

**Meeting
of the
Iron Range Resources Board**

Thursday, June 15, 2006

3:00 p.m.

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

MEETING OF THE IRON RANGE RESOURCES BOARD

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MEETING OF THE IRON RANGE RESOURCES BOARD

Thursday, June 15, 2006

3:00 p.m.

Iron Range Resources Administration Building

Eveleth, Minnesota

Agenda

- 1) Roll Call
- 2) Approval of the February 10, 2006, Minutes
- 3) Commissioner's Comments
- 4) Board Account
 - Action required: Project approval requires 7 votes*
 - a) Technology Projects
 - i) Northeast Service Cooperative
 - ii) UMD Center for Economic Development – 21st Century Arrowhead Initiative
 - b) Commissioner Projects
 - i) UMD Center for Economic Development – Small Business Development Centers
 - c) Healthcare Provider Workforce Development & Recruitment Plan
- 5) Taconite Area Environmental Protection Fund
 - Action required: Project approval requires 7 votes*
 - a) American Peat Technology, LLC
 - b) Next Generation Ophthalmics, Inc.
 - c) Wide Open Company
 - d) City of Mountain Iron – Assisted Living Facility
 - e) City of Nashwauk – Aerial Digital Photography
 - f) Franconia Minerals Corporation
- 6) Douglas J. Johnson Economic Protection Trust Fund
 - Action required: Project approval requires 8 votes*
 - a) Hibbing Fabricators, Inc.
- 7) Douglas J. Johnson Economic Protection Trust Fund Corpus
 - Action required: Project approval requires 10 votes*
 - a) Mesabi Nugget, LLC
- 8) FY07 Investment Plan
 - Action required: Approval requires 8 votes*
- 9) Adjournment

Approval of the February 10, 2006, Minutes

Meeting of the Iron Range Resources Board

Friday, February 10, 2006
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; Doug Gregor, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Jean Dolensek, Administrative Services Director; Sheryl Kochevar, Executive Assistant; Laureen Hall, Executive Assistant; Tom Caprio, President, Meyer Associates, Inc.; Larry Lehtinen, President, Mesabi Nugget, LLC; George Erickson, Tennis for All; Bob Belluzo, Superintendent, Hibbing School District; John Klarich, Superintendent, Nashwauk-Keewatin School District; Tom Berrigan, Chairman, Iron Range Veterans Memorial Committee; and Mike Woods, President, United Steelworkers of America – Local 1938.

II. Approval of the December 12, 2005, Minutes

Representative Sertich moved approval of the December 12, 2005, minutes. Seconded by Representative Solberg. Motion carried.

III. Commissioner's Comments

Commissioner Layman reviewed the Legislative Auditor's findings regarding the agency's annual budget process, the Board's ability to approve programs as a part of that process, and the Commissioner's ability to make grants under those programs once approved. The Commissioner noted that tonight she would be requesting board approval on a number of small programs and projects which would not have come before the Board in the past but rather have been approved as a part of the agency's annual budget.

Commissioner Layman requested Board Account agenda item 4 b) Technology Projects ii.) Northeast Service Cooperative – Grant Amendment, be pulled from tonight's agenda.

IV. Taconite Area Environmental Protection Fund

Action Required: Project approval requires 7 votes

a. Meyer Associates, Inc.

Motion by Representative Rukavina to approve the Meyer Associates, Inc. project as presented for an amount not to exceed \$625,000. 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.

V. Douglas J. Johnson Economic Protection Trust Fund Corpus

Action Required: Project approval requires 10 votes

a. Mesabi Nugget, LLC

Motion by Senator Bakk to approve Resolution No.: FY06-004 related to the expenditure of up to \$6,488,000 of the corpus of the DJJ Fund to purchase the surface and mineral rights for up to 800 acres within the proposed Mesabi Nugget pellet product facility footprint at the former LTV site at Hoyt Lakes and then to lease that same property back to Mesabi Nugget in the manner and subject to the terms contained in the Commissioner's Proposal. Seconded by Representative Dill. 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.

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

Resolution No.: FY06-004

WHEREAS, Minnesota Statutes Section 298.296, Subdivision 2 (c) authorizes the agency to expend, upon prior approval by the affirmative vote of at least ten members of the Board, up to 20% of the corpus of the Douglas J Johnson Economic Protection Trust Fund (the "DJJ Fund"), valued as of the date of May 18, 2002, for projects and programs described in Minnesota Statutes Section 298.292, subdivision 1 that either:

Iron Range Resources Board Meeting

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- a. are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses; or,
- b. encourage diversification of the economy and promote the development of minerals, alternative energy sources utilizing indigenous fuels, forestry, small business, and tourism;

WHEREAS, Mesabi Nugget, LLC has asked Iron Range Resources to purchase the surface and mineral rights for up to 800 acres within the proposed Mesabi Nugget pellet product facility footprint at the former LTV site at Hoyt Lakes and then lease that same property back to Mesabi Nugget; and,

WHEREAS, the Commissioner has submitted a three-page proposal (the Proposal”) to the Board requesting it to authorize, on the terms therein described, the expenditure of up to \$6,488,000 of DJJ Fund corpus monies to purchase such land mineral interests, with approximately 18.5% of such purchase price allocated to the cost of acquiring surface fee interests and approximately 81.5% of the purchase price allocated to the cost of acquiring mineral rights; and,

WHEREAS, the Board held a special meeting starting at 3:00 p.m. on Friday, February 10, 2006, at the agency’s Eveleth Administration building to consider the Proposal and whether to approve the proposed expenditure of DJJ Fund corpus funds for the project to facilitate the company’s proposed construction within the Taconite Assistance Area of a full-scale production plant using the Kobe Steel ITmk3 iron nugget production process (the “Plant”); and,

WHEREAS, the Board, after due consideration of the Commissioner’s Proposal and other information presented at the meeting, has concluded that the construction and subsequent operation of the Plant at that location in northeastern Minnesota has the potential of providing a significant number of new jobs and increasing the vitality and long-term viability of the iron mining industry within the Taconite Assistance Area, and that the acquisition of real property in support of the Plant project is thus for a purpose for which the expenditure of DJJ Fund corpus monies is authorized.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board has concluded that it would be in the best interests of the economy and of the people of the Taconite Assistance Area to authorize, under the provisions of Minnesota Statutes Section 298.296, Subdivision 2 (c), the expenditure of up to \$6,488,000 of the corpus of the DJJ Fund to purchase the surface and mineral rights for up to 800 acres within the proposed Mesabi Nugget pellet product facility footprint at the former LTV site at Hoyt Lakes and then to lease that same property back to Mesabi Nugget in the manner and subject to the terms contained in the Commissioner’s Proposal.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 10th DAY OF FEBRUARY, 2006

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	11	0	0	2

Signed : _____
Senator David Tomassoni, Chair

VI. Taconite Area Environmental Protection Fund

Action required: Project approval requires 7 votes

- a. Development Projects**
 - i. City of Coleraine**
 - ii. City of Grand Marais/Cook County/Grand Marais Joint Economic Development Authority**

No action taken.

VII. Projects introduced by the Board for Commissioner Approval

Action Required: Project approval requires 7 votes

- a. Coleraine** - \$85,000 grant for infrastructure and roadway extensions to the proposed Eagle Ridge Technology Park.
- b. Grand Marais/Cook County/Grand Marais Joint Economic Development Authority** - \$200,000 grant for the development of the Cedar Grove Business Park in Grand Marais.
- c. Nashwauk** - \$175,000 grant for water and sewer extensions in the industrial park. The release of these funds is contingent upon a firm commitment from the prospective business tenants.
- d. Aitkin** - \$10,000 grant to the Aitkin Board of Soil and Water Conservation for engineering and predesign for Flemming Creek Watershed District.
- e. Virginia** - \$125,000 grant for the "Tennis For All" project.
- f. Eveleth** - \$100,000 grant for sewer plant repairs.
- g. Eveleth** - \$50,000 grant for Eveleth Veterans Park upgrades.
- h. Embarrass** - \$5,000 grant for Timberhall roof repairs.
- i. Silver Bay** - \$170,000 grant for asbestos and other hazardous materials removal at the former mining company barracks -- now known as the Bell Apartments -- in order to develop residential housing.
- j. Hibbing** - \$75,000 grant for water and sewer extensions within the North Hibbing Industrial Park. The release of these funds is contingent upon a firm commitment from the prospective business tenants.
- k. Irongate Business Park** - \$70,000 grant for the extension of utilities, a road, curbs and gutters to complete the looping system with existing utilities and businesses.
- l. Chisholm-Hibbing Airport** - \$100,000 grant for the extension of utilities and roads onto the SIB site.
- m. Chisholm** - \$100,000 grant for wastewater treatment infrastructure.

Representative Solberg moved approval of the expenditure of Taconite Area Environmental Protection Fund monies for the following above projects in the designated amounts, subject to the condition that the grant contract for each such project contain provisions requiring the

grantee to comply with the prevailing wage policy expressed by the Board in Resolution 96-005. Seconded by Representative Rukavina. 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 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.

Absent at the Time of the Vote: Senator Tom Bakk.

VIII. Board Account

Action Required: Project approval requires 7 votes

a. Communication Projects

- i. Minnesota Wood Campaign – Minnesota Wood Education Program**
- ii. Blandin Foundation – 2006 Minnesota Wood Campaign**

Motion by Senator Saxhaug to approve the two Communications Projects (Minnesota Wood Campaign/Minnesota Wood Education Program - \$30,000 and Blandin Foundation/2006 Wood Capacity Conference - \$10,000) as presented for an amount cumulatively not to exceed \$40,000. Seconded by Representative Dill. 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.

Absent at the Time of the Vote: Senator Tom Bakk.

b. Technology Projects

- i. Northeast Service Cooperative**
- ii. UMD Center for Economic Development – 21st Century Arrowhead Initiative**

c. Commissioner Projects

i. UMD Center for Economic Development – Small Business Development Centers

Chairman Tomassoni tabled the above agenda items pending further discussion and review.

IX. Taconite Area Environmental Protection Fund

Action required: Project approval requires 7 votes

a. School District Bonding Program

Motion by Senator Bakk to approve the School District Bonding Program as presented for an amount not to exceed \$50,000. 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.

Motion by Senator Bakk to approve the recommendation of the Taconite Assistance Area school superintendents committee, in conjunction with the Range Association of Municipalities and Schools, regarding funding criteria and allocations for the \$15 million school district health, safety and maintenance improvements grants program. Seconded by Representative Solberg. 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.

b. Tourism Projects

- i. Club Mesabi – 2006 Great River Energy Mesabi Trail Tour**
- ii. Curl Mesabi – 2007 World Junior Curling Championships**

Motion by Representative Rukavina to approve the two Tourism Projects (Club Mesabi/2006 Great River Energy Mesabi Trail Tour - \$10,000 and Curl Mesabi/2007 World Junior Curling Championship - \$10,000) as presented for an amount cumulatively not to exceed \$20,000. Seconded by Citizen Henning. 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.

X. Other

a. Iron Range Veterans Memorial

Tom Berrigan, Chairman, Iron Range Veterans Memorial Committee, updated the Board on the status of the Iron Range Veterans Memorial project. The Commissioner pledged agency staff support to assist the Iron Range Veterans Memorial Committee in preparation of a project proposal at the \$250,000 level to be presented for final approval at the next Board meeting.

b. US Steel – Minntac – Taconite Economic Development Fund (TEDF) 2005 Allocation

Mike Woods, President, United Steelworkers of America – Local 1938, urged Commissioner Layman and the Board not to approve the pay 2005 TEDF allocation for US Steel – Minntac to purchase production trucks. Commissioner Layman outlined the “Findings of Fact” she used in making her final determination to release the pay 2005 TEDF funds.

c. 2006 Legislation

Motion by Citizen Matt Matasich for the Iron Range Resources Board to go on record urging the agency’s support of restoration of the monies in the Minnesota Minerals 21st Century Fund. Seconded by Representative Rukavina. Motion carried.

XI. Adjournment

Meeting adjourned at 4:30 p.m.

Board Account

Action required: Project approval requires 7 Votes

- a) Technology Projects
 - i) Northeast Service Cooperative
 - ii) UMD Center for Economic Development – 21st Century Arrowhead Initiative
- b) Commissioner Projects
 - i) UMD Center for Economic Development – Small Business Development Centers

**Technology Projects
Northeast Service Cooperative**



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: 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

This project was tabled at the February 10, 2006, Iron Range Resources Board meeting. 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 to the Northeast Service Cooperative from that source to support NORTHEASTNET connectivity.

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

This project was tabled at the February 10, 2006, Iron Range Resources Board Meeting. 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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(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: 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 Office	\$20,000
Total	\$250,000

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

Recommendation

This project was tabled at the February 10, 2006, Iron Range Resources Board meeting. 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.

Healthcare Provider Workforce Development & Recruitment Plan



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: HEALTHCARE PROVIDER WORKFORCE DEVELOPMENT AND RECRUITMENT PLAN

In 2005, the agency provided a \$100,000 grant to the Rural Health Resource Center for healthcare workforce development and recruitment of health care professionals. The activities were carried out jointly by the Northeast Minnesota Area Health Education Center (AHEC) and the Rural Health Resource Center in cooperation with the Rural Healthcare Taskforce Recruitment Committee. This committee is comprised of administrators from local healthcare facilities.

The activities undertaken include the establishment of health occupation summer camps, clinical rotations, preceptor training seminars, internships and actual recruitment initiatives for physicians, pharmacists, dentists, mental health professionals and other mid-level healthcare professionals.

In 2005, one healthcare summer camp was held in Hibbing, with 15 students participating. There were 5 participants in the clinical rotation program, 5 internships in medicine, and 4 internships in pharmacy. Preceptor training and recruitment workshops were held in Hibbing, Virginia and Two Harbors, involving 42 participants. Four community opportunity forums were held with 97 participants. Through the placement program, 8 professionals were placed in hospitals and primary care clinics and one in a mental health facility. Ten were placed in area pharmacies.

In addition to these activities in 2005, a workforce analysis study was completed. The learn-to-care website was updated and posters promoting job opportunities were developed and distributed.

The Rural Health Resource Center is requesting an additional \$100,000 grant to carry out similar activities in 2006.

Projected outcomes for 2006 include; conducting 3 health occupation summer camps in Grand Rapids, Hibbing and Two Harbors with 120 8th & 9th grade students, clinical rotation programs for 10 students, 10 internships in medicine, 10 internships in pharmacy, 12 placements in area healthcare facilities, 4 community opportunity forums with 100 anticipated participants, creating partnerships with community-based recruitment committees (Red Carpet committees) in Grand Rapids, Hibbing, Virginia and Two Harbors, and continuing to work with state and local residency programs.

Monies for the 2005-\$100,000 grant came from the agency's project operating budget and an additional \$100,000 is budgeted in the FY06 project operating budget.

Recommendation

I recommend that a \$100,000 grant from the FY06 project operating budget be made to the Rural Health Resource Center to help fund the Healthcare Provider Workforce Development and Recruitment activities described above during 2006.

2005

PROPOSED SERVICES AND COSTS FOR ONE YEAR

K-12

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

Materials and travel \$1,010

Health Professions Students

Health Professions Community Clinical Rotations

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

Northeast Community Health Professions Recruitment

Conduct analysis, workshops and forums \$17,600
(Detailed list of activities above)
Staff time (485 hrs.)

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

Website enhancements (learntocare.org) \$ 5,000

Health Professional Placement and Retention Program

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

TOTAL \$100,000

2006

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, Hibbing and Two Harbors) \$6,000

Materials and travel \$1,010

Health Professions Students

Health Professions Community Clinical Rotations

Staff Time (107 hours) \$3,640
Travel and materials \$1,450
Clinical rotation coordination, 10 students @ 30 hrs. each \$10,200

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

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

AHEC coordination for student placement, recruitment of students, locating housing, and assisting in site curriculum for 20 students @ 15 hrs. each \$10,200

Northeast Community Health Professions Recruitment

Conduct analysis, workshops and forums \$22,000
(Detailed list of activities above)
Staff time (500 hrs.)

Materials, postage, seminar costs, travel \$3,000

Recruitment brochures \$2,500

Website maintenance (learntocare.org) \$ 3,000

Health Professional Placement and Retention Program

Estimated at 4 placements \$34,000
(50% community match) \$17,000

TOTAL \$100,000

Taconite Area Environmental Protection Fund

Action required: Project approval requires 7 Votes

- a) American Peat Technology, LLC
- b) Next Generation Ophthalmics, Inc.
- c) Wide Open Company
- d) City of Mountain Iron – Assisted Living Facility
- e) City of Nashwauk – Aerial Digital Photography
- f) Franconia Minerals Corporation

American Peat Technology, LLC
Bank Participation Loan Program

APPLICANT:

American Peat Technology, LLC

PRINCIPAL(S):

Thomas Eberhardt, CEO

BRIEF PROJECT DESCRIPTION:

American Peat Technology, LLC (APT) was formed in the fall of 2003 by a number of investors and former employees of the insolvent Peat Technologies Corp. The plant, which is located in Aitkin, MN, started producing granular and powdered peat in June of that year. Three products, all in the process of being patented, have been developed for pollution remediation. To manage the expected growth with the new products, the company needs to purchase additional equipment.

PROJECT COST:

\$370,000.00

PROJECT BREAKDOWN:

Security State Bank of Aitkin (5 years, negotiated rate)	\$100,000.00
Iron Range Resources (5 years, formula rate)	\$100,000.00
ARDC (5 years, negotiated rate)	\$100,000.00
Equity	<u>\$70,000.00</u>
Total	370,000.00

COLLATERAL:

Shared first position (between Security State Bank of Aitkin and Iron Range Resources) on equipment to be purchased with the loan proceeds.

JOBS:

4 FTE's created, 7 FTE's retained. Average hourly wages range from \$15 - \$18 per hour plus benefits.

CONTINGENCIES:

Financing requests must be approved by other funders as above.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

TAC Action and Date – Approved June 7, 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:

American Peat Technology, LLC (APT) was formed on August 19, 2003, by former investors and employees of the insolvent Peat Technologies Corporation. APT purchased all of Peat Technologies Corp's assets and intellectual properties, new equipment was built, and the plant started producing granular and powdered peat in June of that year. For expansion purposes, APT has developed three products, all in the process of being patented, that take advantage of peat's ability to remove heavy metals from contaminated liquids and gasses. The new products will require additional equipment.

MANAGEMENT TEAM:

Tom Eberhardt, who currently serves as President and CEO of APT, also serves as president/owner of TeeMark Corporation. He's also previously started three new companies (Sweetwater Technology Corp., Blenheim Enterprises Inc., and Fabtech Corporation). Along with his many business ventures, Tom holds a degree in Industrial Engineering, with an emphasis in Mechanical Engineering. Elinor Eberhardt, who is a CPA, serves as the Secretary/Treasurer of APT. Her experience includes computer programming and system analysis. She holds a degree in Chemistry, and an Associates degree in Accounting. Doug Green, who is a partner with APT, is involved in product development and is the operations manager for the company. Eric Paulson holds two bachelor's degrees in Chemical Engineering and Chemistry. As an investor in APT, Eric is responsible for the day-to-day management of the plant operation and pilot plant start up for the new product production equipment.

MARKET OPPORTUNITY:

For the standard products, APT shares the market equally with one competitor. For the new products, there will be two grades of the APTsorb. The first grade will be designed to use once and landfill. The second grade of APTsorb will be reusable by acid stripping. The market for this product has been narrowed to three areas where there is an immediate need for the product to which there are no economical alternatives: metal finishing and plating industry; ground water contamination; and to areas where APTsorb has the ability to lower dissolved lead from surface waters (such as surface water lead contamination from military target ranges). The plant proposed will allow APT to produce APTsorb in bulk quantities.

COLLATERAL REVIEW:

Collateral will consist of the purchased equipment worth \$276,000. The agency will share a first position with Security State Bank on the \$200,000 loan.

PAST IRON RANGE RESOURCES HISTORY:

None with this company. Following is a history with affiliated companies.

\$255,000 loan to Aitkin Growth for building in 1994. Balance is \$89,224.

\$251,000 loan to Aitkin Growth for building expansion in 2001. Balance is \$184,307.

\$72,000 participation loan to TeeMark in 1999. Balance is \$26,495.

Next Generation Ophthalmics, Inc.
Bank Participation Loan

APPLICANT:

Next Generation Ophthalmics, Inc.

PRINCIPAL(S):

Robert Honstrom
Jacqueline Honstrom

BRIEF PROJECT DESCRIPTION:

Next Generation Ophthalmics, Inc. (NGO) is an optical laboratory located in Grand Rapids, MN that processes and assembles prescription eyeglasses for retail sale by eye care professionals located throughout the Midwest, including as far south as Texas. The proposed financing will allow the company to purchase an eyeglass lens coating machine and associated equipment that will allow it to expand its product offerings and improve its profit margins.

PROJECT COST:

\$787,500.00

PROJECT BREAKDOWN:

American Bank of the North (5 years, 8.00%)	\$337,500.00
Iron Range Resources (5 years, formula rate)	\$250,000.00
Lake Country Power (5 years, rate to be determined)	\$100,000.00
ARDC (5 years, rate to be determined)	<u>\$100,000.00</u>
Total	<u>\$787,500.00</u>

COLLATERAL:

Collateral will consist of a shared first lien, with the bank, on the equipment to be purchased with the financing. The principals also will personally guarantee the loan.

JOBS:

Retain 17.5 FTE's and create 5 FTE's. Wage levels range from \$9.00 to \$15.00 per hour with entry level wages at \$9.00 per hour.

CONTINGENCIES:

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

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

TAC Action and Date – Approved June 7, 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:

Next Generation Ophthalmics, Inc. (NGO) began operations in Grand Rapids, MN in March of 2003 as a very basic optical finishing lab. In simple terms, the company purchased lenses with the prescription already ground, polished and coated into them, cut them to the proper frame size and then inserted them into the frames. The client base consisted of regional optometrists and ophthalmologists. In early 2004, NGO purchased additional equipment that allowed it to grind and polish the prescription lenses themselves, bringing an additional cost saving step in-house versus outsourcing the process to an out-of-area lab. The next step, and the subject of the current financing request, is to purchase the equipment necessary to apply a variety of coatings to the lenses, including scratch resistant coatings and antireflective coatings. The equipment to be purchased includes the coating machine itself, a specially designed "clean room" and various supporting equipment. This equipment will again allow the company to reduce costs, improve quality and reduce turnaround time on each pair of assembled eyeglasses. Management projects that the addition of the new equipment will help the company retain its current staffing of 17.5 FTE's as well as create 5 FTE's.

MANAGEMENT TEAM:

Robert Honstrom is the founder and owner of NGO. He has spent his entire working career in the optical industry and is a certified optician. From 1986 to 2003, Mr. Honstrom has worked either on the lab floor, in sales and marketing or in management positions. He knows the geographic area he is servicing, the doctors serving those areas, who the competition is and how they operate. Based on his experience, he feels the industry, in which smaller independent labs are being acquired and consolidated by large foreign corporations, is lacking in customer service and quality. His decision to move ahead with his own lab is based on his perception that price, quality and timely service are extremely important to the doctors and end customers they serve. In approximately three years, Mr. Honstrom has been able to grow NGO to a point where it is able to complete an average of 150 pairs of eyeglasses per day.

Jacqueline Honstrom oversees the day-to-day operation of the lab and assists Robert with account relationships. Her background includes time in the health care industry and education.

A recent addition to the management team at NGO is Kelly Hain whose function is that of Business Manager. He has worked as a CPA in the Grand Rapids area since 1991 and will provide a valuable service to the company as it continues to grow.

NGO has also been able to attract key personnel that have optical industry experience. In addition, as part of the purchase price for the new equipment, the vendor for the new coating equipment will provide onsite training, 24/7 support and quarterly onsite preventative maintenance.

MARKET OPPORTUNITY:

NGO was founded on the principal of providing quality products at competitive prices along with excellent customer service and care. These are principals that Mr. Honstrom feels have slipped industry wide as many of the small independent labs have been acquired by large foreign corporations. The growth that NGO is experiencing is proving out Mr. Honstrom's belief regarding the industry. NGO's services and products are not the lowest priced in the industry,

but quality, customer service and quick turnaround on complicated prescription orders are bringing in new business weekly. The addition of the coating machine will help NGO become a true full service lab.

To market its services, NGO employs two outside sales representatives serving the Midwest and two commissioned sales representatives serving Texas and Nebraska. Robert Honstrom also concentrates his efforts on sales and marketing as well. The target of the marketing efforts are the independent eye care providers who are committed to providing quality products to their patients.

Approximately 60% of the North American market is served by Esilor, a European-based manufacturer of lenses and the owner of nearly 90 labs in the United States alone. Two other companies, Hoya, a Japanese-based company, and Sola-Zeiss, a German-based company, also have a lab presence in the U.S. There also are numerous other independent labs of varying sizes and capabilities that serve the U.S. market.

COLLATERAL REVIEW:

Collateral will consist of a shared first position with the bank on the coating machine and related equipment to be purchased with the financing. In regard to the coating machine, the manufacturer (Satisloh North America, Inc.) will guarantee a buyback of the machine for a four-year period at 80% in year one, 65% in year two, 50% in year three and 35% in year four. This is an important risk mitigator for this financing package.

Robert and Jacqueline Honstrom also will personally guarantee the loans.

PAST IRON RANGE RESOURCES HISTORY:

None.

Wide Open Company
Bank Participation Loan

APPLICANT:

Wide Open Company

PRINCIPAL(S):

Kirk Davis

Debra Davis

BRIEF PROJECT DESCRIPTION:

Wide Open Company (WOC), established in 1998, manufactures composite fiberglass reinforced products at its facility near Grand Rapids. The company's main customer at inception was ASV, Inc. WOC manufactures the fiberglass hood enclosures for ASV's rubber tracked loader products. More recently, WOC has begun manufacturing after market accessories (roof and door panels, etc.) for utility terrain vehicles manufactured by Polaris (Ranger) and Yamaha (Rhino). To accommodate the anticipated growth in all product lines, the company is planning to add approximately 14,000 square feet of space to its current facility. The proposed financing will assist the company with their expansion plans.

PROJECT COST:

\$500,000.00

PROJECT BREAKDOWN:

American Bank of the North (20 years, negotiated rate) up to	\$250,000.00
Iron Range Resources (20 years, formula rate) up to	<u>\$250,000.00</u>
Total	<u>\$500,000.00</u>

COLLATERAL:

Collateral will consist of a shared second mortgage on the principals' real property which houses their residence and the existing, as well as, the proposed commercial buildings. The principals will also personally guarantee the loan.

JOBS:

The company currently employs 26 with hourly wages ranging from \$9.00 to \$25.00. With the proposed expansion and anticipated growth in sales, management expects to add up to 10 new employees over the next two years.

CONTINGENCIES:

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

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

TAC Action and Date – Approved June 7, 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:

Wide Open Company (WOC), established in 1998, manufactures composite fiberglass reinforced products at its facility near Grand Rapids. The company's main customer at inception was ASV, Inc. WOC manufactures the fiberglass hood enclosures for ASV's rubber tracked loader products. In 2002, WOC began manufacturing after market accessories (roof and door panels, etc.) for the Polaris Ranger utility terrain vehicle. More recently, the company has begun the manufacture of similar products for the Yamaha Rhino utility terrain vehicle. To accommodate the anticipated growth in all product lines, the company is planning to add approximately 14,000 square feet of space to its current facility. The proposed financing will assist the company with its expansion plans. An expanded facility, coupled with the projected growth in sales, will allow the company to add 10 production jobs to its current staff of 26 full-time employees. Hourly wages for the existing employees range from \$9.00 to \$25.00, with the average being \$13.25. Entry level wage rate per hour is approximately \$9.00.

MANAGEMENT TEAM:

Kirk Davis leads the company as its President. He is also the main knowledge base for the fiberglass process the company uses, including design, prototyping, tooling and manufacturing. Prior to starting WOC, Mr. Davis owned another local company (Rapid Craft) that manufactured high end fiberglass performance boats. This company discontinued operations in the mid 1990's. Overall, Mr. Davis has nearly 20 years of experience in fiberglass processes and manufacturing. WOC's ongoing supplier relationship with ASV has allowed the company to benefit from ASV's continued growth and success. The profitable relationship with ASV also has allowed Davis to research, design and market other product lines in an effort to diversify and grow his customer base.

Mr. Davis has brought in experienced technical help for the R&D and manufacturing side of the business. He also has hired experienced sales and marketing people to work with the dealer network for Polaris and Yamaha. Nearly all of the aftermarket items manufactured for the Polaris and Yamaha utility terrain vehicles are sold through designated dealers.

Debra Davis serves as the Secretary/Treasurer of the company. She is not active in the day-to-day operations of the company as she works full time as the Assistant Itasca County Assessor.

MARKET OPPORTUNITY:

Wide Open Company began operations in 1998 as a small contract vendor for ASV. Sales were modest but stable through 2001 when Mr. Davis sought out other opportunities to diversify and grow the company's customer base. His research into fiberglass molded products lead him to the utility terrain vehicle market which was projecting significant growth into the future. The initial product was a roof for the Polaris Ranger UTV. This expanded into other items including doors, windows and other accessories that WOC markets but does not manufacture (bumpers, plows, light packages, heater, windshields, wipers, winches, etc.). All of the products for the Polaris Ranger are sold as aftermarket items through existing Polaris dealerships around the U.S. and Canada. In 2005, the company began the R&D work necessary to fit the Yamaha Rhino UTV with similar products. The goal is to have these products available to Yamaha dealerships by June of 2006. There is little existing direct competition for WOC at this time. There are some

canvas products on the market and some fabricated from steel. The market at this point is reportedly not large enough for a high volume plastic molder to enter the market profitably.

In September 2005, Powersports Business and Power Product Marketing, a Minneapolis based research firm, reported that the UTV sales in 2001 were approximately 100,000 units. Since then, there has been double digit growth annually with 2005 sales to approach 225,000. For 2006, the estimate is for additional double digit growth to 275,000 units. All of the major manufacturers, including Polaris, Arctic Cat, Yamaha, Kawasaki, John Deere, Ingersoll Rand and Kubota have entered the market. The user group for these vehicles includes farmers, hunters, recreational riders and industry. The units offer more comfort and protection from the elements. Buyers are typically older than the typical ATV rider and generally have more disposable income.

WOC's goal is to encourage the Polaris and Yamaha dealerships to proactively market an accessories package with each UTV sale.

COLLATERAL REVIEW:

Collateral will consist of a shared second mortgage on the home and shop owned by Kirk and Debra Davis. An appraisal dated 4/21/06 lists a value of \$1.2 million, including the as-built value of the new shop addition. The loan to value ratio, including both the first mortgage and the proposed new debt, will be 69%. Kirck and Debra Davis also will personally guarantee the loan.

PAST IRON RANGE RESOURCES HISTORY:

None.

City of Mountain Iron - Assisted Living Facility



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: \$250,000 Infrastructure Grant to the City of Mountain Iron for an Assisted Living Facility

**City of Mountain Iron –Assisted Living Facility
 \$250,000 Grant from FY06 Development Projects Allocation**

Project Description

City of Mt. Iron - \$250,000

The city of Mountain Iron has requested a \$250,000 grant for infrastructure to a 20-unit, 14,000 sq. ft. assisted living facility. Infrastructure items include water, sewer, roads, curbs & gutters and sidewalks. The project will create 30 jobs in the pay range of \$10.00 - \$22.00 per hour, plus benefits.

Sources & Uses			
Sources	Amount	Uses	Amount
Private	\$1,430,000	Assisted Living Facility Construction	\$1,430,000
Iron Range Resources	250,000	Infrastructure	403,000
City of Mt. Iron	153,000		
Total	\$1,833,000	Total	\$1,833,000

Recommendation

I recommend approval of a \$250,000 grant from the FY06 Development Projects allocation under the agency’s Infrastructure Grant Program to the city of Mountain Iron to assist them with the development of this project.

City of Nashwauk - Aerial Digital Photography



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: \$150,000 Infrastructure Grant to the City of Nashwauk for Aerial Digital Photography and Elevation Model

City of Nashwauk – Aerial Digital Photography and Elevation Model \$150,000 Grant from FY06 Development Projects Allocation

Project Description

City of Nashwauk - \$150,000

The city of Nashwauk has requested a grant for completion of an aerial digital photography and elevation model for the Excelsior Energy and Minnesota Steel projects. The photographic model will be used to identify, define and design corridors for the rail extensions, gas pipeline, roads, water & sewer systems and other necessary infrastructure for the projects.

Sources & Uses			
Sources	Amount	Uses	Amount
Iron Range Resources*	150,000	Aerial digital photography & elevation model	\$150,000
Total	\$150,000	Total	\$150,000

Recommendation

This grant is in support of the Minnesota Steel and Excelsior Energy infrastructure costs estimated to total approximately \$94 million. I recommend approval of a \$150,000 grant from the FY06 Development Projects allocation under the agency's Infrastructure Grant Program to the city of Nashwauk to assist with this project.

Franconia Minerals Corporation
Direct Loan Program

APPLICANT:

Franconia Minerals Corporation

PRINCIPAL(S):

Ernest K. Lehmann, Chairman and Director
Brian Gavin, President and Director

BRIEF PROJECT DESCRIPTION:

Development of the copper-nickel-platinum group metals deposit project commonly known as the Birch Lake Project near Babbitt, Minnesota.

PROJECT COST:

\$10 million for the phase funded in part with loan proceeds. Budgeted cost to complete project to commercialization is \$200 million.

PROJECT BREAKDOWN:

Iron Range Resources (see draft term sheet for details)	\$1,250,000
DEED (see draft term sheet for details)	1,250,000
Private equity or debt	<u>7,500,000</u>
Total	\$10,000,000

COLLATERAL:

Assignment of rights to all process testing results, mine plans, environmental permitting and all other intellectual property pertaining to the Birch Lake Project owned by Applicant or its affiliates.

JOBS:

200-250 full-time, direct employees at full production with wages and benefits averaging in excess of \$60,000 per year.

CONTINGENCIES:

None.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

TAC Action and Date – Approved June 7, 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.

**FRANCONIA MINERALS CORPORATION
BIRCH LAKE EXPLORATION PROJECT
TERM SHEET**

This term sheet is meant to broadly define proposed terms for discussion of a loan from Iron Range Resources to Franconia Minerals Corporation. The loan will not close until both parties complete due diligence, obtain any and all necessary approvals, and enter into a formal loan agreement and amendments. All aspects of the transaction and credit documents will be in a form and substance acceptable to Iron Range Resources and to Franconia Minerals Corporation.

Lender: Iron Range Resources (“IRR”)

Borrower/Company: Franconia Minerals Corporation, an Alberta Corporation (“Franconia”)

Guarantors: The loan will be guaranteed by Franconia Minerals Corporation, Inc., a Minnesota Corporation; and the partners of Beaver Bay Joint Venture, a joint venture organized under Minnesota law, including North Central Mineral Ventures Inc., a Minnesota Corporation; Powell Canyon Production Company, a Nevada Corporation; and Connor Management Inc., an Illinois Corporation whose Operator and Attorney-in-fact is Lehmann Exploration Management Inc., a Minnesota Corporation.

Maximum Loan Amount: Not to exceed \$2,500,000 (US) (the “Loan”).

Project: The purpose of the Project is the further development of the Birch Lake copper-nickel-platinum group metals deposit project commonly known as the Birch Lake Project. The project is located about six miles east of the City of Babbitt, Minnesota in Sections 24, 25, 26, 35, and 36, T 61 N, R 12 W and Sections 1 and 2, T 60 N, R 12 W, all in St. Louis County, and Sections 30 and 31, T 61 N, R 11 W, in Lake County. The work will consist of two phases with Phase I aimed at improving the metallurgical processing of the ores, focusing on the recovery of nickel from ore to concentrate. The budget for Phase I is anticipated to be approximately \$800,000. Phase II will consist of drilling a series of pilot holes to collect about 50 tons of material for pilot plant runs of both concentration and hydrometallurgical processes. The budget for Phase II is estimated to be approximately \$9.2 million.

Uses of Funds: The funds may be used by Franconia for purposes connected with the evaluation and development of the Project incurred after May 1, 2006, whether or not such activities physically take place within the Project area described above. Such uses (“Allowable Expenditures”) shall include but not be limited to costs of: contractor costs for drilling, assaying, physical or chemical testing, surveying, geological services, mineralogical studies, metallurgical investigations and testing,

engineering and environmental testing and services and costs, field office costs; travel and field transportation; subsistence for project personnel; other supplies and services related to the project. Funds shall not be used for corporate overheads, lease and permit rentals and other expenses, or public relations activities.

Loan Term: Interest will accrue and will be capitalized at the close of financing for the commercial mining operation at the Birch Lake site, or on December 31, 2011, whichever date comes first (the "Amortization Date"). Monthly payments of interest only will be required for a two-year period commencing on the Amortization Date. Regular monthly payments of principal and interest will commence after the two-year period of interest payments and will be in an amount to fully amortize the outstanding balance of the loan by December 31, 2016 (the "Due Date"). Monthly payments will be adjusted semi-annually to reflect any change in the effective interest rate. All payments of principal and interest will be due on the Due Date.

Loan Fund Availability and Disbursement: Loan proceeds will be made available to Franconia, after closing, based upon submission of eligible disbursement requests, for up to 25% of Allowable Expenditures, for work performed, and not previously invoiced. Disbursement requests shall be submitted not more often than once a month and the minimum advance, other than the final advance, will be \$50,000. The final disbursement request must be submitted no later than thirty-three months after the effective date of the Loan Agreement. Advances will be made through a direct deposit to an account of Franconia's choosing within 30 working days of the receipt of an eligible draw request.

Interest Rate: Prior to the Amortization Date, simple interest will accrue on disbursed funds at a rate of Prime + 0% interest per annum, as long as the Loan is not in Default. After the Amortization Date, interest will accrue at a rate of Prime + 3%. Interest will accrue at a rate of Prime + 5% upon any uncured Event of Default. The interest rate will be adjusted semi-annually on January 1 and July 1 of each year that any balance is outstanding on the Loan.

Loan Prepayment: There will be no penalties or restrictions for early repayment of the Loan.

Loan Default: The Loan agreement will provide for conditions of Default, notice of Default, reasonable cure opportunity and remedies to be agreed to by the parties.

Security: The Loan will be secured by an assignment of rights to all process testing results, mine plans, environmental permitting and all other intellectual property pertaining to the Birch Lake site owned by Borrower or its affiliates, whether or not said property is financed in part by the Loan proceeds.

Warrant Coverage: As additional consideration to entice Lender to make the Loan, Borrower shall issue to Lender warrants to purchase one share of common stock of Franconia for each dollar advanced by Lender under the terms of the Loan, at a price equal to 120% of the weighted average price of the stock during the last full calendar month immediately proceeding the effective date of the Loan Agreement. The warrants may be executed, in whole or in part, at any time prior to the third anniversary of the effective date of the Loan Agreement.

Representations, Covenants and Warranties: The Loan agreement will contain representations, covenants and warranties to be mutually agreed to by the parties. This transaction will be subject to and will comply with Minnesota business subsidies laws.

Confidentiality: Lender will maintain the confidentiality of business plan information to the fullest extent permitted by the Minnesota Government Data Practices Act.

Information Rights: Lender shall receive annual audited financial statements, internally prepared quarterly financial reports, and any other information reasonably requested, including information related to the intellectual property used and developed in the course of the Project. Lender also will receive standard inspection and visitation rights. The foregoing will be subject to a mutually agreeable non-disclosure agreement between the parties.

Fees: Each party shall be responsible for its own legal and other fees related to these transactions.

Assignment: Borrower may assign the rights to the Loan Agreement, subject to the written approval of Lender, granted at its sole discretion.

This draft term sheet is subject to an agreement by the State of Minnesota, through its Department of Employment and Economic Development (“DEED”), to enter into an inter-agency agreement with Iron Range Resources whereby DEED agrees to advance half of the Loan proceeds on identical terms with the IRR being responsible to administer the Loan.

**The offer set forth in this term sheet shall remain open
until June 30, 2006**

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 Votes

Hibbing Fabricators, Inc.

Bank Participation Loan Program

APPLICANT:

Hibbing Fabricators, Inc.

PRINCIPAL(S):

President Frederick Prom, owners Jerry Drong, Karl Hnatko, Paul Kapsch estate, Gil Kohler, Rudy Maki, Ed Pajunen, Richard Sellman, Carl Schneider and Gary Wanhala

BRIEF PROJECT DESCRIPTION:

Purchase equipment to remain competitive and expand sales.

PROJECT COST:

\$950,000

PROJECT BREAKDOWN:

Bank loan	\$535,000
Iron Range Resources participation loan	300,000
Hibbing Economic Development Authority loan	75,000
Owner's equity	<u>40,000</u>
Total	\$950,000

COLLATERAL:

Shared first secured position with bank in equipment purchased.

JOBS:

Retain 30 jobs; create 8 jobs; average wage \$10-\$14 per hour, plus benefits.

CONTINGENCIES:

Other project funds listed above must be approved.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

TAC Action and Date – Approved June 7, 2006.

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:

Hibbing Fabricators, a Subchapter S Corporation, began operations in 1985 as a sheet metal job shop. Today, the company produces thin metal products requiring exact tolerances for manufacturers in the medical, aviation, aerospace, non-fossil fuel energy and recreational industries. Their current production is limited to light gauge stampings. To remain competitive and aggressively pursue new opportunities, the company seeks to implement new manufacturing systems and invest in the best technology to grow its business and to make the company a more attractive choice in the marketplace.

Laser-cutting technology is becoming the basic technology in the market place and allows for an almost unlimited diversity of materials and shapes. It also enhances quality and allows rapid response prototyping. As part of its strategic plan to expand and enhance its capabilities, Hibbing Fabricators has determined that the addition of laser-cutting equipment is essential to its continued competitiveness and future growth.

To address this need, Hibbing Fabricators has asked Iron Range Resources for financing assistance for the purchase of a laser cutter and related equipment.

MANAGEMENT TEAM:

Fred Prom serves as the company's President and Controller. Along with a variety of manufacturing experience, Mr. Prom holds a B.A. in Accounting. He has been with Hibbing Fabricators since 1999.

Sandy Bryant is the company's Manufacturing Manager and has been with Hibbing Fabricators since 2000. With several years of experience in manufacturing, Mr. Bryant oversees production through all fabrication phases and work centers.

Anthony Frich serves as the Quality Assurance Manager for Hibbing Fabricators. He has over 15 years of manufacturing experience and has been with Hibbing Fabricators since 2005.

Ralland Hess has been the Estimating Manager and Network Administrator since 2004. He holds a B.S. in Industrial Engineering from UMD and specialized in automated systems.

Guy Ollestad is the Engineering Manager. He has been in manufacturing since 1977 and has been with Hibbing Fabricators since 1985.

Thomas Grzechowiak, National Sales Manager, has been in industrial sales for over 30 years. He has been with Hibbing Fabricators since 2000.

MARKET OPPORTUNITY:

Hibbing Fabricator's growth markets are the manufacturers in the medical, aviation, aerospace and non-fossil fuel industries. The marketing plan for the laser involves: using its current customer base for laser-cutting business; using its existing sales representatives to broadcast the new laser capability and developing a base load from several large manufacturers located in northeastern Minnesota who presently purchase their laser cut parts from suppliers in the Twin

Cities, Milwaukee and Chicago. The company's reputation for quality, rapid response and on-time delivery has attracted the attention of several aviation and aerospace companies.

COLLATERAL REVIEW:

Iron Range Resources will share in a first secured position in the assets purchased with the loan funds. The assets should provide sufficient collateral protection for the Loan.

PAST IRON RANGE RESOURCES HISTORY:

Bank Participation Loan funded in FY 2002 for \$150,000. Current balance is \$60,844.

Bank Participation Loan funded in FY 2000 for \$250,000. Current balance is \$24,875.

Bank Participation Loan funded in FY 1998 for \$150,000. Paid in full December 2004.

Bank Participation Loan funded in FY 1989 for \$200,000. Paid in full October 1997.

Bank Participation Loan funded in FY 1985 for \$208,000. Paid in full December 1988.

All Iron Range Resources Loan history has been satisfactory.

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

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: Mesabi Nugget, LLC

At its February 10, 2006, meeting, the Iron Range Resources Board approved an appropriation of \$6,488,000 from the DJJ Corpus to purchase surface and mineral rights of up to 800 acres of land within the Mesabi Nugget, LLC (Mesabi Nugget) footprint at the former LTV Steel Mining Company site and lease the property back to Mesabi Nugget.

The transaction was structured as such to help minimize capital expenditures on the project at a time when some of the partners were considering building the first iron nugget plant outside of Minnesota. All partners are now in agreement to move forward with the Hoyt Lakes plant.

Mesabi Nugget now has determined that it would be in its best interest to purchase the lands with agency financing and has requested that agency participation be modified to a direct real estate loan. Terms on the proposed loan would be similar to that of the proposed lease monthly payments of principal and interest to fully amortize the balance of the loan over a 120 month period, with interest accruing at 3.5%. The loan would be secured with a real estate mortgage on all surface and mineral rights purchased.

I recommend that the terms of the \$6,488,000 be amended from a land purchase - lease to Mesabi Nugget to a direct loan to Mesabi Nugget to finance the purchase of real estate.

FY07 Investment Plan

Action required: Approval requires 8 votes