

Meeting of the Iron Range Resources Board

**Monday, November 24, 2008
2:00 p.m.
Iron Range Resources
Eveleth, MN**

MEETING OF THE IRON RANGE RESOURCES BOARD
Monday, November 24, 2008
2:00 p.m.

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MEETING OF THE IRON RANGE RESOURCES BOARD
Iron Range Resources
Eveleth, Minnesota
Monday, November 24, 2008 – 2:00 p.m.

Agenda

- 1) Roll Call
- 2) Approval of the October 27, 2008, Minutes
- 3) Commissioner's Comments
- 4) Board Account
Action required: Project approval requires 7 votes
 - a) Commissioner Projects
- 5) Board Account and Taconite Area Environmental Protection Fund – Extension of Loan Agreements
Action required: Resolution approval requires a majority vote of the quorum present
 - a) Excelsior Energy
- 6) Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 8 votes
 - a) Laurentian Energy Authority
 - b) Midwest Manufacturing and Mechanical, Inc.
- 7) Taconite Area Environmental Protection Fund (TEPF) and Douglas J. Johnson Economic Protection Trust Fund (DJJ)
Action required: Project approval requires 7 votes from TEPF and 8 votes from DJJ
 - a) University Medical Center-Mesabi (dba Range Regional Health Services, Inc.)
- 8) Taconite Economic Development Fund
Action required: Project approval requires a majority vote of the quorum present
 - a) Hibbing Taconite Company
 - b) Northshore Mining Company
- 9) Other
 - a) Next meeting of the Iron Range Resources Board – Thursday, December 18, 2008, 10:00 a.m.
- 10) Adjournment

Approval of the October 27, 2008, Minutes

Meeting of the Iron Range Resources Board

Monday, October 27, 2008

10:00 a.m.

**Iron Range Resources
Eveleth, Minnesota**

I. Roll Call

Senator David Tomassoni, Vice Chair, called the meeting to order at approximately 10:04 a.m. Present: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Tom Saxhaug, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan. Absent: Representative David Dill, Representative Loren Solberg, Senator Yvonne Prettner Solon and Senator Rod Skoe. Also present: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Al Becicka, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Roy Smith, Workforce Development Coordinator; Dan Jordan, Mining Program Supervisor; Jean Dolensek, Chief Financial Officer; Dave Hart, Loan Officer Sr. Supervisor; Rick Anderson, Loan Officer Sr.; Sheryl Kochevar, Communications & Media Coordinator; Lee Bloomquist, Information Officer; Laureen Hall, Executive Assistant; Kim Anderson, Executive Assistant; Larry Lehtinen, CEO, Magnetation, Inc. and Thomas Eberhardt, CEO, American Peat Technology, LLC.

II. Approval of the September 23, 2008, Minutes

Representative Tony Sertich moved approval of the September 23, 2008, minutes. Seconded by Representative Tom Anzelc. Motion carried.

III. Commissioner's Comments

a. Business Development Update

Commissioner Sandy Layman provided the Board with an update regarding business development activities.

b. Excelsior Energy Update

Commissioner Layman reported that the Office of the Legislative Auditor, in response to a complaint regarding agency loans to Excelsior Energy, had issued its report. The three-part complaint alleged that:

- 1) there was duplication of payments between federal grants and Iron Range Resources loans to Excelsior Energy
- 2) Commissioner Layman had exceeded her authority in making loan extensions to Excelsior Energy on interest payments

3) there wasn't adequate oversight of the loan documents

The Legislative Auditor's report found there was no merit to the first two complaints. Regarding the third complaint, the Legislative Auditor's office reviewed the total \$9.5 million in loan payments and had identified \$40,161 as open to question.

The Office of the Legislative Auditor recommended that the agency seek reimbursement of the \$40,161. Commissioner Layman said that the agency had written a letter (which was included in Board materials) to Excelsior Energy requesting repayment and asking the company to conduct a complete review to make sure that there were no additional ineligible expenses which had been reimbursed. She also referred to a written report received from Excelsior that confirmed that no additional ineligible expenses were discovered in the company's review of invoices submitted to the agency for reimbursement. In addition, the agency has been paid the \$40,161, which has been applied to the principal on the first (\$1.5 million) loan.

Commissioner Layman said that the agency will conduct one final audit in conjunction with Excelsior Energy's annual auditing procedures. Once complete, the agency will close this portion of the loan and feel confident it has thoroughly addressed all the recommendations of the Legislative Auditor.

Commissioner Layman noted that Excelsior Energy's interest payment on the first loan is coming due on December 31, 2008. She said that the agency expects to be receiving a request from Excelsior for an extension. She closed by saying that she has asked staff to look at different scenarios of action and that she will be asking the Board to be involved in deciding how the agency should proceed.

IV. Iron Range Higher Education Account – Resolution No. 09-008

Action required: Project approval requires a majority of the quorum present

Representative Tom Rukavina moved to approve an expenditure of funds in an amount not to exceed a total of \$110,000 from the Iron Range Higher Education Account, as presented in Resolution No. 09-008. Seconded by Citizen Shelley Robinson. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Absent: Representative David Dill, Representative Loren Solberg, Senator Rod Skoe, Senator Yvonne Prettner Solon

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
IRON RANGE HIGHER EDUCATION ACCOUNT EXPENDITURE APPROVALS**

Resolution No.: 09-008

WHEREAS, Minnesota Statutes Section 298.28, subd. 9d allocates 5 cents per taxable ton of taconite taxes to the agency to be deposited in an Iron Range higher education account (“**Higher Education Account**”) to be used for higher education programs conducted at educational institutions in the Taconite Assistance Area designated in Minnesota Statutes Section 297.1341 (“**TAA**”); and,

WHEREAS, Minnesota Statutes Section 298.2214 created the Iron Range Higher Education Committee (“**Committee**”) to advise the commissioner of Iron Range Resources on providing higher education programs within the TAA; and,

WHEREAS, pursuant to 298.28, subd. 9d, both the Iron Range Resources and Rehabilitation Board (“Board”) and the Committee must approve all expenditures from the Higher Education Account; and,

WHEREAS, the Committee has approved an expenditure of up to \$100,000 of the Higher Education Account funds to contract with a consultant to develop a comprehensive plan to address higher education needs in the TAA; and,

WHEREAS, in order to provide compensation and expense reimbursements for Committee members as authorized pursuant to Minnesota Statutes Section 15.059, it is necessary for the Board to approve an expenditure of funds from the Higher Education Account; and

WHEREAS, the Board met in open session at 10:00 a.m. on October 27, 2008, in Eveleth, Minnesota, to consider, among other matters, the proposed expenditure of up to \$100,000 of Higher Education Account funds for the purpose of entering into a contract with a consultant to develop a comprehensive plan to address higher education needs in the TAA and has determined that such expenditure would be in the public interest and promote economic development within the TAA; and

WHEREAS, the Board further considered and determined that the proposed expenditure of up to \$10,000 of Higher Education Account funds for the purpose of providing compensation and expense reimbursements for Committee members pursuant to statutory guidelines is in the public interest.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of up to \$100,000 of Higher Education Account funds for the purpose of entering into a contract with a consultant to develop a comprehensive plan to address higher education needs in the TAA.

BE IT FURTHER RESOLVED that the Board hereby approves the expenditure of up to \$10,000 of Higher Education Account funds for compensation and expense reimbursements for Committee members.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 27th DAY OF OCTOBER, 2008.

Member	Aye	Nay	Abstain	Absent
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			
TOTAL	9	0	0	4

Signed: _____
 Senator David Tomassoni, Vice Chair

V. Taconite Area Environmental Protection Fund
Action required: Project approval requires 7 votes

a. Residential Community Redevelopment Program Extension – Resolution No. 09-009

Motion by Representative Tony Sertich to approve the Residential Community Redevelopment Program Extension, for an amount not to exceed \$34,000, as presented in Resolution No. 09-009. Seconded by Citizen Joe Begich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Absent: Representative David Dill, Representative Loren Solberg, Senator Rod Skoe, Senator Yvonne Prettner Solon

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
BUDGET TRANSFER FROM TEPF PUBLIC WORKS FUNDS TO RESIDENTIAL
COMMUNITY REDEVELOPMENT PROGRAM FUNDS**

Resolution No.: 09-009

WHEREAS, the Commissioner is authorized to expend, upon approval of a majority vote of the members of the Iron Range Resources and Rehabilitation Board (“**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 economic development projects within the TAA; and

WHEREAS, the agency’s approved FY 2009 Budget, as amended by the Board at its September 23, 2008, meeting, includes the allocation of \$750,000 of TEPF Funds for Community Business Infrastructure grants (“**Business Infrastructure Funds**”) and the allocation of \$4,906,041 of TEPF Funds for Public Works grants (“**Public Works Funds**”); and

WHEREAS, the agency’s approved FY 2009 Budget further includes the allocation of \$199,387 of TEPF Funds for the Residential Community Redevelopment Program (“**RCRP**”) to assist communities in the TAA with the demolition of dilapidated and condemned buildings and structures; and

WHEREAS, the RCRP demolition projects undertaken by the agency assists in promoting local economic development in the TAA; and

WHEREAS, the agency has received a request from the City of Hibbing for the demolition of five structures through the RCRP that must be completed before January 1, 2009, that the agency cannot commence work on before the end of November 2008; and

WHEREAS, the RCRP budget allocation did not provide funds for operations during the period of time from December 1, 2008, through April 30, 2009; and

WHEREAS, the agency could complete work on the pending RCRP request from the City of Hibbing that was received on or before October 1, 2008, by December 31, 2008, if an additional \$34,000 were made available to the RCRP for such work; and

WHEREAS, the Board met in open session at 10:00 a.m. on October 27, 2008, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the proposed transfer of TEPF funds to the RCRP to finance operations in December 2008, and has determined that it is appropriate to modify the approved agency’s FY09 Budget by transferring \$34,000 from the Public Works Funds line item into the RCRP Funds line item.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the modification of the approved FY09 Budget to transfer \$34,000 of Public Works Funds into the RCRP line item portion of the approved budget, thereby decreasing the Public Works Fund budget line item to the sum of \$4,872,041 and leaving a current unobligated balance of \$92,041 in that line item, and increasing the RCRP line item to the sum of \$233,387.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 27th DAY OF OCTOBER 2008.

Member	Aye	Nay	Abstain	Absent
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			
TOTAL	9	0	0	4

Signed: _____
 Senator David Tomassoni, Vice Chair

VI. Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 8 votes

a. Magnetation, Inc.

Representative Tom Anzelc moved to approve additional financing for Magnetation, Inc., to purchase and construct a 53,450 square foot fabric building at the Keewatin site, as presented, for an amount not to exceed \$1,000,000. Larry Lehtinen, CEO, Magnetation, Inc., clarified for the record that on Page 26 of the Board packet, under Collateral Review, in the last sentence of the paragraph, it should read 500,000 plus tons iron units owned by MI, not 3 million, as follows:

COLLATERAL REVIEW:

The proposed \$1,000,000 of debt financing will be subordinate, in regard to collateral, to the \$3,000,000 of previously approved debt by Iron Range Resources and the Minnesota Minerals 21st Century Fund. On the surface, the value of the proposed collateral, at best, provides only nominal protection. The land itself has limited market value as it sits right

now, but it could prove to be very valuable as future wetlands should the company be successful with its business plan. The ~~value of the 500,000 3-million~~ plus tons of iron units owned by MI, located at the Keewatin basin site have significant value if it can be processed and sold as projected.

Motion seconded by Senator Tom Saxhaug. Motion carried.

b. American Peat Technologies, LLC

Motion by Senator Tom Saxhaug to approve the American Peat Technologies, LLC project, for an expansion of its facility to allow for growth and development of new products, as presented, and to include the prevailing wage provision as outlined in Resolution 96-005 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 Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson and Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Absent: Representative David Dill, Representative Loren Solberg, Senator Rod Skoe, Senator Yvonne Prettner Solon

VII. Taconite Economic Development Fund (TEDF)

Action required: Approval requires a majority vote of the quorum present

a. Northshore Mining Company – Resolution No. 09-010

b. Hibbing Taconite Company – Resolution No. 09-011

Senator Tom Bakk recommended that the new TEDF requests received from Northshore Mining Company and Hibbing Taconite Company as presented in Resolutions 09-010 and 09-011 be reviewed by the Board's Mining Liaison Group prior to Iron Range Resources Board action, with the intention that the projects would be brought before the Board for consideration at its November meeting; therefore, no action was taken on proposed Resolutions No. 09-010 and No. 09-011.

VIII. Adjournment

Meeting adjourned at 11:10 a.m.

Board Account

Action required: Project approval requires 7 votes

- a) Commissioner Projects

Commissioner Projects

Commissioner is seeking release of the “second \$250,000” of the \$500,000 allocated in the FY09 Budget for Commissioner Projects.

**Board Account and Taconite Area Environmental Protection
Fund – Extension of Loan Agreements**

Action required: Resolution approval requires a majority vote of the quorum present

- a) Excelsior Energy

Excelsior Energy



Iron Range Resources
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4261 Highway 53 South
Eveleth, Minnesota 55734-0441
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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: EXCELSIOR ENERGY PAYMENT EXTENSION REQUEST

Iron Range Resources has two outstanding loans with Excelsior Energy, Inc. (Excelsior), \$1,500,000 that was approved by the board on December 11, 2001 and \$8,000,000 that was approved by the board on June 30, 2004. An interest payment on the \$1,500,000 loan that was previously extended is due December 31, 2008. An interest payment on the \$8,000,000 loan will be due December 10, 2009. At the time these loans were made, interest payments were scheduled to begin on the fifth anniversary date of each loan, under the assumption that the project would be under construction by that time.

We have received a request from Excelsior to defer interest payments on both loans until December 31, 2010. This request primarily is due to the fact that Excelsior has not been able to enter into a power purchase agreement. Excelsior also has experienced unforeseen delays in receiving the final Environmental Impact Statement (EIS), which, in turn, has caused delays in the final plant siting approvals. It is apparent that the final EIS and plant siting approvals will not occur until 2009 and construction will not start prior to 2010.

I am seeking the Board's input prior to making a decision on this request.

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 votes

- a) Laurentian Energy Authority
- b) Midwest Manufacturing

Laurentian Energy Authority



Iron Range Resources

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4261 Highway 53 South
Eveleth, Minnesota 55734-0441
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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

Re: \$150,000 GRANT TO THE LAURENTIAN ENERGY AUTHORITY (LEA)

The Laurentian Energy Authority (LEA) has requested a grant from Iron Range Resources to assist in funding a \$1,234,000 study which will determine new techniques to optimize the biomass resource in the region and assess the technical feasibility of expanding renewable biomass energy production at LEA facilities. The U.S. Department of Energy (DOE) has awarded LEA a grant of \$984,000. The balance of funding for the project is to be a local match for the DOE grant. I recommend a \$150,000 Iron Range Resources grant as a partial match for the DOE grant. The remaining \$100,000 will be from other sources yet to be identified. Agency funds will not be released until all matching monies are in place.

Specific tasks include: assess the economic feasibility and implement the project design and permitting for the repowering of the Hibbing and Virginia PUC's coal-fired boilers into biomass boilers; assess the effectiveness of aspen and red pine thinning programs; assess the biomass bundling and drying technology and assess the biomass availability in an increasing demand environment. In addition to the members of LEA – the Virginia Public Utilities and Hibbing Public Utilities – other partners in the project include the Minnesota Forest Productivity Research Cooperative, Natural Resource Research Institute, Minnesota Resource Council and the Minnesota DNR. Specifically, agency funds are to be used for the aspen and red pine thinning program and the biomass bundling and drying technology assessments.

The proposed source of Iron Range Resources funding is the FY09 Renewable Energy project budget allocation from the Douglas J. Johnson Economic Protection Fund. The Technical Advisory Committee approved this project on November 18, 2008.

This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Fund Act.

Midwest Manufacturing and Mechanical, Inc.
Bank Participation Loan

APPLICANT:

Midwest Manufacturing and Mechanical, Inc.

PRINCIPAL(S):

Michael Anderson
Michael Stiglich

BRIEF PROJECT DESCRIPTION:

Midwest Manufacturing and Mechanical, Inc. (MMM) is a newly established company that will manufacture custom industrial sizing/classifying screens used in the mining (iron and coal) and food industries. As a secondary function, the company also will provide custom fabrication services to its clients. The proposed financing will allow the company to construct a 12,000 square foot manufacturing facility in the Nashwauk Industrial Park and acquire and install the required machinery and equipment.

PROJECT COST: \$1,801,000

PROJECT BREAKDOWN:

American Bank of the North (15 year term, negotiated rate)	\$ 370,000
Iron Range Resources (15 year term, formula rate)	\$ 370,000
Minnesota Business Finance/SBA 504 (15 year term, negotiated rate)	\$ 592,000
Equity	<u>\$ 469,000</u>
Total	\$1,801,000

COLLATERAL:

Collateral will consist of a shared first position with American Bank on the real estate, building, machinery and equipment, inventory and accounts receivable. In addition, Michael Anderson and Michael Stiglich will each personally guarantee the financing. Engineered Equipment Services, Inc., a sister company owned by the principals, also will guarantee the financing.

JOBS:

Management projects that up to 27 new jobs will be created within three years of the start of operations. Production wage levels will range from \$15.00 to \$18.00 per hour, plus a full benefits package.

CONTINGENCIES:

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

Iron Range Resources will participate in the permanent term financing only. Disbursement of funds will not be approved until an appraisal acceptable to the participating bank and Iron Range Resources staff has been received.

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:

Approved at the November 18, 2008 meeting.

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:

Midwest Manufacturing and Mechanical, Inc. (MMM) is a newly established company that will manufacture custom industrial sizing/classifying screens used in the mining (iron and coal) and food industries. As a secondary function, the company also will provide custom fabrication services to its clients. The proposed financing will allow the company to construct a 12,000 square foot manufacturing facility in the Nashwauk Industrial Park and acquire and install the required machinery and equipment.

Company management projects that employment will ramp up over the next three years with a total of 27 new jobs being in place by year end 2011. Production wage levels will range from \$15.00 to \$18.00 per hour, plus a full benefits package.

MANAGEMENT TEAM:

Michael Anderson, President, has 25 years of experience in the mining industry, primarily in pellet plant maintenance and operations. From 1976 to 2001, he worked for Butler Taconite and National Steel Pellet Co. In 2001, he, along with Michael Stiglich, started Engineered Equipment Services, Inc. (EES), a consulting, engineering and equipment supply company based in Hibbing.

Michael Stiglich, Vice President, has 19 years of sales and engineering experience, primarily in the taconite industry. Prior to starting EES in 2001, he worked for Irathene Systems and Superior Industrial Products.

Mr. Anderson and Mr. Stiglich are equal owners of both EES and MMM. They will continue on as is with the operation of EES, while at the same time they will oversee the development of MMM, their new company. With their worldwide contacts and reputation, they will be an immediate source of equipment orders and fabrication work for MMM.

Glen Newman will be the General Manager of the new manufacturing facility in Nashwauk. He has approximately 30 years of experience in a variety of mining operations, including coal, silver, gold, copper and iron ore. Since 1987, he has worked in Hibbing as a production manager for Minnesota Fabricators and Furin & Shea, both located in Hibbing. He joined EES in 2007 as a consultant and will move into the General Manager role when the new facility is completed.

MARKET OPPORTUNITY:

Over its seven years of operations, EES has established a global client base for its consulting services in the mining and food industries. Services offered by EES include consulting on plant modernizations, equipment selection, and project management. EES also serves as a manufacturer’s representative on specified equipment. By bringing the manufacture of selected products (industrial screens) under their control via MMM, management feels that they create a profitable model whereby they can better control quality, cost and timeliness of delivery.

COLLATERAL:

The bank and Iron Range Resources will share a first position on the following assets:

	<u>Estimated Value (000)</u>
Land	\$ 80
Site Improvements*	\$ 280
Building at Cost	\$ 710
M&E	\$ 475
Inventory	<u>\$ 256</u>
Total	\$1,801

* Includes infrastructure and site improvements provided by the City of Nashwauk with grant assistance from Iron Range Resources in the amount of \$160,000.

Given the above numbers, a loan to value ratio of 40% - 50% is reasonable. Collateral protection is considered to be adequate.

In addition to the assets detailed above, the financing will be personally guaranteed by both Michael Anderson and Michael Stiglich. EES also will guarantee the financing.

PAST IRON RANGE RESOURCES HISTORY:

In 2007 Iron Range Resources approved a Community Business Infrastructure Grant in the amount of \$160,000 to the City of Nashwauk to support the development of this project.

**Taconite Area Environmental Protection Fund (TEPF) and
Douglas J. Johnson Economic Protection Trust Fund (DJJ)**

Action required: Project approval requires 7 votes from TEPF and 8 votes from DJJ

- b) University Medical Center-Mesabi (dba Range Regional Health Services, Inc.)

**University Medical Center-Mesabi (dba Range Regional Health Services,
Inc.)**



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

To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

**Re: \$750,000 GRANT TO UNIVERSITY MEDICAL CENTER-MESABI (dba RANGE
REGIONAL HEALTH SERVICES, INC.)**

Range Regional Health Services (RRHS) in Hibbing has requested a grant in the amount of \$750,000 to fund a portion of a \$9.1 million expansion and renovation project at the Fairview campus of the University Medical Center – Hibbing. The project entails a 9,790 square foot addition to the facility to house the emergency department and renovation of 3,760 square feet of space currently housing the emergency department into an urgent care facility. The remaining funds for the project will be raised internally, through a combination of bonding and equity.

The current emergency department was constructed in 1980, and renovated in 1997. In 2007, the emergency department handled 10,500 patient visits and demand for these services continues to grow. It is anticipated this demand will be exacerbated with the pending construction of the Essar Steel Minnesota project. The RRHS project will increase the ability of the medical center to care for multiple trauma patients and the expansion of its urgent care facility will enhance care for mental health patients. RRHS is the only Level 3 trauma center north of Duluth. The project is expected to create 7-10 additional permanent jobs and 40-50 jobs during the construction phase. The project is subject to the paying of prevailing wages during construction.

The budget for the project includes in excess of \$600,000 in additional costs for site preparation due to the fact that the addition is to be constructed on an area disturbed by past mining activity. The proposed source for Iron Range Resources funding is \$600,000 from the FY09 Community Business Infrastructure (CBI) project budget (Taconite Area Environmental Protection Fund) and \$150,000 of the FY09 Business Development projects budget (Douglas J. Johnson Economic Protection Trust Fund). Though authorized under either statute, this type of business is not eligible under the guidelines for either CBI or Business Development projects; however, I recommend funding the project from these sources due to the regional importance of the project, as well as the added cost to the project as a result of past mining activities. The Technical Advisory Committee approved this project on November 18, 2008. Eligible expenses covered under the grant would include site infrastructure and site preparation costs including utilities and access roads, as well as soils remediation and the cost of pilings.

Taconite Economic Development Fund

Action required: Project approval requires a majority vote of the quorum present

- a) Hibbing Taconite Company
- b) Northshore Mining Company

Hibbing Taconite Company



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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: HIBBING TACONITE ECONOMIC DEVELOPMENT FUND PROJECTS
(PROD 2006, PAY 2007) \$2,445,674**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If the board rejects a proposed expenditure, the funds must be deposited in the Taconite Area Environmental Protection Fund under sections 298.222 to 298.225.

Hibbing Taconite Company is eligible for a pay 2007, based on 2006 production, Taconite Economic Development fund rebate of \$2,445,674, subject to the company providing a match of \$597,200 for a total project cost of \$3,042,874.

Project 1 – Reclamation and Fugitive Dust Control

This item contains the costs related to seeding, mulching, and fertilizing of disturbed lands as well as application of liquid dust suppressants to control and prevent fugitive dust issues.

TEDF Grant	\$1,049,670
Company	<u>\$256,315</u>
Estimated Project Total Cost	\$1,305,985

Project 2 – Wetlands Mitigation Credits

This project will restore wetlands to provide Hibbing Taconite Company (HTC) with Wetland Bank credits to be used for wetland mitigation. It involves the purchase and development of 196 acres of wetlands that will permit the company to disturb other wetlands. The wetland bank will permit the continual expansion of HTC’s operation.

TEDF Grant	\$696,817
Company	<u>\$170,153</u>
Estimated Project Total Cost	\$866,970

Project 3 – Furnace Stack Gas Flow Monitors

Flow monitors were installed on the furnace stacks to measure gas flow rates. Stack gas flow rates will be used to quantify mass emissions rates of nitrogen oxides (NOx).

The monitoring results will be reported to regulating agencies and corrective action plans will be enacted to maintain compliance with emission regulations.

TEDF Grant	\$333,909
Company	<u>\$81,536</u>
Estimated Project Total Cost	\$415,445

Project 4 – Concentrator Dust Collector/Make up Air Upgrade:

The concentrator building has been pressurized with a direct-fired make-up air furnace to prevent the infiltration of cold air and dust into the work environment. This upgrade will improve air quality as well as the work environment for all employees in this area.

TEDF Grant	\$186,169
Company	<u>\$45,460</u>
Estimated Project Total Cost	\$231,629

Project 5 – MACT/BART Testing and Analysis

The Maximum Achievable Control Technology (MACT) Particulate Matter Test assists the MPCA in setting and refining its requirement for wet scrubbers. The Best Available Retrofit Technology (BART) Analysis is the 7-day NOx testing and analysis per the requirements of HTC’s administrative Order by consent with the MPCA.

TEDF Grant	\$82,909
Company	<u>\$20,245</u>
Estimated Project Total Cost	\$103,154

Project 6 – Testing, Monitoring and Reclamation

These expenditures are incurred as part of the environmental monitoring program for the following tasks: sample collection, preparation and analyses, remediation equipment, supplies and materials and continuous monitoring expenses. Examples of these activities are:

- 1) Stack Testing: 7-day NOx testing per requirement of HTC’s Administrative Order by Consent with the MPCA. Results reported to the MPCA.
- 2) Petroleum leak site investigation and remediation. Fuel oil recovery system currently operational and zero oil leaks have occurred to date.

TEDF Grant	\$81,242
Company	<u>\$19,838</u>
Estimated Project Total Cost	\$101,080

Project 7 – Hazardous Waste Storage Facility

The hazardous waste storage facility will provide a temporary storage area with a controlled environment to safely store hazardous materials until permanently removed and properly disposed.

TEDF Grant	\$14,958
Company	<u>\$68,297</u>
Estimated Project Total Cost	\$83,255

Project 8 – Solvent Based Parts Washer Replacement

The existing solvent-based parts washers were replaced with environmentally friendly recycling parts washers. This will reduce hazardous waste generation rates. The new and improved washers and solvents are not only environmental friendly but also the solvents are non-abrasive to employees.

TEDF Grant	\$0
Company	<u>\$57,746</u>
Estimated Project Total Cost	\$57,746

Project 9 – Pellet Plant Makeup Air Upgrades

Pressurize the pellet plant with a direct-fired make-up air furnace to prevent the infiltration of cold air into the work environment. This will improve the work environment for all employees in this area.

TEDF Grant	\$0
Company	<u>\$43,484</u>
Estimated Project Total Cost	\$43,484

Northshore Mining Company



Iron Range Resources

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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 11, 2012

**Re: NORTHSHORE MINING TACONITE ECONOMIC DEVELOPMENT FUND PROJECT
(PROD 2006, PAY 2007) \$1,547,563**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If the board rejects a proposed expenditure, the funds must be deposited in the Taconite Area Environmental Protection Fund under sections 298.222 to 298.225.

Northshore Mining Company is eligible for a pay 2007, based on 2006 production, Taconite Economic Development fund rebate of \$1,547,563, subject to the company providing a match of \$359,734, for a total project cost of \$1,907,297.

Project 1 – Water Treatment Expansion

Over the past 10 years, the Mile Post 7 tailings basin water volume has not been decreasing as desired. Approximately 9 billion gallons of water are currently stored in the tailings basin because the Water Treatment Plant (WTP) cannot treat and discharge sufficient water volumes to compensate for precipitation inflow. Storing this large volume of water will make the basin closure more difficult and increase the risk of dam failure. This excess water in the basin increases the pond level, resulting in decreased safety and increased operational costs.

Over the past 6 years, several major projects were conducted to improve the WTP performance; however, they have not fully cured the problem. Expansion of the existing WTP by 50% will allow a maximum permitted discharge of 7.5 million gallons per day within the new discharge limit of 6.8 million fibers per liter. The excess tailing basin water will be removed over 10 to 15 years.

This project will save approximately \$400,000 per year in costs that would be required to raise dams, dikes, roads and utilities.

TEDF Grant	\$1,547,563
Company	<u>\$814,679</u>
Estimated Project Total Cost	\$2,362,242