional growth. The proposal under consideration addresses a broad continuum of health care career awareness and recruitment efforts - from programs delivered to K-12 students to the actual recruitment of medical personnel to institutions within the TAA. The program is designed to augment, not replace, the recruitment efforts of area institutions and has broad support of the area healthcare community.

The proposed grant would have conditions including: establishment of a community based recruitment committee in each participating locale; coordination of recruitment efforts with the Iron Range Rural Health Care Recruitment Committee; a one-to-one match for actual recruitment dollars advanced; and submission of a final report to the agency. The fiscal agent for the grant is expected to be AHEC or RHRC.

The agency FY05 spending plan has \$100,000 remaining for a Health Care Practitioner Program. My recommendation is to use these monies to fund the proposed program.

## **Proposed Services and Costs for One Year**

### **K-12**

Develop two additional H.O.T. (Health Occupations Today) Summer Experiences in region Staff Time (176 hours) (i.e. - Grand Rapids and Two Harbors)	\$6,000
Materials and travel	\$1,010

### **Health Professions Students**

#### Health Professions Community Clinical Rotations

Conduct two preceptor training seminars	\$1,000
Staff time (160 hrs) 2 weeks per seminar	\$5,440
Clinical rotation coordination, 10 students @ 30 hours each	\$10,200

#### Summer Internship in Medicine (SIM) and Summer Internship in Pharmacy

Stipend /Housing for ten students @ \$3,000 per student (\$1,000 paid by community), 10 students @ \$2,000 each	\$20,000
--	----------

AHEC coordination for student placement, recruitment of students, locating housing, and assisting in site curriculum 10 students, @ 30 hours each	\$10,200
---	----------

#### Northeast Community Health Professions Recruitment

Conduct analysis, workshops, and forums (Detailed list of activities above) Staff Time (485 hours)	\$17,600
--	----------

Materials, postage, seminar costs, travel	\$3,800
---	---------

Web Site enhancements (learntocare.org)	<u>\$5,000</u>
---	----------------

### **Health Professional Placement and Retention Program**

Estimated at 5 placements \$39,500 (50% community match)	\$19,750
---	----------

TOTAL	\$100,000
-------	-----------

## Other

### Northwest Airlines, Inc.



**Iron Range Resources**  
P.O. Box 441  
4261 Highway 53 South  
Eveleth, Minnesota 55734-0441  
(218) 744-7400 • 800-765-5043  
Fax: (218)744-7403

**To:** IRRR Board Members

**From:** Sandy Layman  
Commissioner

**Date:** October 11, 2012

**Re:** NORTHWEST AIRLINES

---

Northwest Airlines (NAI) has informed the agency that they no longer wish to pursue an amendment to the NAI Iron Range Reservation Center Facilities Agreement per the terms of the resolution passed by the IRRR Board at its March 3, 2004, meeting.

NAI has indicated an interest in pursuing an agreement whereby it would be eligible for contingent forgiveness on a payment-by-payment basis for each quarter in which it averages a minimum of 550 employees (as calculated by the number of employees on the last day of each month) at the Chisholm center. An amendment under these terms would have the effect of giving NAI an incentive to maintain a minimum of 550 employees on an on-going basis. All other terms of the underlying agreement would remain in force.

NAI has requested that the amendment be retroactive to January 2004. Should the amendment be put in place as proposed, based on the employment certificate that has been submitted for 2004, the airline would be obligated to make payments due in March, June and September of 2004, but would be eligible for contingent forgiveness for the payment due this past December.

I recommend amending the agreement per the above described terms.