

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

**Tuesday, October 16, 2007**

**4:00 p.m.**

**Iron Range Resources Board Room  
Eveleth, MN**

**MEETING OF THE IRON RANGE RESOURCES BOARD**  
**Tuesday, October 16, 2007**  
**4:00 p.m.**

**TABLE OF CONTENTS**

**AGENDA.....3**  
**APPROVAL OF THE SEPTEMBER 6, 2007, MINUTES .....4**  
**DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND.....11**  
MINNESOTA STEEL INDUSTRIES .....11

**MEETING OF THE IRON RANGE RESOURCES BOARD**

**Tuesday, October 16, 2007**

**4:00 p.m.**

**Agenda**

- 1) Roll Call
- 2) Approval of the September 6, 2007, Minutes
- 3) Douglas J. Johnson Economic Protection Trust Fund  
*Action required: Project approval requires 7 votes*
  - a) Minnesota Steel Industries
- 4) Other
- 5) Adjournment

# Approval of the September 6, 2007, Minutes

## Meeting of the Iron Range Resources Board

Thursday, September 6, 2007  
10:00 a.m.

Iron Range Resources Board Room  
Eveleth, Minnesota

### I. Roll Call

Representative David Dill, Chair, called the meeting to order at approximately 10:15 a.m. Present: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan. Absent: None. 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; Sheryl Kochevar, Communications & Media Coordinator; Lauren Hall, Executive Assistant; Annette Maki, Executive Assistant; Robert Leiviska, Owner, Aitkin Machine and Manufacturing; Mark Millett, Executive Vice President of Steel Dynamics, Inc. and President and Chief Operating Officer for Flat Rolled Steels and Ferrous Resources; Steve Rutherford, Manager, Mesabi Nugget Project of Steel Dynamics, Inc.; and Scott Dane, Executive Director, Associated Contract Loggers and Truckers of Minnesota.

### II. Approval of the July 19, 2007, Minutes

Citizen Jack Ryan moved approval of the July 19, 2007, minutes. Seconded by Citizen Shelley Robinson. Motion carried.

### III. Update on Grant Guidelines and Programs

Board Members were provided with the guidelines for the Public Works Infrastructure Program, the Community Business Infrastructure Program and the Residential Community Redevelopment Program.

### IV. Taconite Area Environmental Protection Fund

*Action required: Project approval requires 7 votes*

#### a. Board Proposed Youth In Action Project Grants – Resolution No. 08-002

Motion by Senator Bakk to approve the Board Proposed Youth in Action Project Grants as presented in Resolution No. 08-002 for an amount not to exceed \$150,000. Seconded by Representative Tony Sertich. Motion carried.

**Voting in Favor of the Motion:** Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** None.

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
BOARD PROPOSED YOUTH IN ACTION PROGRAM GRANT APPROVALS**

Resolution No.: 08-002

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

**WHEREAS**, the Commissioner has received proposals for the expenditure of up to \$150,000 of TEPF Funds for certain Youth In Action Program community development projects generally described as the **Board Proposed Youth in Action projects** (collectively the “**Proposed Projects**”); and,

**WHEREAS**, the Board met in open session at 10:00 a.m. on September 6, 2007, in the Iron Range Resources Board Room located near Eveleth, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of TEPF Funds for the purposes and in the amounts specified below would be in the public interest and promote economic development within the Taconite Assistance Area.

**NOW, THEREFORE, IT IS RESOLVED** that the Board hereby approves the expenditure of TEPF Funds to provide grants in the following amounts for the following proposed projects:

- (1) **Chisholm Youth in Action project:** \$50,000 to the City of Chisholm for the proposed renovation of the two-story building on Main Street commonly known as the “Old Union Hall” to enable it to function as a youth center;
- (2) **Cook Youth in Action project:** \$50,000 to the City of Cook for the proposed construction of a new youth facility at the Doug Johnson recreational park in Cook that will include a deli-style restaurant, lounge area, warming area, and equipment storage area; and
- (3) **Ely Youth in Action project:** \$50,000 to the City of Ely for the proposed construction of a youth facility and associated recreational areas in the City’s new park.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 6th DAY OF SEPTEMBER, 2007.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Absent</b>
Senator Tom Bakk	<b>X</b>			
Senator Tom Saxhaug	<b>X</b>			
Senator Rod Skoe	<b>X</b>			
Senator Yvonne Prettner Solon	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Tom Anzelc	<b>X</b>			
Representative Dave Dill	<b>X</b>			
Representative Tom Rukavina	<b>X</b>			
Representative Tony Sertich	<b>X</b>			
Representative Loren Solberg	<b>X</b>			
Citizen Joe Begich	<b>X</b>			
Citizen Shelley Robinson	<b>X</b>			
Citizen Jack Ryan	<b>X</b>			
<b>TOTAL</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>

Signed: \_\_\_\_\_  
Representative David Dill, Chair

**b. Board Proposed Development Project Grants – Resolution No. 08-003**

Motion by Senator David Tomassoni to approve the Board Proposed Development Project Grants as presented in Resolution No. 08-003 for an amount not to exceed \$200,000. Seconded by Representative Tom Rukavina. Motion carried.

**Voting in Favor of the Motion:** Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** None.

**IRON RANGE RESOURCES AND REHABILITATION BOARD  
OF THE STATE OF MINNESOTA  
BOARD PROPOSED DEVELOPMENT GRANT APPROVALS**

Resolution No.: 08-003

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

**WHEREAS**, the Commissioner has received proposals for the expenditure of up to \$200,000 of TEPF Funds for certain community development projects generally described as the Board Proposed Development projects (collectively the “**Proposed Projects**”); and,

**WHEREAS**, the Board met in open session at 10:00 a.m. on September 6, 2007, in the Iron Range Resources Board Room located Building near Eveleth, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of TEPF Funds for the purposes and in the amounts specified below would be in the public interest and promote economic development within the Taconite Assistance Area.

**NOW, THEREFORE, IT IS RESOLVED** that the Board hereby approves the expenditure of TEPF Funds to provide grants in the following amounts for the following Proposed Projects:

(1) **B’nai Abraham Cultural Center project:** \$75,000 to the City of Virginia or a Virginia community-based public or nonprofit corporation for the preservation of that certain National Register of Historic places building known as the “B’nai Abraham Synagogue” in Virginia, of which \$50,000 shall be for renovation of such facility and \$25,000 for a permanent endowment for the preservation of such facility during such period of time as it is open to the public and functioning as a cultural center and museum, subject to repayment obligations if the property is sold to a person other than a public or non-profit corporation within 10 years;

(2) **Iron Range Retriever Club project:** \$50,000 to the Minnesota Iron Range Retriever Club, a Minnesota nonprofit corporation, for pond and field construction on the property owned by the corporation in Mt. Iron, subject to repayment obligations if the facility within 10 years is no longer used for dog field trial or dog training events that are open to the general public; and

(3) **Chisholm Ballfield project:** \$75,000 to the city of Chisholm to improve infrastructure at the city-owned baseball field.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 6th DAY OF SEPTEMBER, 2007.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Absent</b>
Senator Tom Bakk	<b>X</b>			
Senator Tom Saxhaug	<b>X</b>			
Senator Rod Skoe	<b>X</b>			
Senator Yvonne Prettner Solon	<b>X</b>			
Senator Dave Tomassoni	<b>X</b>			
Representative Tom Anzelc	<b>X</b>			
Representative Dave Dill	<b>X</b>			
Representative Tom Rukavina	<b>X</b>			
Representative Tony Sertich	<b>X</b>			
Representative Loren Solberg	<b>X</b>			
Citizen Joe Begich	<b>X</b>			
Citizen Shelley Robinson	<b>X</b>			
Citizen Jack Ryan	<b>X</b>			
<b>TOTAL</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>

Signed: \_\_\_\_\_  
 Representative David Dill, Chair

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

*Action required: Project approval requires 8 votes*

**a. Aitkin Machine and Manufacturing**

Motion by Representative Loren Solberg to approve the Aitkin Machine and Manufacturing project as presented for an amount not to exceed \$102,500. Motion carried.

**Voting in Favor of the Motion:** Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** None.

**VI. Douglas J. Johnson Economic Protection Trust FundCorpus**

*Action required: Project approval requires 10 votes*

**a. Mesabi Nugget Delaware, LLC – Resolution No. 08-004**

Motion by Senator Tom Bakk to approve the Mesabi Nugget Delaware Project as presented in Resolution No. 08-004 for an amount not to exceed \$16,488,000. Seconded by Representative Tom Rukavina. Motion carried.

**Voting in Favor of the Motion:** Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan.

**Voting Against the Motion:** None.

**Abstain:** None.

**Absent:** None.

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

**Resolution No.: 08-004**

**WHEREAS**, Iron Range Resources has been instrumental in the development of the ITmk3<sup>®</sup> iron nugget technology; and

**WHEREAS**, in 2001, Iron Range Resources provided the initial funding to Mesabi Nugget, LLC in the form of a \$500,000 Convertible Debenture; and

**WHEREAS**, in 2002, Iron Range Resources provided funding for an iron nugget pilot demonstration plant in Silver Bay, Minnesota, in the form of a \$7,500,000 Convertible Debenture; and

**WHEREAS**, Iron Range Resources has continued to support efforts to commercialize the iron nugget process, which will provide new economic benefits and opportunities for Minnesota's Iron Range; and

**WHEREAS**, in partnership with Mesabi Nugget Delaware, LLC; Mesabi Nugget, LLC; Ferrometrics, Inc.; Iron Units LLC, Kobe Iron Nugget LLC; Ferrous Resources, LLC; the Minnesota Department of Employment and Economic Development; Larry Lehtinen; Kobe Steel, Ltd.; Cleveland-Cliffs Inc. and Steel Dynamics, Inc., Iron Range Resources has entered into a Master Agreement to construct and operate a commercial iron nugget plant near Hoyt Lakes, Minnesota; and

**WHEREAS**, the construction of the commercial iron nugget plant is expected to cost in excess of \$235,000,000; and

**WHEREAS**, to facilitate the construction of the commercial iron nugget plant near Hoyt Lakes and to promote the further commercialization of the technology in northeastern Minnesota, Iron Range Resources has agreed to restructure the repayment of its previous assistance to Mesabi Nugget, LLC, which includes the right to share in a portion of the worldwide ITmk3<sup>®</sup> royalties, a release of Iron Range Resources' security interest in the pilot demonstration plant, the option for Kobe Steel, Ltd. to repay the previous assistance in exchange for Iron Range Resources' royalty rights and other provisions to assist in the wind-up of Mesabi Nugget, LLC; and

**WHEREAS**, to facilitate the construction and development of the commercial iron nugget plant near Hoyt Lakes, Iron Range Resources also has agreed to provide \$16,488,000 in financing to Mesabi Nugget Delaware, LLC to acquire land and develop and construct the commercial plant, as further detailed on the attached Mesabi Nugget Delaware, LLC Large-Scale Nugget Demonstration Plant Term Sheet ("Term Sheet"); and

**WHEREAS**, the \$16,488,000 was previously authorized to fund Mesabi Nugget, LLC by Board action of September 23, 2004, October 20, 2005, February 10, 2006, and June 15, 2006, but changes to the structure of the project financing and ownership have necessitated certain modifications to the proposed financing from Iron Range Resources.

**NOW, THEREFORE, IT IS HEREBY RESOLVED** that the Iron Range Resources and Rehabilitation Board has concluded that it would be in the best interest of the economy and of the people of the Taconite Assistance Area to loan \$16,488,000 to Mesabi Nugget Delaware, LLC, on the terms specified on the attached Term Sheet.

\$10,000,000 of funding for this project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.294) pertaining to expenditures of DJJ monies for economic development projects in that these statutes authorize the agency, upon prior approval by the affirmative vote of at least eight members of the Board, to make 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. More specifically, Minnesota Statutes Section 298.296, Subdivision 4 (a-d) provides temporary loan authority for construction and equipping of value-added iron products facilities.

\$6,488,000 of funding for this project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.294) pertaining to expenditures of DJJ monies for economic development projects in that these statutes authorize the agency to make 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. More specifically, 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, due to the fact that the project is one that:

- a. is designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses; and,
- b. encourages diversification of the economy of the Taconite Assistance Area and promotes the development of minerals.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 6<sup>th</sup> DAY OF SEPTEMBER, 2007.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Absent</b>
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill	X			
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
<b>TOTAL</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>

Signed: \_\_\_\_\_  
 Representative David Dill, Chair

**VII. Other**

- a. Scott Dane, Executive Director, Associated Contract Loggers and Truckers of Minnesota, expressed appreciation to the Commissioner and Board for the implementation of the Forest Industry Assistance Program.
- b. Representative Tom Rukavina expressed his concern regarding agency program guidelines which, in his opinion, are too prescriptive; and matching requirements which, in his opinion, present a financial hardship for some cities and towns.
- c. Representative Tom Rukavina and Citizen Joe Begich expressed objections with articles in the Fall 2007 – RangeView.

**VIII. Adjournment**

Meeting adjourned at 11:10 a.m.

# Douglas J. Johnson Economic Protection Trust Fund

*Action required: Project approval requires 7 votes*

## Minnesota Steel Industries



**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:** Matt Sjoberg  
Development Strategies Director

**Date:** October 12, 2007

**Re:** LETTERS OF CREDIT AND BANK OF INDIA

---

The Iron Range Resources Board is being asked to approve the replacement of the existing Assignment of Royalties collateral for the Minnesota Steel Industries, LLC \$6,000,000 Loan Agreement with a letter of credit from the Bank of India, New York Branch. The purpose of this memorandum is to provide an overview of letters of credit and the Bank of India.

### Letters of Credit

Letters of credit accomplish their purpose by substituting the credit of the bank for that of the customer. The beneficiary of a letter of credit, in this case Iron Range Resources, is entitled to payment as long as it can provide documentary evidence required by the letter of credit.

The letter of credit proposed by the Bank of India is an irrevocable standby letter of credit. A bank will issue a standby letter of credit on behalf of a customer to provide assurances of its ability to perform under the terms of a contract, in this case a loan, between the beneficiary and the purchaser of the letter of credit. A standby letter of credit is often used to guaranty, perform or to strengthen the creditworthiness of a customer.

An irrevocable letter of credit may not be revoked or amended without agreement of the issuing bank, the confirming bank, and the beneficiary. An irrevocable letter of credit from the issuing bank insures the

beneficiary that if the required documents are presented and the terms and conditions are complied with, payment will be made.

In summary, letters of credit accomplish their purpose by substituting the credit of the bank for that of the customer.

### **Bank of India**

The letter of credit is being issued by the Bank of India, New York Branch. The Bank of India is one of the oldest commercial banks in India. The bank was founded in 1906 and is one of the top five commercial banks in India. Today the bank has over 2,594 branches spread over India and 23 overseas branches in 10 countries spanning over all the time zones. The bank is well versed in providing letters of credit to facilitate loans and trade. The Bank of India, New York Branch, is a member of the Federal Deposit Insurance Corporation.

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

**Resolution No.: 08-005**

**WHEREAS**, on December 21, 2006, the Iron Range Resources and Rehabilitation Board (“Board”) passed a resolution asking the Commissioner of Iron Range Resources (“Commissioner”) to renegotiate terms of a \$6 million loan to Minnesota Steel Industries, LLC (“Minnesota Steel”); and

**WHEREAS**, on July 19, 2007, the Board passed a motion to approve the amendment of the Minnesota Steel loan as presented with the condition that the Board approve any substitution of collateral as provided in condition #6 of the memorandum from the Commissioner; and

**WHEREAS**, Minnesota Steel has asked the Commissioner to terminate the Assignment of Royalties in exchange for a \$6 million letter of credit from the Bank of India; and

**WHEREAS**, this motion is authorizing an exchange of collateral as previously authorized under the motion passed on July 19, 2007.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board consents to substituting a \$6 million letter of credit in exchange for the Assignment of Royalties as collateral for the \$6 million loan to Minnesota Steel dated February 2, 2005.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 16<sup>th</sup> DAY OF OCTOBER, 2007.**

<b>Member</b>	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Absent</b>
Senator Tom Bakk				
Senator Tom Saxhaug				
Senator Rod Skoe				
Senator Yvonne Prettner Solon				
Senator Dave Tomassoni				
Representative Tom Anzelc				
Representative Dave Dill				
Representative Tom Rukavina				
Representative Tony Sertich				
Representative Loren Solberg				
Citizen Joe Begich				
Citizen Shelley Robinson				
Citizen Jack Ryan				
<b>TOTAL</b>				

Signed: \_\_\_\_\_  
Representative David Dill, Chair