

**Meeting
of the
Iron Range Resources Board**

Friday, February 10, 2006

3:00 p.m.

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

MEETING OF THE IRON RANGE RESOURCES BOARD

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3:00 p.m.

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Eveleth, Minnesota

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MEETING OF THE IRON RANGE RESOURCES BOARD

Friday, February 10, 2006

3:00 p.m.

Iron Range Resources Administration Building

Eveleth, Minnesota

Agenda

- 1) Roll Call
- 2) Approval of the December 12, 2005, Minutes
- 3) Commissioner's Comments
- 4) Board Account

Action required: Project approval requires 7 votes

 - a) Communications Projects
 - i) Minnesota Wood Campaign – Minnesota Wood Education Program
 - ii) Blandin Foundation – 2006 Minnesota Wood Capacity Conference
 - b) Technology Projects
 - i) Northeast Service Cooperative
 - ii) Northeast Service Cooperative – Grant Amendment
 - iii) UMD Center for Economic Development – 21st Century Arrowhead Initiative
 - c) Commissioner Projects
 - i) UMD Center for Economic Development – Small Business Development Centers
- 5) Taconite Area Environmental Protection Fund

Action required: Project approval requires 7 votes

 - a) School District Bonding Program
 - b) Tourism Projects
 - i) Club Mesabi – 2006 Great River Energy Mesabi Trail Tour
 - ii) Curl Mesabi – 2007 World Junior Curling Championships
 - c) Development Projects
 - i) City of Coleraine
 - ii) City of Grand Marais/Cook County/Grand Marais Joint Economic Development Authority
 - iii) Meyer Associates, Inc.
- 6) Douglas J. Johnson Economic Protection Trust Fund Corpus

Action required: Project approval requires 10 votes

 - a) Mesabi Nugget, LLC
- 7) Adjournment

Approval of the December 12, 2005, Minutes

Meeting of the Iron Range Resources Board

Monday, December 12, 2005
3:00 p.m.

Iron Range Resources Administration Building
Eveleth, Minnesota

I. Roll Call

Senator David Tomassoni, Chair, called the meeting to order at approximately 3:10 p.m.
Present: Representative David Dill, Representative Maxine Penas, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.
Absent: Senator Becky Lourey and Senator Yvonne Prettner Solon. Also present were: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Gunnar Johnson, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Jean Dolensek, Administrative Services Director; Marianne Bouska, Director – Ironworld Discovery Center; Richard Anderson, Loan Officer Senior; Dave Hart, Loan Officer Senior; Sheryl Kochevar, Executive Assistant; Lauren Hall, Executive Assistant; K. Patrick Maxwell, CEO, Entronix, Inc.; Patrick Edeburn, Director, Entronix, Inc.; Mike Valentine, North Shore Business Enterprise Center; and Jackie Monahan Junek, City Administrator, City of Eveleth.

II. Douglas J. Johnson Economic Protection Trust Fund

Action Required: Project approval requires 8 votes

a. Entronix, Inc.

Motion by Representative Rukavina to approve the Entronix, Inc. project as presented for an amount not to exceed \$500,000. Seconded by Citizen Begich. Motion carried.

Voting in Favor of the Motion: Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Bill Henning and Citizen Matt Matasich.

Voting Against the Motion: None.

Abstain: None.

Absent: Senator Becky Lourey, Senator Yvonne Prettner Solon and Representative Maxine Penas.

III. Board Account

Action Required: Project approval requires 7 votes

a. Northern Tier High Technology Corridor

Motion by Representative Solberg to approve the Northern Tier High Technology Corridor project as presented for the amount not to exceed \$38,800 (\$19,400 FY06 and \$19,400 FY07). Seconded by Representative Sertich. Motion carried.

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

Voting Against the Motion: None.

Abstain: None.

Absent: Senator Becky Lourey and Senator Yvonne Prettner Solon.

IV. Approval of the October 20, 2005, Minutes

Representative Rukavina moved approval of the October 20, 2005, minutes with the following amendments:

-VII. Board Account

a. Program Grants

Chairman Tomassoni ruled that the motion passed notwithstanding the Commissioner's request for clarification as to whether or not the motion had received the seven or eight "yes" votes required by law to approve spending from these accounts. **Amended with the following additions:** *Responding to the Commissioner's request, the Chair asked the board if anyone would like a division, i.e., a showing of hands. No board member questioned the Chair's ruling by asking for a division. Custom and Usage dictates that the number of votes required by law to pass Representative Sertich's motion were therefore recorded by voice vote.*

-VIII. Taconite Area Environmental Protection Fund

b. Itasca Development Corporation – Speculative Building Project

Representative Rukavina, Representative Dill, Representative Sertich, Citizen Begich and Senator Tomassoni asked to be recorded as abstaining from the vote. Project, therefore, was not approved.

Motion to approve the October 20, 2005, minutes as amended was carried.

Representative Sertich informed the Board that he was absent from the Board Room due to a cell phone call during the vote for the Iron Range Resources FY06 Investment Plan at the August 18, 2005, Iron Range Resources Board Meeting.

V. Public Works Resolution

Motion by Representative Rukavina to approve Resolution No.: FY06-003 related to the re-allocation of \$3,000,000 of the \$4,000,000 of TEPF monies that were designated in the approved FY06 budget to be used for a Development Projects Fund. The \$3,000,000 re-allocated funds are proposed to be used for public works projects within the Taconite Assistance Area. Seconded by Representative Sertich. Motion carried.

Voting in Favor of the Motion: Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Representative David Dill, Senator David Tomassoni and Citizen Joe Begich.

Voting Against the Motion: Representative Maxine Penas, Citizen Bill Henning and Citizen Matt Matasich.

Abstain: None.

Absent: Senator Becky Lourey and Senator Yvonne Prettner Solon.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA**

Resolution No.: FY06-003

WHEREAS, the Board on August 18, 2005 approved, with certain modifications and conditions, a Fiscal Year 2006 budget (entitled the "FY06 Investment Plan") proposed by the Commissioner for agency projects, programs and operations during the state fiscal year ending June 30, 2006 (the "**Approved FY06 Budget**"); and,

WHEREAS, the Approved FY06 Budget contained a line item designation and allocating up to \$4,000,000 of the monies made available to the Commissioner under Minnesota Statutes Section 298.223 ("TEPF Monies") for a proposed "Development Projects Fund"; and,

WHEREAS, the Governor subsequently approved the Approved FY06 Budget including the Development Projects Fund monies;

WHEREAS, on Monday, December 12, 2005, the Board met in a regular session at Eveleth to consider, among other matters, a Board member initiated proposal to re-allocate a portion of the said Development Projects Fund monies so that those same funds instead could be designated and allocated for the specific purpose of funding future public works projects within the Taconite Assistance Area; and,

WHEREAS, on the basis of the budget materials submitted by the Commissioner and the Board's discussions at the said public meeting, it appears that no portion of the said Development Projects Fund monies have been contractually obligated for any specific project and no non-State party appears to have relied to its financial detriment upon the designation of those Development Projects Fund monies in the Approved FY06 Budget; and,

WHEREAS, the Board has concluded that \$3,000,000 of the monies designated in the Approved FY06 Budget as Development Projects Fund should instead be designated for use only for public works projects within the Taconite Assistance Area.

NOW, THEREFORE, BE IT RESOLVED THAT:

- a. The Board hereby withdraws its prior approval for the use of \$3,000,000 (the "Re-Allocated Funds Portion") of the \$4,000,000 of TEPF Monies that were designated in the Approved FY06 Budget to be

Iron Range Resources Board Meeting

Friday, February 10, 2006

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- used for a Development Projects Fund; and,
- b. The Board hereby approves the use of the \$3,000,000 Re-Allocated Funds Portion for public works projects within the Taconite Assistance Area as part of an amended or revised form of the Approved FY06 Budget, anticipating that each public works project for which any portion of the said Re-Allocated Funds Portion is proposed to be used first will be submitted to the Board for approval by the statutorily required affirmative vote of at least seven Board members.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 12th DAY OF DECEMBER, 2005.

Member	Aye	Nay	Abstain	Absent
Senator Tom Bakk	X			
Senator Becky Lourey				X
Senator Tom Saxhaug	X			
Senator Yvonne Prettner Solon				X
Senator Dave Tomassoni	X			
Representative Dave Dill	X			
Representative Maxine Penas		X		
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Bill Henning		X		
Citizen Matt Matasich		X		
TOTAL	8	3	0	2

Signed : _____
 Senator David Tomassoni, Chair

VI. Board Account

Action Required: Project approval requires 7 votes

a. Program Grants

- i. City of Biwabik - \$5,000**
- ii. Greenway Area Business Association - \$10,000**
- iii. Ironworld Development Corporation - \$146,000**
- iv. North Shore Business Enterprise Center - \$50,000**

b. Itasca Development Corporation – Speculative Building Project - \$350,000

Motion by Representative Sertich to approve the Program Grants projects and Itasca Development Corporation – Speculative Building project as presented for an amount cumulatively not to exceed \$561,000. Seconded by Senator Saxhaug. Motion carried.

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

Voting Against the Motion: None.

Abstain: None.

Absent: Senator Becky Lourey and Senator Yvonne Prettner Solon.

VII. Adjournment

Meeting adjourned at 4:40 p.m.

Board Account

Action required: Project approval requires 7 Votes

- a) Communications Projects
 - i) Minnesota Wood Campaign - Minnesota Wood Education Project
 - ii) Blandin Foundation – 2006 Minnesota Wood Capacity Conference
- b) Technology Projects
 - i) Northeast Service Cooperative
 - ii) Northeast Service Cooperative – Grant Amendment
 - iii) UMD Center for Economic Development – 21st Century Arrowhead Initiative
- c) Commissioner Projects
 - i) UMD Center for Economic Development – Small Business Development Centers

Communications Projects
Minnesota Wood Campaign – Minnesota Wood Education Program



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4261 Highway 53 South
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(218) 744-7400 • 800-765-5043
Fax: (218)744-7403

To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Grant to Minnesota Wood Campaign - Minnesota Wood Education Program

Minnesota Wood Campaign – Minnesota Wood Education Program
\$30,000 grant from FY 2006 Communications Projects

Project Description

Increased competition in wood and forest products from the development of a highly globalized market has placed overwhelming economic pressures on northeastern Minnesota's producers of forest products. The challenge for our region's producers is to develop an adequate appreciation in the marketplace for the diversity and unique values of wood products produced in our state. During the past twenty-four months, wood and forest products producers in northern Minnesota have been working to proactively address this issue.

Organized as the Minnesota Wood Campaign (MWC), primary and secondary wood and forest products producers in northern Minnesota such as Birchem Logging, Hill Wood Products, Ryan's Rustic Railings and the Rajala Companies have joined forces to secure funding to launch a Minnesota Wood Education Program (MWE). They have received a grant of \$149,350 from the USDA Forest Service's (USFS) Wood Education Resource Center to assist them with this effort. Their goal, over a two year period, is to provide brand identity and marketing assistance to small northern Minnesota producers with workforces of one to 200 employees.

Northern Minnesota is where three forest types all come together—the mixed hardwood, boreal and northern pine. The region has a range of native species that represent some of the world's best wood. The cold climate and other conditions experienced here enhance wood quality by stimulating slow growth which provides for very tight growth rings, consistent color, and structural integrity. In addition, the experience, skill, creativity, production and manufacturing capabilities of the region's producers result in the delivery of high-quality forest products that meet the needs of a wide array of demanding buyers and customers. Yet, at present, little is being done to secure added value for those important attributes, which

represents a critical shortfall that has adversely affected our region's competitiveness.

The Minnesota Wood Education Program is expected to help remedy this situation. The goal of the project is to increase awareness of the value of sustainable harvesting of forest products in Minnesota; to increase appreciation of the unique characteristics and value of Minnesota wood; to improve the economies of communities reliant upon the sustainable harvesting of forest resources; and to provide education programs and technical assistance to primary and secondary wood producers, consumers, and the general public regarding sustainable harvesting, working forests and the unique characteristic values of Minnesota wood.

The two-year project will: (a) empower producers by developing and presenting a series of seven interactive marketing and selling workshops in four different northern Minnesota locations for a total of 56 workshops with 840 participants; (b) develop a packet of seven to fourteen educational training briefs based on the workshop series for distribution by the MWC and use by USFS and other groups; (c) provide 120 one-on-one technical assistance sessions to producers that will accelerate the implementation of their expanded marketing and sales programs; and, (d) introduce producers to other important sources of assistance on 80 different occasions. There is and will be no staff. MWEP works with the Minnesota State College and University System to source trainers on specific topics.

Sources & Uses

Sources	Amount
Federal – USDA USFS	\$69,600
Iron Range Resources	30,000
Other	39,600
Total	\$139,200

Uses	Amount
Travel	\$14,000
Supplies/Materials	4,200
Prof/Tech Contracts	121,000
Total	\$139,200

Recommendation

The Minnesota Wood Education Program is asking Iron Range Resources for a grant of \$30,000 in fiscal year 2006 and another \$35,000 in fiscal year 2007 to match the USFS grant and allow the program to commence. They also will be seeking financial assistance from other resources. In the past, MWEP received grants from the Blandin Foundation and Duluth-Superior Area Community Foundation for 2005 program activities. I am recommending a grant of \$30,000 from the FY06 Communications Projects allocation to the Minnesota Wood Education Program now; the request for an additional \$35,000 will be included in the FY07 agency budget request.

Blandin Foundation – 2006 Minnesota Wood Capacity Conference



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(218) 744-7400 • 800-765-5043
Fax: (218)744-7403

To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Blandin Foundation - 2006 Minnesota Wood Capacity Conference

**Blandin Foundation – 2006 Minnesota Wood Capacity Conference
\$10,000 sponsorship from FY 2006 Communications Projects**

Project Description

For the past couple of years, our agency has been partnering with the Blandin Foundation and five other organizations to help strengthen Minnesota's secondary wood products manufacturers in the face of strong and growing global competition.

A key element in that effort has been an annual conference for loggers, producers and secondary wood manufacturers focused on "Building the Capacity of Minnesota's Wood Products Manufacturing Industry" which last year had the theme of "Creating Our Edge." Participant evaluations from last year's conference underscored the importance of this annual meeting to the industry. As one participant wrote, "There is no other event in the state focused on helping Minnesota's secondary wood product manufacturers compete successfully in an increasingly competitive global market."

Planning is already underway for a follow-up conference to be held August 16-17, 2006. This year's conference theme has been tentatively labeled "the Challenge of Change."

The conference is intended to:

- Energize wood product manufacturers about opportunities to compete successfully in the global marketplace
- Create a dialogue that fosters collaboration among primary and secondary wood products producers and other key industry stakeholders as well as encourage public-private partnerships to strengthen the industry
- Showcase high-value, compelling practices by industry designers and/or manufacturers
- Provide lively networking opportunities to build personal and professional relationships

- Connect participants with Minnesota and other resources that already exist to help industry develop and/or adapt best practices that are presented
- Strengthen Minnesota’s wood products industry’s position for investment

Sources & Uses

Sources	Amount
Blandin Foundation	\$24,200
Iron Range Resources	10,000
Participant Fees	8,500
Other Donors	10,000
Total	\$52,700

Uses	Amount
Supplies/Materials	\$6,150
Professional/Speaker Contracts	24,850
Venue/Meeting Expense	14,200
Travel	7,500
Total	\$52,700

Recommendation

With “Timber” being one of the key pillars in our region’s economy, it is important to the economic well-being of thousands of northland businesses and families that we do everything we can do to help the forest and wood products industries adapt and remain competitive. I recommend that we partner once again in support of this important event with a sponsorship grant of \$10,000 from the FY06 Communications Projects allocation.

**Technology Projects
Northeast Service Cooperative**



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4261 Highway 53 South
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(218) 744-7400 • 800-765-5043
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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Northeast Service Cooperative Grant

**Northeast Service Cooperative – NORTHEASTNET
\$62,500 grant from FY 2006 Technology Projects**

Project Description

This grant is funded as part of our do I.T! initiative and provides DS3 connectivity to the do I.T!-TechNorth Prep Centers located in the Itasca Technology Exchange in Grand Rapids; the Northeast Entrepreneur Fund in Virginia; and the Economic and Technology Center in Ely. The Hibbing TPC is expected to come on-line during FY07 and also will be included.

The grant, which is used to guarantee that level of connectivity to the Centers, will be reduced by the access fees that are collected in the participating TechNorth Prep Centers in the Taconite Assistance Area. Therefore, the grant ultimately is anticipated to be less than \$62,500.

In addition to the do I.T!-TechNorth Prep Centers, NORTHEASTNET serves school districts, libraries, and MnSCU institutions throughout the TAA, providing a high capacity, affordable network for the public sector. The network also now is being made available to private sector ISP providers on a wholesale only basis.

Sources & Uses

Sources	Amount
Iron Range Resources	\$62,500
Other Network Members	\$856,808
Additional Private Sector Revenue	42,637
Total	\$961,945

Uses	Amount
Variable District Expenditures	\$315,627
Project/Fund Administration	\$20,624
Fixed Network Expenditures	\$486,818
Fixed Internet Expenditures	\$75,780
Fixed Video Expenditures	\$63,096
Total	\$961,945

Recommendation

Monies earmarked for this grant were approved in the FY06 Technology Projects allocation. I recommend that a grant not to exceed \$62,500 be made from that source.

Northeast Service Cooperative – Grant Amendment



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Amendment to Grant Contract B-43 2307
Northeast Service Cooperative

**Northeast Service Cooperative – Grant Amendment
Feasibility Study for Open Fiber to the Premises Infrastructure in the Taconite Assistance Area
\$69,500 from FY 2006 Technology Projects – No New Monies**

Background

Through our do I.T! program, the agency awarded a \$69,500 grant to the Northeast Service Cooperative to undertake a study of fiber to the premises infrastructure in the Taconite Assistance Area. Blandin Foundation partnered in the study by providing a \$34,000 grant which, at the time of the award, would have reduced the amount of Iron Range Resources funding required.

Phase I of the study is now nearing completion. The Northeast Service Cooperative has identified additional tasks that need to be completed in order to move the project into the implementation phase and has asked our agency to amend the contract to allow the money that would have been returned to the agency by virtue of the Blandin grant to instead be used to fund these additional tasks.

Sources & Uses

Sources	Amount
Iron Range Resources	\$69,500
Blandin Foundation	\$34,000
Northeast Service Cooperative In-Kind	\$4,500
Consultant In-Kind	\$62,000
Total	\$170,000

Uses	Amount
Consultant Salaries/Expenses	\$130,000
NESC Administration	\$6,000
Phase I Implementation Expenses	\$34,000
Total	\$170,000

Recommendation

I recommend that the grant be amended to 1) allow the scope of the contract to be expanded to complete the additional tasks, and 2) that the surplus agency funding be used to pay for the completion of these tasks. Please note that no new monies are required.

UMD Center for Economic Development – 21st Century Arrowhead Initiative



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Grant to UMD Center for Economic Development - 21st Century Arrowhead Initiative

**UMD Center for Economic Development (CED) – 21st Century Arrowhead Initiative
\$98,500 grant from FY 2006 Technology Projects**

Project Description

This grant funds the highly successful 21st Century Arrowhead Initiative, which encourages small business in the Taconite Assistance Area to utilize technology to help them increase revenue, decrease costs, and improve services that lead to greater profits and growth. The do I.T! program has partnered with UMD in this program since 2000. In that time the program has assisted 651 businesses in nearly every community in the TAA.

During the eight months of the current grant, ended December 31, 2005, 77 small businesses in the TAA have received counseling and implementation assistance as they have undergone the extensive process of assessing and adopting new technology in their businesses. Since the inception of the program, businesses have received 11,121 hours of assistance directed at e-commerce, internet marketing, internet sales and electronic procurement. CED figures indicate that the immediate return on the Iron Range Resources investment in this program amounts to \$5.00 for every \$1.00 invested by the agency.

Any small business in the TAA that is eligible to be a client of the CED is qualified to participate in the program at no cost to the business. According to national and Minnesota Department of Employment and Economic Development (DEED) statistics, over 98 percent of businesses in the Arrowhead region are classified as small businesses.

This program has generated rave reviews from participants and was recognized nationally as the recipient of the prestigious National Association of Development Organizations 2004 Innovation Award presented at its annual meeting in Orlando, Florida.

Sources & Uses

Sources	Amount
Iron Range Resources	\$98,500
Other CED Resources	\$111,310
Total	\$209,810

Uses	Amount
Salaries/Fringe Benefits	\$131,700
Travel and Supplies	\$14,500
Direct Office Support	\$33,000
Indirect Office Support	\$25,610
Software/licensing	\$5,000
Total	\$209,810

Recommendation

Funds targeted for this grant were included in the FY06 Technology Projects allocation. I recommend that a grant of \$98,500 be made to CED from that source to pay a portion of the costs of the program from May 1, 2006 through April 30, 2007.

Commissioner Projects
UMD Center for Economic Development – Small Business Development Centers



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: University of Minnesota Duluth Center for Economic Development – Small Business Development Centers

UMD Center for Economic Development (CED) – Small Business Development Centers
\$65,000 grant from FY 2006 Commissioner Projects

Project Description

The UMD Center for Economic Development (CED) has served as the Small Business Development Center (SBDC) in northeastern Minnesota for the past twenty years. The SBDC program supports Iron Range Resource's objective to sustain and grow the region's economic base by working with both existing and prospective businesses to retain existing jobs and create new jobs. The businesses that have participated in the SBDC program have experienced stability and growth – in part through assistance provided by the CED in business planning, market research, marketing plans and revenue enhancement.

The CED has requested assistance from Iron Range Resources that will allow it to expand the services that are delivered within the Taconite Assistance Area (TAA). At the current time, CED delivers services to the following communities in the TAA on a regular basis: Hibbing – full-time consultant; Ely – on-site one day per week; and Grand Marais – on-site a minimum of one day per month. In addition, two full-time consultants are housed at a satellite center in Grand Rapids that receives operational funds from the CED to operate a SBDC. Services are provided in Two Harbors and Virginia on an "as needed" basis.

Sources & Uses

Sources	Amount
UMD CED	\$120,000
Local Support	65,000
Iron Range Resources	65,000
Total	\$250,000

Uses	Amount
Hibbing Office	\$100,000
Quad Cities Office	100,000
Ely Office	30,000
Grand Marais	20,000
Total	\$250,000

This budget does not consider any in-kind support from sources including most communities (i.e. space) or support provided to the satellite center in Grand Rapids from the CED.

Recommendation

The assistance from Iron Range Resources being considered would come in the form of a grant to the CED that will match local contributions to the CED. I recommend a grant to the CED in an amount not to exceed \$65,000 from the FY 2006 Commissioner Projects allocation to help fund the program for FY07, beginning July 1, 2006. This grant would be contingent on matching local funds being committed and the establishment of a SBDC office in the Quad Cities area to be staffed with a full-time counselor.

Taconite Area Environmental Protection Fund

Action required: Project approval requires 7 Votes

- a) School District Bonding Program
- b) Tourism Projects
 - i) Club Mesabi – 2006 Great River Energy Mesabi Trail Tour
 - ii) Curl Mesabi – 2007 World Junior Curling Championships
- c) Development Projects
 - i) City of Coleraine
 - ii) City of Grand Marais/Cook County/Grand Marais Joint Economic Development Authority
 - iii) Meyer Associates, Inc.

**School District Bonding Program
Spending Authorization**



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: February 10, 2006

Re: School District Bonding Program: \$50,000 Spending Authorization for Financial Advisor and Bond Counsel

Project Description

As you know, Iron Range Resources was authorized by Laws of Minnesota for 2005, Chapter 152, Article 1, Section 39, Subdivision 1 to “issue revenue bonds in a principal amount of \$15,000,000. . .to make grants to school districts located within the Taconite Assistance Area. . . to pay for health, safety and maintenance improvements. . .”

In order to move forward with an agency bonding initiative, the agency should retain the services of a financial advisor firm and ask the Attorney General to appoint special bond counsel. The financial advisor will assist agency staff with the development of a proposed bond financing plan as well as provide advice in regards to the terms and circumstances under which such bonds would be issued. Special counsel will act as bond counsel for the agency and the other affected state agencies. The estimated fees for these services could be as much as \$50,000.

Recommendation

If the bonds are issued, the agency hopes that these costs will be reimbursed from bond proceeds. However, at this time, we need to encumber the financial resources for this work. I am seeking your authorization to expend up to \$50,000 of Taconite Area Environmental Protection Fund (“TEPF”) monies to fund these services from monies budgeted in FY06 for Development Projects. Agency staff and our Assistant Attorney General will be available at the February 10, 2006, Iron Range Resources Board meeting to answer any questions you may have about this project.

Tourism Projects
Club Mesabi – 2006 Great River Energy Mesabi Trail Tour



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Grant to Club Mesabi - 2006 Great River Energy Mesabi Trail Tour

Club Mesabi – 2006 Great River Energy Mesabi Trail Tour
\$10,000 grant from FY 2006 Tourism Projects

Project Description

The Great River Energy Mesabi Trail Tour 2006 (*the Tour*) is scheduled for Saturday, August 12, 2006. In 2005 the Tour successfully attracted 679 riders, 72 volunteers and an additional 210 concertgoers. 75% of the riders were from outside of northeastern Minnesota and stayed two nights at area lodging properties. Money spent for hospitality and other goods and services has a significant economic impact on the region.

Riders were recruited through the distribution of 35,000 brochures, 2,492 radio messages reaching 240,000 listeners statewide, 12 days of TV ads and over \$5,000 of paid print advertising along with “trade-out” publications from media sponsors, including the *Mesabi Daily News* and *The Rake*. Rider surveys came back with an overall positive and enthusiastic response to the Tour.

The Mesabi Trail has seen substantial growth in use over the years. The trail attracts trail users from outside the area and considerable media attention as additional trail mileage is completed. The Mesabi Trail and the Tour provide an excellent marketing opportunity to attract visitors to explore and enjoy the communities, amenities and lifestyle of the region.

The agency grant will leverage funds from additional sponsors and partners. Those who supported the tour in 2005 and have been approached and/or committed to partnership in 2006 include Great River Energy, UCare Minnesota, Iron Trail Convention & Visitors Bureau, Independent Public Radio and several others. As in the past, additional support will be raised through registration fees paid by participants.

Sources & Uses

Sources	Amount
Great River Energy	\$20,000.00
Regional Railroad Authority	12,500.00
Ucare Minnesota	10,000.00
Iron Range Resources	10,000.00
Virginia Regional Medical Center	1,000.00
Lake Country Power	1,000.00
Iron Trail Convention & Visitors Bureau	6,000.00
Qwest	2,500.00
Iron Mining Association	1,500.00
American Bank	1,000.00
Queen City Federal Savings Bank	2,500.00
Other (Entrance fees, concert tickets, etc)	25,068.97
Total	\$93,068.97

Uses	Amount
Prof/Tech	\$13,800.39
Advertising	35,273.92
School Rental (Virginia & Chisholm)	583.89
Food	11,783.54
Entertainment	11,600.00
Other	4,803.28
Total	\$77,845.02
Club Mesabi 501c3 *	15,223.95
Total	\$93,068.97

* This is the new 501c3 non-profit established to operate the 2006 Tour and other events along the Mesabi Trail; this money will support the Mesabi Trail as a charitable contribution.

Recommendation

I recommend that a \$10,000 sponsorship grant be awarded from the FY06 Tourism Projects allocation to Club Mesabi to help underwrite the costs of the 2006 Great River Energy Mesabi Trail Tour.

Curl Mesabi – 2007 World Junior Curling Championships



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: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Grant to Curl Mesabi - 2007 World Junior Curling Championships

**Curl Mesabi - 2007 World Junior Curling Championships
\$10,000 grant from FY 2006 Tourism Projects**

Project Description

The Iron Range has been chosen as the site for the World Junior Curling Championship in March 2007 at the Range Recreation and Civic Center in Eveleth, with Curl Mesabi serving as the host.

This will be the first world curling event ever held on the Iron Range. Ten women's and ten men's teams from the United States, Canada, Europe, Asia and Australia will be competing for the World Junior Championship title.

Curl Mesabi is planning to raise \$150,000 to cover a variety of costs associated with the 12-day tournament. We anticipate a significant economic impact on the region from the spending by the twenty teams, coaches, tournament officials, ice maintenance personnel, World Curling federation officials and numerous spectators who will converge on the Iron Range to attend the event.

Sources & Uses

Sources	Amount
WCF Support Payment	\$10,000
Ticket Sales	75,000
Iron Range Resources	10,000
Other Sponsorships & Grants	40,000
Food, Beverage & Merchandise	25,000
Total	\$160,000

Uses	Amount
Lodging	\$58,000
Arena & Icemakers	11,000
Transportation	4,200
Team Sponsorship	5,000
Food	50,000
Marketing & Advertising	20,500
Security	7,500
Estimated Profit/Loss	3,800
Total	\$160,000

Recommendation

Curl Mesabi has asked our agency to join others in helping them with their fundraising efforts. I recommend that we provide them with a sponsorship grant of \$10,000 from the FY06 Tourism Projects allocation to help underwrite their costs in staging the 12-day event.

**Development Projects
City of Coleraine**



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: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Infrastructure Grant to the City of Coleraine for the Eagle Ridge Technology Park

**City of Coleraine – Eagle Ridge Technology Park
\$85,000 grant from FY 2006 Development Projects Fund**

Project Description

The City of Coleraine has requested an \$85,000 grant to assist them with a project to complete infrastructure and roadway extensions to the proposed Eagle Ridge Technology Park (ERTP). The ERTP will be owned by Itasca Development Corporation and/or the Itasca Technology Exchange. The park, which will be located on former mining disturbed land, will be approximately 15 acres in size and could accommodate both office and light manufacturing types of businesses. The initial plan is to construct a 15,000 square foot building that will be designed to accommodate one or more technology-based businesses. The infrastructure and roadway extensions need to be completed prior to moving forward with the building project.

In regard to job creation, at capacity, the proposed 15,000 square foot building is being designed to house up to 100 jobs. This will vary with the type of tenant(s) and their space requirements. Should additional buildings be constructed on the site in the future, the number of potential jobs would increase as well.

Sources & Uses

Sources	Amount
MN DEED (Redevelopment Grant) – Application Submitted in 12/05	\$160,000
Iron Range Resources	85,000
Total	\$245,000

Uses	Amount
Design and Engineering	\$35,000
Sewer & Water Extensions	130,000
Roadways	80,000
Total	\$245,000

Recommendation

I recommend approval of an \$85,000 grant from the FY06 Development Projects Fund to the City of Coleraine to assist them with the development of this project, contingent upon the award of DEED funding. The project meets the requirements of the recently revised Infrastructure Grants Program.

City of Grand Marais/Cook County/Grand Marais Joint Economic Development Authority



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

To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Grant to City of Grand Marais/Cook County/Grand Marais Joint Economic Development Authority for the Cedar Grove Business Park

**City of Grand Marais/Cook County/Grand Marais Joint Economic Development Authority –
Cedar Grove Business Park
\$200,000 grant from FY 2006 Development Projects Fund**

Project Description

The City of Grand Marais/Cook County/Grand Marais Joint Economic Development Authority (EDA) is in the process of developing the Cedar Grove Business Park (CGBP) in Grand Marais. The CGBP will encompass approximately 90 acres of land, allowing for the development of 34 commercial lots. Proceeds from the sale of the lots will help the EDA recover the costs of developing the project and repay any outstanding debts. Future tenants in the CGBP are projected to include a mix of businesses including manufacturing, assembly, contractors, professional services, retail and government. EDA officials estimate that the project will result in the creation and/or retention of up to 100 jobs in the community.

To date, the EDA has negotiated development agreements for the sale of 14 of the lots once the infrastructure work is completed, which is anticipated to be by June of 2006. There is reportedly a need in the community and region for both business expansion and/or relocation space. The EDA will aggressively market the balance of the lots upon completion of the infrastructure.

Sources & Uses

Sources	Amount
Security State Bank of Aitkin (24 month loan at Prime + 1%)	\$1,200,000
MN DEED (Grant) – Committed	484,000
Iron Range Resources (Grant)	200,000
Total	\$1,884,000

Uses	Amount
Preliminary Design Planning, Platting	\$200,000
Site Work	1,200,000
Public Infrastructure	484,000
Total	\$1,884,000

Recommendation

I recommend approval of a \$200,000 grant from the FY06 Development Projects Fund to the City of Grand Marais/Cook County/Grand Marais Joint Economic Development Authority to assist them with the development of this project. The project meets the requirements of the recently revised Infrastructure Grants Program.

Meyer Associates, Inc.
Direct Loan Program

APPLICANT:

Meyer Associates, Inc.

PRINCIPAL(S):

Lawrence R. Meyer
Meyer Associates ESOP

BRIEF PROJECT DESCRIPTION:

Meyer Associates, Inc. (Meyer) was established in 1977 in St. Cloud, MN by Larry and Peg Meyer as a call center operation that provides fundraising and other services to a variety of clients. The company currently has approximately 300 employees at its call center operations in St. Cloud, Little Falls and Brainerd. Meyer is proposing to establish a 96 seat call center facility in Eveleth to meet the growing demand for its services.

PROJECT COST:

\$1,894,825

PROJECT BREAKDOWN:

Iron Range Resources (6 year term, 0 %)*	\$ 125,000
Iron Range Resources (6.5 year term, formula rate)**	\$ 500,000
Equity and Other Sources***	<u>\$1,269,825</u>
Total	<u>\$1,894,825</u>

* \$25,000 advanced prior to the commencement of each of the first five years of a lease for a minimum of 10,000 square feet of operating space within the Taconite Assistance Area. The loan will carry an interest rate of 0% and would be forgiven should Meyer maintain a lease for a minimum of 10,000 square feet of space within the Taconite Assistance Area for a minimum of six years. In addition, Meyer must maintain employment levels as discussed in the **JOBS** section below. No repayment will be required and the interest rate will remain at 0% as long as no default exists in the terms of the loan.

** \$500,000 Direct Loan for Equipment Purchases with terms as follows:
\$150,000 of the loan will require six (6) quarterly payments of interest only followed by 60 monthly payments of interest and principal in an amount sufficient to fully amortize the balance of the loan over its 60 month term.

\$350,000 of the loan may be forgivable as follows: \$175,000 of principal and accrued interest thereon will be contingently forgiven should Meyer provide documentation that it has employed 70 "qualified" employees for calendar year 2008. The final \$175,000 of principal and accrued interest thereon will be contingently forgiven should Meyer qualify for contingent forgiveness of the initial \$175,000, maintain a minimum of 70 "qualified" employees for the calendar year 2009 and increase employment levels to a minimum of 135 "qualified" employees for 2010. Any sums that are forgiven under the terms of the loan will be fully and finally forgiven should Meyer maintain the required employment levels through calendar year 2011.

The \$350,000 loan, or a portion thereof, will go into repayment should Meyer fail to meet the criteria for forgiveness as shown above. Accrued interest will be capitalized to the then outstanding principal balance and that amount will be repaid in 60 monthly payments of principal and interest in an amount sufficient to fully amortize the balance of the loan over its 60 month term.

*** Includes cash from the company from future operations and/or from other sources for working capital, employee training and equipment needs.

COLLATERAL:

Collateral will consist of the equipment to be purchased with the loan proceeds, including computers, monitors, printers, copiers, fax machines, switches, software licenses, related equipment and any replacements thereof located at Meyer's location in the Taconite Assistance Area.

JOBS:

Meyer projects that it will employ a minimum of 70 "qualified" employees by 2008 and 135 "qualified" employees by 2010. The number of "qualified" employees is calculated by dividing the total hours worked, including paid leave, during the respective calendar year, by 2,080 (with 2,080 being the maximum hours for each individual employee). An employee is considered as "qualified" should s/he earn a minimum of \$10.00 per hour and have available to her/him a benefit package that includes employer paid health insurance and profit sharing options.

CONTINGENCIES:

All financing is contingent upon Meyer establishing and maintaining an operating facility within the Taconite Assistance Area.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS: Approved on February 6, 2006.

FUNDING AUTHORIZATION:

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund Act of 1977, as amended (Minnesota Statutes Section 298.222 – 298.226), pertaining to expenditures of taconite area environmental protection fund monies for the purpose of promoting the economic development of northeast Minnesota, in that the provisions of Minnesota Statutes Section 298.223, Subdivision 1 (d) authorize the expenditure of such funds by the Commissioner for local economic development projects, upon approval by a majority of the members of the Iron Range Resources and Rehabilitation Board and by the Governor.

PROJECT DESCRIPTION:

Meyer Associates, Inc. (Meyer) was established in 1977 in St. Cloud, MN by Larry and Peg Meyer as a call center operation that provides fundraising and other services to a variety of clients. The company currently has approximately 300 employees at its call center operations in St. Cloud, Little Falls and Brainerd. Meyer is proposing to establish a 96 seat call center facility in Eveleth to meet the growing demand for its services. Employment is projected to reach 135 FTE's by 2010 at the Eveleth location. The company is in discussions to lease up to 10,000 square feet of space from Spectrum Health Care. Spectrum Health Care owns the former Sykes building, a 30,000 square foot building located in Progress Park.

MANAGEMENT TEAM:

Larry Meyer is the CEO of Meyer Associates, Inc. He started the company in 1977 and has been active with its management since that time. In addition to his business interests, Mr. Meyer has been active in both civic affairs and in a variety of community based non-profit organizations. He served on the St. Cloud City Council from 1980 to 1996 and then served as Mayor from 1997 to 2001. He has received numerous awards as a result of his community involvement.

Day to day management of the company is vested in Tom Caprio who serves as President. He has been with Meyer since 1996. Prior to that he held various sales and management positions, including positions in the telemarketing industry.

Most of the company's key managers have been with the company for at least 10 years.

MARKET OPPORTUNITY:

During the initial years of operation, Meyer focused on local and statewide political fundraising campaigns. The company's success in Minnesota led to contracts in other states as well as nationally. In addition to telemarketing, the company offers direct mail options for its clients.

Today, the company's focus is much broader than the political arena. In particular, Meyer considers itself a leading provider of marketing related services to the publishing industry. Delivery mechanisms include telephone, direct mail, e-mail, fax and internet services. Services include circulation audits, subscription sales and renewal campaigns. Meyer also provides lead generation and survey work for its publishing industry clients.

The telemarketing industry continues to grow at an annual rate of 5-10%. Meyer hopes to capture additional revenue by expanding its already successful political fundraising programs (especially during the 2006-2008 period) and increasing its contracts with private sector businesses. To accomplish these goals, Meyer needs to acquire additional space and add employees, continually improve its technology and work to improve the skill and productivity of its existing and new employees. The company will market its services at selected industry trade shows, in trade publications and via its website.

COLLATERAL REVIEW:

Collateral will consist of a first lien on the equipment to be purchased with the loan proceeds, including computers, monitors, printers, copiers, fax machines, switches, software licenses, related equipment and any replacements thereof located at Meyer's location in the Taconite

Assistance Area. The projected cost of the equipment needed for a 96 seat facility is \$758,000, with approximately \$456,000 of that amount to be purchased as part of the start up of the facility and the balance to be purchased within the following two years.

PAST IRON RANGE RESOURCES HISTORY:

None.

Douglas J. Johnson Economic Protection Trust Fund Corpus

Action required: Project approval requires 10 Votes

Mesabi Nugget, LLC



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: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Mesabi Nugget, LLC

Mesabi Nugget, LLC
Purchase and Lease Back of Surface Lands and Minerals
\$6,488,000 from DJJ Corpus

Project Description

Mesabi Nugget, LLC (Mesabi Nugget) has made application to Iron Range Resources asking the agency to purchase the surface and mineral rights for up to 800 acres within the proposed Mesabi Nugget footprint at the former LTV site at Hoyt Lakes and lease the property back to Mesabi Nugget. This would reduce the capital expenditure required to move the Hoyt Lakes project forward, keeping it competitive with other potential project locations. I propose that the agency agree to the purchase/leaseback under the following terms:

Mesabi Nugget is able, at its sole cost, to enter into definitive agreements with all of the landowners of the parcels in question to purchase marketable fee title to the surface and all mineral rights (subject to only such encumbrances as Iron Range Resources shall consent) for an amount not to exceed \$6,488,000 - -with approximately 18.5% of the purchase price allocated to the cost of acquiring the surface fee interests and approximately 81.5% of the purchase price allocated for acquiring the mineral rights-- and assigns those purchase rights to Iron Range Resources.

Iron Range Resources will purchase the land and mineral rights covered by those purchase agreements and then lease those interests back to Mesabi Nugget for a 120 month period. The monthly lease rate would be equivalent to that monthly payment amount which would fully amortize over a 120 month loan

term the principal and accruing interest of a loan of similar amount at an interest rate of 3.5% per annum (Iron Range Resources' formula rate for direct loans on November 29, 2005 when we reached an agreement in principal to consider this proposal). This proposed land acquisition and lease plan is contingent upon the ability, under law, of Iron Range Resources to deposit all of the lease payments it receives back into, and retain those funds within, the Douglas J. Johnson Economic Protection Trust Fund corpus account from which the purchase price proceeds were obtained. A default under any State loan agreement would constitute a default under the lease. Mesabi Nugget will be responsible for paying all recording costs, deed taxes, closing agent charges, title insurance costs and other out of pocket expenses incurred by Iron Range Resources in connection with the transaction(s).

At the end of the 120 month lease period, assuming full performance by Mesabi Nugget under the terms of the lease, all surface rights in the site lands owned by Iron Range Resources would be transferred, to the extent permitted by law, to Mesabi Nugget for nominal consideration. A portion of the lease payments equivalent to the portion of the original purchase price that was used to acquire the mineral rights (the "Advance Mineral Extraction Payment"), would be treated as a credit against future mineral extraction obligations owed by Mesabi Nugget to Iron Range Resources from the date of the execution of the lease (the "Lease Date").

Minerals Rights & Royalties

If Mesabi Nugget mines these taconite deposits, it agrees to pay Iron Range Resources a mineral extraction fee of \$.1717 per long ton of taconite mined for a period of 15 years from the Lease Date. After the said 15 year period, the mineral extraction fee rate would be calculated using the same methodology as the Department of Natural Resources uses for calculating royalty fees on other state owned iron ore deposits of similar quality. The base rate of \$.1717 per gross ton of crude would be escalated periodically during the lease term in accordance with changes in the Producer Price Indices, using 50% of the price escalation in the Iron & Steel commodity group and/or 50% of the price escalation in the Iron Ore commodity group. The escalation of the base mineral extraction fee would begin on the Lease Date, but the escalated mineral extraction fee rate would not become effective until 15 years after the Lease Date. The amount of the Advance Mineral Extraction Payment would be applied against Mesabi Nugget's accruing mineral extraction fee obligations until the amount of the Advance Mineral Extraction Payment was fully exhausted.

Provided that the company fully complies with its obligations under the lease (and any successor State mineral leases) and is not in default of its obligations under any State loan agreement, the intention of Iron Range Resources is to provide to Mesabi Nugget, to the extent permitted by law, the sole right to mine the minerals during the lease term and thereafter, a right of first refusal to mine those minerals for a period of 50 years from the Lease Date. Mesabi Nugget will not have any rights to sublease or reassign the lease or encumber the mineral rights resources without the written consent of Iron Range Resources - which may be granted at the sole discretion of Iron Range Resources. The right of first refusal and the Advance Mineral Extraction Payment will expire on the 50th anniversary of the Lease Date unless earlier terminated.

Sources & Uses

Assuming this proposed land acquisition and lease project is approved, a current estimated sources and uses for the project would be as follows:

Sources		Uses	
Equity	\$71,000,000	Property, Plant & Equipment	\$181,000,000
Bank Debt	117,000,000	Start-up Expenses	15,000,000
State (DEED)	10,000,000	Working Capital	12,000,000
Iron Range Resources	10,000,000		
Total	\$208,000,000	Total	\$208,000,000

Recommendation

The closing for Iron Range Resources' purchase of the land and its lease of those interests to Mesabi Nugget will take place concurrently with the closing of financing for the Mesabi Nugget plant in Hoyt Lakes. I recommend that \$6,488,000 be withdrawn from the DJJ Corpus to pay for the purchase of the surface lands and minerals as described above, contingent upon our ability, under law, to return lease payments received from Mesabi Nugget to the DJJ Corpus.

Technical Advisory Committee Recommendation

Approved on February 6, 2006.