

Meeting of the Iron Range Resources Board

**Thursday, October 15, 2009
10:00 a.m.
Iron Range Resources
Eveleth, Minnesota**

MEETING OF THE IRON RANGE RESOURCES BOARD
Iron Range Resources, Eveleth, Minnesota
Thursday, October 15, 2009
10:00 a.m.

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MEETING OF THE IRON RANGE RESOURCES BOARD
Iron Range Resources
Eveleth, Minnesota
Thursday, October 15 – 10:00 a.m.

Agenda

- 1) Roll Call
- 2) Approval of the August 20, 2009, Minutes
- 3) Commissioner's Comments
- 4) Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 8 votes
 - a) Birchem Logging, Inc.
 - b) MTD Acquisition, Inc.
 - c) Spectrum Housing with Services, LLC – **Resolution No. 10-012**
- 5) Taconite Area Economic Protection Fund
Action required: Project approval requires 7 votes
 - a) Mt. Iron Economic Development Authority – **Resolution No. 10-013**
 - b) Minnesota Film Board Film Making Incentive – **Resolution No. 10-014**
 - c) Drilling Incentive Grant Program – **Resolution No. 10-015**
 - d) Minnesota Discovery Center – **Resolution No. 10-016**
- 6) Board Account
Action required: Project approval requires 7 votes
 - a) Hoyt Lakes Grant Amendment – **Resolution No. 10-017**
- 7) Iron Range Higher Education Account
Action required: Project approval requires 7 votes
 - a) Arrowhead Institute of Technology Higher Education Programs – **Resolution No. 10-018**
- 8) Adjournment

Approval of the August 20, 2009, Minutes

Meeting of the Iron Range Resources Board

Thursday, August 20, 2009
10:00 a.m.

Iron Range Resources
Eveleth, Minnesota

I. Roll Call

Senator David Tomassoni, Chair, called the meeting to order at approximately 10:05 a.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan. Absent: 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; Jean Dolensek, Chief Financial Officer; Dan Jordan, Mining Program Supervisor; Dave Hart, Loan Officer Sr. Supervisor; Richard Anderson, Loan Officer Sr., Richard Walsh, Community Development Specialist, Laureen Hall, Executive Assistant; Kim Anderson, Executive Assistant; Chuck Tekautz, Town of Breitung; John Fedo, Fedo & Associates; Tom Rosensteel, KRM; Jim Reihl, Swenson College of Science and Engineering, University of Minnesota – Duluth; Tom Renier, Northland Foundation; Randy Lasky, Northspan Group; Bob Palmquist, Northspan Group; David Haley, Haley Logging; Laura Ackman, White Community Hospital; Boyd Palsgrove, Two Harbors Pet Products.

II. Approval of the June 18, 2009, Minutes

Citizen Jack Ryan moved approval of the June 18, 2009, minutes. 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 Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator Rod Skoe

III. Commissioner Program

Action required: Approval requires 7 votes

Commissioner Sandy Layman gave a brief report on Commissioner Program expenditures to date.

Senator Tom Saxhaug moved approval of the second \$250,000 for the Commissioner Program, which had been approved as part of the \$500,000 in the FY 2010 Budget, subject to the condition that the Commissioner report to the Board on the expenditure of the first \$250,000 before the second \$250,000 is approved. Seconded by Senator Yvonne Prettner Solon. 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 Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Senator Rod Skoe

IV. Iron Range Higher Education Account

Action required: Approval requires 7 votes

a) Iron Range UMD Masters of Engineering Program – Resolution No. 10-001

Motion by Representative Tom Rukavina to approve the Iron Range UMD Masters of Engineering Program, for an amount not to exceed \$250,000, as presented in Resolution No. 10-001. Seconded by Representative Loren Solberg. 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 Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe

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

Resolution No.: 10-001

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 \$250,000 of the Higher Education Account funds to provide a grant to the Northeast Higher Education District (NHED) for use by the Arrowhead University Consortium (AUC) to develop a higher education program that, in collaboration with private industry, will allow students to earn a Masters of Engineering degree from the University of Minnesota Duluth (hereafter referred to as the “Masters Degree Program”); and,

WHEREAS, the Committee approved expenditure will cover the first year of costs for the two and one-half (2 ½) year Masters Degree Program; and

WHEREAS, in order to provide the aforementioned grant to the NHED, 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 August 20, 2009, at the Eveleth Administrative Building to consider, among other matters, the proposed expenditure of up to \$250,000 of Higher Education Account funds for the purpose of providing a grant to the NHED for use by the AUC to develop a Masters Degree Program and determined that the proposed expenditure would be in the public interest.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of up to \$250,000 of Higher Education Account funds for a grant to the NHED to be used by the AUC to develop a Masters Degree Program that, in collaboration with private industry, will allow students to earn a Masters of Engineering degree from University of Minnesota Duluth.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF AUGUST 2009.

Member	Aye	Nay	Abstain	Excused
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	12	0	0	1

Signed: _____
 Senator Dave Tomassoni, Chair

V. Taconite Area Economic Protection Fund

Action required: Approval requires 7 votes

a) Public Works Projects – Resolution No. 10-008

Motion by Representative Tom Rukavina to amend the Public Works projects as presented in Resolution No. 10-008, by adding an additional \$50,000 to the \$300,000 proposed in agency funding for the Hoyt Lakes project. 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 Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe

Motion by Representative Tony Sertich to approve the Public Works projects as presented in Resolution No. 10-008 and as amended by Representative Tom Rukavina, for a total amount of all grant projects not to exceed \$2,750,000. 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 Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
BUSINESS INFRASTRUCTURE AND PUBLIC WORKS PROJECT APPROVALS**

Resolution No.: 10-008

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 economic development projects within the TAA; and

WHEREAS, the agency’s approved FY 2010 Budget includes the allocation of \$3,500,000 of TEPF Funds for Business Development Projects (“**TEPF Business Development Funds**”); and

WHEREAS, the Commissioner has received proposals for the expenditure of up to \$2,750,000 of such TEPF Business Development Funds for those certain community and economic development projects that are more specifically described in Items 1-10 in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Projects**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on August 20, 2009, in the 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; and

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$2,750,000 of TEPF Business Development Funds to provide grants for the Proposed Projects in the amounts and for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of TEPF Funds for those Proposed Projects that have concurrent commercial or housing construction is contingent upon the agency, in its grant contracts, requiring each such grantee entity to commit to the payment of prevailing wages for the funded project as indicated in, and to the extent required in, the Board’s Resolution 96-005.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of TEPF Funds for those Proposed Projects for which a developer or benefiting business is involved, is further contingent upon receipt by the agency of a final, approved development agreement between each such grantee entity and the associated project developer or benefiting business.

BE IT FURTHER RESOLVED that where it is indicated in Exhibit A that agency funds will not be released until all project financing is in place, and the Board’s approval for the expenditure of TEPF Funds for those Proposed Projects is further contingent upon all such project financing being in place before the agency’s funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF AUGUST 2009.

Member	Aye	Nay	Abstain	Excused
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	12	0	0	1

Signed: _____
 Representative David Tomassoni, Chair

EXHIBIT A

PUBLIC WORKS INFRASTRUCTURE GRANTS FY10

City of Aitkin

Grant amount: \$100,000

The project is comprised of site work for a rail spur extension to Lakes States Lumber Company's storage yard. The extension will increase spur capacity from 6 cars per week to 27 cars per weeks and help retain 60-70 people employed in Aitkin.

<u>USES</u>		<u>SOURCES</u>	
Rail expansion	\$166,900	Iron Range Resources	\$100,000
Site work & A&E	114,700	Applicant	14,700
		MN Rail Improvement	166,900
		Loan Program	
TOTAL	\$281,600	TOTAL	\$281,600

City of Biwabik

Grant Amount: \$350,000

The project is comprised of water, sewer, roads and site work for a 27-unit fractional ownership housing project. Phase 1 below includes construction of two homes. The city is working with an established housing developer. IRR funds will not be released until all financing is in place.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, roads, site work , land & A & E	\$1,925,000	Iron Range Resources	\$350,000
Housing	960,000	Applicant	0
		Private - housing/infrastructure	2,535,000
TOTAL	\$2,885,000	TOTAL	\$2,885,000

City of Eveleth

Grant Amount: \$ 350,000

The project is comprised of renovation of the old dialysis area in the Eveleth Health Service facility for 5 assisted living units that will serve 7 people. The project is expected to add 7 new jobs. IRR funds will not be released until the city's revenue bonds are issued.

<u>USES</u>		<u>SOURCES</u>	
Renovation	\$762,075	Iron Range Resources	\$350,000
		Applicant -Revenue bonds	\$ 412,075
TOTAL	\$762,075	TOTAL	\$762,075

City of Eveleth

Grant Amount: \$500,000

The project is comprised of water, sewer, roads and site work for a 110-unit hotel located near Hwy 53. The project is expected to employ 120 FTE & part-time jobs. IRR funds will not be released until all financing is in place.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, roads, site work & A & E	\$1,578,000	Iron Range Resources	\$500,000
Furniture fixtures and equipment	1,065,000	Applicant - TIF	987,702
Hotel	12,867,230	IRR FY08 grant (amended use)	300,000
		Private financing	12,422,528
		Equity	1,300,000
TOTAL	\$15,510,230	TOTAL	\$15,510,230

City of Grand Rapids

Grant Amount: \$100,000

This project is comprised of water, sewer, roads and site work for the construction of a Deer River Hired Hands (DRHH) Training/Recycling center in the Airport South Industrial Park. The North County Recycling Center, which was the only recycling center in Grand Rapids, was closed and will be demolished soon. This project is expected to add 30 jobs. Most of the jobs will be filled by the disabled. IRR funds will not be released until all financing is in place.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, roads, site work, & A&E	\$294,000	Iron Range Resources	\$100,000
Recycling center	1,611,000	Applicant	230,000
Land	75,000	EDA grant	1,475,000
		Blandin grant	175,000
TOTAL	\$1,980,000	TOTAL	\$1,980,000

City of Hibbing

Grant Amount: \$350,000

This project is comprised of water, sewer, roads and site work for three developments; a major hotel, restaurant and a dental office, all located on Newburg Road. The city is working with two experienced developers. The three developments will employ over 50 FTE and about 50 part-time positions. IRR funds will not be released until all financing is in place for the project.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, roads, site work, and A&E	\$511,000	Iron Range Resources	\$350,000
Parking lot & landscaping	200,000		
Commercial developments	5,589,000	Private	5,950,000
TOTAL	\$6,300,000	TOTAL	\$6,300,000

City of Hoyt Lakes

Grant Amount: \$350,000

This project is comprised of water, sewer, road and site improvements for a 20-unit assisted living facility. The city is working with an established developer and the project is expected to create 10 FTE jobs. IRR funds will not be released until all financing is in place.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, roads & site work	\$350,000	Iron Range Resources	\$350,000
Assisted living facility	1,980,000	Applicant	50,000
		Private – tax exempt bonds	1,350,000
		Private – equity	380,000
		Other	200,000
TOTAL	\$ 2,330,000	TOTAL	\$2,330,000

City of Mountain Iron

Grant Amount: \$100,000

This project is comprised of relocation and upgrades of ball fields to make way for the construction of a new clinic on Hwy 169 near the Dairy Queen. The project is expected to retain 25 jobs in the area.

<u>USES</u>		<u>SOURCES</u>	
Ball field relocation & construction	\$160,000	Iron Range Resources	\$100,000
New clinic	1,250,000	Applicant	60,000
		Private	1,250,000
TOTAL	\$1,410,000	TOTAL	\$1,410,000

Virginia Regional Medical Center

Grant Amount: \$200,000

This project is comprised of remodeling an unfinished space for the expansion of the clinic and remodeling and reconfiguring the current operating room, surgery room and lounge area for an outpatient endoscopy room. The project is expected to create 12 jobs.

<u>USES</u>		<u>SOURCES</u>	
Remodeling & reconfiguring	\$ 462,950	Iron Range Resources	\$200,000
		Applicant	262,950
TOTAL	\$462,950	TOTAL	\$ 462,950

White Community Hospital

Grant Amount: \$350,000

This project is comprised of water, sewer, road and site improvements for the construction of a new clinic and remodeling of the hospital for the clinic. The project is expected to create a number of new jobs and retain the jobs at the current clinic. IRR funds will not be released until all financing is in place.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer, roads & site work	\$ 482,323	Iron Range Resources	\$350,000
New clinic & remodeling	7,517,677	Applicant/USDA loan	7,650,000
TOTAL	\$8,000,000	TOTAL	\$ 8,000,000

TOTAL GRANT AMOUNT \$2,750,000

TOTAL PROJECT COST \$39,921,855

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VI. Northeast Minnesota Economic Development Fund

Action required: Approval requires 7 votes

a) Breitung Township Sewer & Water Extension – Resolution No. 10-009

Motion by Representative David Dill to approve the Breitung Township Sewer & Water Extension project as presented in Resolution No. 10-009, for an amount not to exceed \$379,294. Seconded by Senator Tom Bakk. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Tom Rukavina, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
BREITUNG TOWNSHIP INFRASTRUCTURE PROJECT
NORTHEAST MINNESOTA ECONOMIC DEVELOPMENT FUND**

Resolution No.: 10-009

WHEREAS, Laws of Minnesota for 2008, Chapter 366, Article 10, Section 15 created a special fund from monies that would otherwise have been allocated under Minnesota Statutes Section 298.28, subdivision 6, and allocated such monies in that special fund to St. Louis County as the fiscal agent for designated recipients who were to receive distributions for purposes specified in such legislation; and

WHEREAS, Section 15, paragraph (12) of the above cited law provided that one cent per ton must be paid to Breitung township for sewer and water extensions associated with the development of a state park, provided that if a new state park is not established in Breitung township by July 1, 2009, the money provided must be transferred to the northeast Minnesota economic development fund (“NEDF”) established in Minnesota Statutes, section 298.2213; and

WHEREAS, pursuant to Section 15, paragraph (12), Breitung township received \$379,294 from St. Louis County on August 26, 2008; and

WHEREAS, a new state park was not established in Breitung township by July 1, 2009; and

WHEREAS, Breitung township must now transfer \$379,294 to the Iron Range Resources agency for deposit by the agency of such monies into the NEDF; and

WHEREAS, NEDF monies may be used for expenditures for a variety of purposes, including projects that promote tourism, that benefit the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“TAA”); and

WHEREAS, the Commissioner has received a proposal for the expenditure of \$379,294 by Breitung township from NEDF monies for infrastructure that includes new road construction, sewer development and the replacement of a water main line which runs between the Breitung

township water tower and the Soudan Underground Mine State Park (“Proposed Project”), a significant tourist attraction located within the TAA; and

WHEREAS, the Board met in open session at 10:00 a.m. on August 20, 2009, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the Proposed Project and has determined that the expenditure of up to \$379,294 for infrastructure for new road construction, sewer development and the replacement of a water main line in Breitung township would promote tourism and economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the modification of the FY10 Budget to add a \$379,294 line item for NEDF grants; and

BE IT FURTHER RESOLVED, that the Board hereby approves the expenditure of up to \$379,294 of FY10 NEDF Funds to provide a grant to Breitung township for the Proposed Project, contingent upon the evaluation and recommendation of a technical advisory committee appointed by the Commissioner; and

BE IT FURTHER RESOLVED, such grant funds will be made available only after the agency receives \$379,294 from Breitung township for deposit into the NEDF.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF AUGUST 2009.

Member	Aye	Nay	Abstain	Excused
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	11	0	0	2

Signed: _____
 Senator David Tomassoni, Chair

VII. Taconite Economic Development Fund

Action required: Approval requires 7 votes

- a) **Arcelor Mittal Minorca – Resolution No. 10-002**

- b) **Hibbing Taconite Company – Resolution No. 10-003**
- c) **Northshore Mining Company – Resolution No. 10-004**
- d) **United Taconite LLC – Resolution No. 10-005**
- e) **United States Steel – Minntac – Resolution No. 10-006**
- f) **United States Steel – Keetac – Resolution No. 10-007**

Motion by Representative Tom Anzelc to approve the following Taconite Economic Development Fund projects as presented in the following resolutions: ArcelorMittal Minorca (Resolution No. 10-002), Hibbing Taconite Company (Resolution No. 10-003), Northshore Mining Company (Resolution No. 10-004), United Taconite LLC (Resolution No. 10-005), United States Steel – Minntac (Resolution No. 10-006) and as part of the motion, to table the United States Steel – Keetac project (Resolution No. 10-007), to be considered by the Board at a later date. Seconded by Representative Tony Sertich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tony Sertich, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Representative Tom Rukavina, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND PROJECT APPROVAL:
ARCELORMITTAL MINORCA COMPANY – PAY 2009 FUND YEAR**

Resolution No.: 10-002

WHEREAS, certain taconite production tax funds are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a (the “**TEDF Funds**”) to provide grants to taconite producers who provide formulated matching expenditures for projects that involve workforce development and associated public facility improvement, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”); and,

WHEREAS, iron ore producer ArcelorMittal Minorca company (“**Applicant Producer**”) made application to the Commissioner to receive TEDF Funds for a project described in the attached Addendum A, which the Commissioner has determined is for an Eligible Purpose (the “**Proposed Project**”); and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Project; and,

WHEREAS, the TEDF Committee of the Applicant Producer on July 23, 2009, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on August 20, 2009, at the Eveleth Administrative Building to consider the Proposed Project and the Applicant Producer’s request to receive TEDF Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Project specified in Addendum A is for Eligible Purposes and otherwise appears eligible to receive Pay 2009 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF AUGUST 2009.

Member	Aye	Nay	Abstain	Excused
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	8	0	0	5

Signed: _____
 Senator David Tomassoni, Chair

Addendum A
ARCELORMITTAL MINORCA COMPANY

Project 1 – Secondary Cone Crusher Refurbishment and Installation of Clamping and Clearing Hydraulics

The purpose of this project is to completely refurbish the individual components of three Symons 7' standard cone crushers and to replace the associated spring clusters of each crusher with a series of hydraulic cylinders. The hydraulic cylinders will be powered by a common hydraulic system that is monitored and operated by a control console. This allows the hydraulic pressure to be exerted or released, as needed, to clear the crushing cavity of unwanted tramp material or oversize taconite.

This system was installed previously on Minorca's four tertiary crushers resulting in a much safer and efficient way of clearing plugged conditions. This allows ArcelorMittal to operate the crusher with the recommended horsepower as originally designed.

ArcelorMittal's prior practice was to run the crusher with a larger closed side setting gap and a lower feed input rate to avoid plugging which was undesirable because it would result in excessive crushing circuit delays. The ability to clear the cavity via remote operation of the hydraulic cylinders eliminates the manual task of physically digging out a plugged crusher which not only was a difficult task but also increased the company's potential for injury to its workers.

TEDF Grant	\$846,384
Company Match	<u>\$353,616</u>
Estimated Project Total Cost	<u>\$1,200,000</u>

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND PROJECT APPROVAL:
HIBBING TACONITE COMPANY – PAY 2009 FUND YEAR**

Resolution No.: 10-003

WHEREAS, certain taconite production tax funds are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a (the "**TEDF Funds**") to provide grants to taconite producers who provide formulated matching expenditures for projects that involve workforce development and associated public facility improvement, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology ("**Eligible Purposes**"), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the "**TEDF Statute**"); and,

WHEREAS, iron ore producer Hibbing Taconite Company ("**Applicant Producer**") made application to the Commissioner to receive TEDF Funds for the project described in the attached Addendum A, which the Commissioner has determined is for an Eligible Purpose (the "**Proposed Project**"); and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Project; and,

WHEREAS, the TEDF Committee of the Applicant Producer on July 20, 2009, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on August 20, 2009, at the Eveleth Administrative Building to consider the Proposed Project and the Applicant Producer’s request to receive TEDF Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Project specified in Addendum A is for Eligible Purposes and otherwise appears eligible to receive Pay 2009 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF AUGUST 2009.

Member	Aye	Nay	Abstain	Excused
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	8	0	0	5

Signed: _____
 Senator David Tomassoni, Chair

**Addendum A
 HIBBING TACONITE COMPANY**

Project 1 – Hydroseparator Tank and Pumphouse

Hibbing Taconite has experienced problems with its tailings basin operation during the winter season with extended cold periods. Also, its current operation practice is to use a dragline to remove coarse tailing build up around the tailings discharge point. The tailings basin must provide storage for the annual production of tailings along with having the capacity to store future tailings sufficient to match the existing base ore reserve.

The original tailings basin was designed using a gravity flow system, and the existing system, using the dragline for removing coarse tailing, is not capable of providing the required tailings basin life due to inadequate tailings removal rate, difficulty in maintaining efficient discharge channels and reliability of the dragline for operation and removal of the tailings delta.

Disruptions of the gravity flow based dragline operation system could result in sudden increases in upstream tailings delta elevations, which could potentially cause overtopping of the containment dams resulting in a plant shutdown.

The hydroseparator system will increase tailings basin life, increase tailings storage, reduce the risk associated with the current dragline system of unscheduled outages in removing coarse tailings and is essential for Hibbing Taconite's operational future.

TEDF Grant	\$2,352,814
Company Match	<u>\$2,647,186</u>
Estimated Project Total Cost	\$5,000,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND PROJECT APPROVAL:
NORTHSHORE MINING COMPANY – PAY 2009 FUND YEAR**

Resolution No.: 10-004

WHEREAS, certain taconite production tax funds are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a (the “**TEDF Funds**”) to provide grants to taconite producers who provide formulated matching expenditures for projects that involve workforce development and associated public facility improvement, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”); and,

WHEREAS, iron ore producer Northshore Mining Company (“**Applicant Producer**”) made application to the Commissioner to receive TEDF Funds for the project described in the attached Addendum A, which the Commissioner has determined is for an Eligible Purpose (the “**Proposed Project**”); and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Project; and,

WHEREAS, the TEDF Committee of the Applicant Producer on July 29, 2009, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on August 20, 2009, at the Eveleth Administrative Building to consider the Proposed Project and the Applicant Producer’s request to receive TEDF Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Project specified in Addendum A is for Eligible Purposes and otherwise appears eligible to receive Pay 2009 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF AUGUST 2009.

Member	Aye	Nay	Abstain	Excused
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	8	0	0	5

Signed: _____
 Senator David Tomassoni, Chair

**Addendum A
 NORTSHORE MINING COMPANY**

Project 1 – Harbor Dredging Project

The harbor at Northshore’s Silver Bay pellet facility is a critical component for the operation of this facility. Over the past several decades, sediments north of the harbor entrance have been slowly pulled downshore by the dominant lake currents and deposited at the entrance to Northshore’s harbor, narrowing the effective shipping lane. After several years of planning and permitting work, 2009 marks the first dredging of the harbor entrance at Northshore’s Silver Bay facility in nearly 50 years. The sediment build up and restriction of the shipping lane is a serious issue that must be resolved, because at this time, one of the two Great Lakes vessel fleets has refused to allow its 1000-foot boats to enter the Northshore Harbor. The dredging project is absolutely critical to restore necessary access thereby ensuring that coal shipments can arrive and pellet shipments can depart.

The three key governmental agencies that were involved in permitting the dredging project in Silver Bay are the Minnesota Department of Natural Resources because it manages dredging within Lake Superior; the Army Corps of Engineers is the key federal agency that oversees harbor dredging; and the Minnesota Pollution Control Agency issues permits for disposal of dredged material.

The original plan to dredge the harbor would have involved use of a hydraulic dredge. One significant drawback of a hydraulic dredge is that significant volumes of carriage water must be removed from the lake to keep the solids in suspension – on the order of 9 cubic yards of water for every cubic yard of solids. For Northshore’s project, that would have meant pumping over 280 million gallons of water from the lake. At the disposal site, that volume of carriage water must then be managed to minimize impact to the lake or otherwise treated.

A mechanical dredging solution was finally chosen because it involves no water removal from the lake beyond what minimal water is mechanically removed with the solids. This also reduced the impact of Northshore’s dredge disposal area because it minimizes the opportunity for direct surface water runoff to re-enter Lake Superior.

TEDF Grant	\$1,610,981
Company	<u>\$589,019</u>
Estimated Project Total Cost	\$2,200,000

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND PROJECT APPROVAL:
UNITED TACONITE LLC – PAY 2009 FUND YEAR**

Resolution No.: 10-005

WHEREAS, certain taconite production tax funds are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a (the “**TEDF Funds**”) to provide grants to taconite producers who provide formulated matching expenditures for projects that involve workforce development and associated public facility improvement, or the

acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”); and,

WHEREAS, iron ore producer United Taconite LLC (“**Applicant Producer**”) made application to the Commissioner to receive TEDF Funds for the project described in the attached Addendum A, which the Commissioner has determined is for an Eligible Purpose (the “**Proposed Project**”); and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Project; and,

WHEREAS, the TEDF Committee of the Applicant Producer on July 20, 2009, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on August 20, 2009, at the Eveleth Administrative Building to consider the Proposed Project and the Applicant Producer’s request to receive TEDF Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Project specified in Addendum A is for Eligible Purposes and otherwise appears eligible to receive Pay 2009 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF AUGUST 2009.

Member	Aye	Nay	Abstain	Excused
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	8	0	0	5

Signed: _____
Senator David Tomassoni, Chair

Addendum A
UNITED TACONITE LLC

Project 1 – Tailings Basin – Pump and Pipe Project

United Taconite is making significant improvements to its tailings basin to permit its facility expansion and extend the life of its existing basin. A properly designed system to dispose of tailings is a critical operation in a taconite processing facility. Fine tailings must be discharged on the dike perimeter, as it is integral to the geotechnical design of the dike to ensure dam stability. United Taconite's current pump and piping system does not allow for the proper distribution of tailings to the outer most areas of the basin. United Taconite's current system involves two identical pumping systems referred to as Line 3 and Line 4. Line 3 consists of three pumps in series (A,B,C) and Line 4 has four pumps in a series (A,B,C,D). Both pipelines have three identical 450HP pumps and Line 4 has a fourth 1500HP pump identified as 4D. Line 3 lacks a fourth pump which would provide the capability to reach the far corner of the basin along the south dike. Installation of a fourth 1500HP pump on Line 3 will provide the additional force/pressure to pump tailings to the entire perimeter.

United Taconite has over 5 miles of 16" and 18" pipe transporting tailings to the basin. Higher pipe pressure is available as tailings initially leave the plant and therefore 18" pipe is utilized to move more volume. As tailings move farther from the plant they flow into 16" pipe. Due to the increase pumping pressure required to move tailings further into the basin, 6,000 feet of 18" pipe will be added to the system.

TEDF Grant	\$1,619,676
Company Match	<u>\$950,324</u>
Estimated Project Total Cost	\$2,570,000

IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ECONOMIC DEVELOPMENT FUND PROJECT APPROVAL:
UNITED STATES STEEL MINNTAC COMPANY – PAY 2009 FUND YEAR

Resolution No.: 10-006

WHEREAS, certain taconite production tax funds are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a (the "**TEDF Funds**") to provide grants to taconite producers who provide formulated matching expenditures for projects that involve workforce development and associated public facility improvement, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology

(“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**TEDF Statute**”); and,

WHEREAS, iron ore producer United States Steel Minntac company (“**Applicant Producer**”) made application to the Commissioner to receive TEDF Funds for projects described in the attached Addendum A, which the Commissioner has determined are for Eligible Purposes (the “**Proposed Projects**”); and,

WHEREAS, the TEDF Statute provides that the TEDF Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**TEDF Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the TEDF Funds, and (b) the Board has had an opportunity to review the Proposed Project; and,

WHEREAS, the TEDF Committee of the Applicant Producer on August 12, 2009, indicated to the Commissioner that it has approved the Proposed Projects identified in Addendum A; and,

WHEREAS, the Board met in open session at 10:00 a.m. on August 20, 2009, at the Eveleth Administrative Building to consider the Proposed Projects and the Applicant Producer’s request to receive TEDF Funds for such projects.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby finds that the Proposed Projects specified in Addendum A are for Eligible Purposes and otherwise appear eligible to receive Pay 2009 TEDF Funds from the Commissioner.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF AUGUST 2009.

Member	Aye	Nay	Abstain	Excused
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	8	0	0	5

Signed: _____
Senator David Tomassoni, Chair

Addendum A

UNITED STATES STEEL MINNTAC COMPANY

Project 1 – Agglomerator Preheat Burners – Line 4

In April 2006, the Agglomerator line 6 preheat burners at Minntac were converted to smaller oxygen rich burners. Improvements realized from this conversion were a 50% reduction in slag related delays, more efficient fuel consumption and lower emissions. Therefore, Minntac will be replacing the preheat burners on Agglomerator Lines 4. This is because it operates in an environment of limited oxygen resulting in slag delays, higher fuel consumption and increased levels of emissions.

TEDF Grant	\$966,345
Company	<u>\$233,655</u>
Estimated Project Total Cost	\$1,200,000

Project 2 – Water Management

Minntac's closed-loop water system does not meet current environmental water regulations. Excessive sulfate accumulation in the tailings basin process water exceeds wild rice standards and adversely affects the discharge through the tailings basin permitted outfalls. The water reclaimed from the tailings basin also is used in the plant. Water hardness and chloride levels are increasing, causing excessive wear and scaling issues in process equipment and increasing chemical costs associated with the process. The other water source, the Mt. Iron Pit, does not meet the current drinking water standards due to the high nitrate levels, which stem from mine sump dewatering.

A Schedule of Compliance between Minntac and the Minnesota Pollution Control Agency (MPCA) has been entered into to eliminate the sulfate exceedances in water leaving the tailings basin permitted outfalls. The Schedule of Compliance requires Minntac to utilize a membrane-based treatment system to reduce sulfate levels for compliance with regulations within the next five years.

Modeling has shown that decreasing the process water sulfate concentration sent to the tailings basin will reduce the overall tailings basin sulfate concentration to meet the wild rice standards. A process water treatment facility will be constructed to treat a portion of the tailings basin return water, allowing treated water to be put back into the process, ending up in the tailings basin. Through consistent introduction of treated process water, along with makeup water from the Mt. Iron Pit, the tailings basin sulfate levels will decrease, bringing Minntac's water into compliance with regulations. High chloride water will be discharged from the treatment plant through a permitted mine area

outfall. Hardness will be reduced through treatment in the process water treatment facility.

The Mt. Iron Pit water is the only feasible source for acquiring drinking water. Makeup water for the Mt. Iron Pit comes from a collection sump located in the west pit and the West Two Rivers Reservoir. Mt. Iron Pit makeup water will be segregated by utilizing a booster pump house to deliver West Two Rivers Reservoir water and a portion of the west pit sump water directly to the plant reservoir. Segregating the mine sump dewatering from being discharged into the Mt. Iron Pit will allow the nitrate level to drop to acceptable levels for potable use.

TEDF Grant	\$1,691,104
Company	<u>\$408,896</u>
Estimated Project Total Cost	\$2,100,000

Project 3 – Tailings Basin Seep Collection

The water used in the Minntac processing plant is from a closed loop system using recycled and makeup water from the tailings basin, the Mountain Iron Pit and mine sump dewatering. Surface seepage occurring along the east side of the tailings basin outer dike leaves the tailings basin through permitted Outfall SD002 to the Sandy River. The surface seepage does not meet the current environmental wild rice sulfate water standard. Current technology does not allow for treatment that will enable the sulfate level to fall below the wild rice standard.

A Schedule of Compliance between United States Steel and the MPCA has been entered into to eliminate the sulfate exceedance in the water leaving via the tailings basin permitted outfalls. The Schedule of Compliance requires Minntac to capture the surface seepage and return it back into the tailings basin. This must occur within the next two years.

Surface seepage will be captured at fifteen locations around the perimeter of the tailings basin and will gravity flow through underground pipes to two pumping stations. This water will then be pumped back into the tailings basin. Due to continuous seepage, this system will operate year round.

TEDF Grant	\$165,889
Company	<u>\$40,111</u>
Estimated Project Total Cost	\$206,000

Project 4 – NO_x Reduction

Minntac currently operates five iron ore pelletizing lines. The indurating process used is a “grate-kiln” system that employs a traveling grate, rotary kiln and annular cooler. In the process, green pellets are dried and heated in an oxidizing atmosphere. Emissions

generated from this indurating process include solid particles, mercury and SO₂, as well as combustion products such as CO, CO₂ and NO_x.

Minntac has recently acquired a new Prevention of Significant Deterioration (PSD) permit and must implement a plan to remove 70% of the NO_x emissions in order to maintain environmental compliance. Its current NO_x emissions level is 13,300 tons/year, with a target level of 5,700 tons/year.

NO_x controls will be implemented on Line 5 first. Initially, Minntac will install and test the new equipment and technology on Line 5. Once the technology is proven to be effective, NO_x control systems will be installed on the remaining 4 lines.

TEDF Grant	\$442,908
Company	<u>\$107,092</u>
Estimated Project Total Cost	\$550,000

Project 5 – Crusher Dust Collector Replacement

During the crushing step of processing taconite, a significant amount of dust is created. Minntac is replacing the dust collector system in the Fines Crusher. This will bring the dust collector system back to design specifications. Minntac's current systems are only capable of performing at 1/3 the original capacity due to equipment fatigue. The fines crusher dust collector replacement system uses the new dry cartridge style collectors designed to collect taconite dust at all transfer and processing points. The new technology performs at design specification with greater efficiency than the current wet collectors in service.

TEDF Grant	\$289,904
Company	<u>\$70,096</u>
Estimated Project Total Cost	\$360,000

Project 6 – Fugitive Dust Control on Tailings Basin

Minntac has a large tailing basin composed of multiple cells. The number of active fine tailings cells and the acreage of these cells are kept to a minimum to reduce the opportunity to create fugitive dust. Minntac's practice is to reduce the opportunity to create fugitive dust issues. Once a particular fines tailings cell is filled and declared inactive and when the fine tailings contained within the cell can support equipment, seed and mulch, usually in the form of hay, are added. A more permanent type of seed mix is used if the cell is going to be inactive for a long period of time.

TEDF Grant	\$148,978
Company	<u>\$36,022</u>
Estimated Project Total Cost	\$185,000

Project 7 – Line 7 Kiln Burner

Execute a pilot test for a replacement or redesigned and modified kiln burner. The new burner will be more energy efficient and produce lower NOx emissions.

TEDF Grant	\$352,171
Company	<u>\$147,829</u>
Estimated Project Total Cost	\$500,000

Project 8 – Track Scales Step II & III Agglomerator

Currently, Minntac ships pellets by rail that are loaded into rail cars through one of two loading pickets. The East pocket loads pellets with the train moving in a westerly direction. Rail cards are loaded and then weighed on a non-certified strain gauge scale after loading. The amount of pellets in each car is adjusted after weighing, using a manned locomotive crane to ensure each car is loaded to capacity. The West pocket loads pellets in a similar fashion, except the train is moving in an easterly direction. The loaded trains then proceed to the Duluth or Two Harbors loading docks, or by rail to the various steel mills.

The non-certified strain gauge scales were installed in the 1980's and are high maintenance items, affected by pellet or ice accumulation. The scales are also easily damaged by equipment that clean the loadout pockets. Scale inaccuracies occasionally produce overloaded and underloaded rail cars.

In the future, the East pocket will be used as the primary loading pocket. Therefore, Minntac will install two certified scales before and after the loading pocket to determine the rail tare weight and the final loaded car weight, respectively. A second non-certified scale will be installed after the existing non-certified scale as a final weight check after adjustment (prior to crossing the certified scale). The manned locomotive crane will make adjustments to each car after each non-certified scale. Data from the certified scales will be used to record, produce and transmit a database record of certified car load weights.

TEDF Grant	\$0
Company	<u>\$460,000</u>
Estimated Project Total Cost	\$460,000

VIII. Douglas J. Johnson Economic Protection Trust Fund

Action required: Approval requires 8 votes

a) Haley Logging Company

Motion by Representative Tom Anzelc to approve the Haley Logging Company project to purchase equipment to allow the company to expand and enter the biomass market, as presented, for an amount not to exceed \$150,000. Seconded by Senator Tom Saxhaug. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Loren Solberg, Senator Rod Skoe

b) Two Harbors Pet Products, Inc.

Motion by Senator Tom Bakk to approve the Two Harbors Pet Products, Inc. project to acquire additional equipment for the Two Harbors location as well as provide additional working capital, as presented, for an amount not to exceed \$50,000. Seconded by Senator Yvonne Prettner Solon. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Loren Solberg, Senator Rod Skoe

c) ARDC Revolving Loan Fund

Motion by Representative Tom Rukavina to approve the recapitalization of the Arrowhead Regional Development Commission Revolving Loan Fund, as presented, for an amount not to exceed \$300,000. Seconded by Senator Yvonne Prettner Solon. Citizen Joe Begich requested a roll call vote. Motion carried.

Voting in Favor of the Motion: Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator David Tomassoni, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: Representative Tom Anzelc, Representative David Dill, Citizen Joe Begich

Abstain: None

Excused: Representative Loren Solberg, Senator Rod Skoe

IX. Other

a) Federal Stimulus Money

Senator Tom Bakk asked if the agency was eligible and if it had applied for any federal stimulus money?

Commissioner Sandy Layman responded that the agency's sister agency, the Department of Employment and Economic Development (DEED), is the recipient of stimulus funds and has funneled those dollars through its programs. She said that the agency does partner with DEED, which adds value to our region. She also mentioned the agency's Application Fund Program, which helps others with costs associated with applying for federal and other funds. She noted that a request to recapitalize the Application Fund Program was on today's Board agenda.

Representative Tom Rukavina asked that staff take a closer look at the possibility of the agency applying for federal stimulus funds.

b) Central Iron Range Sanitary Sewer District Appointment – Resolution No. 10-011

Action required: Approval requires 7 votes

Motion by Representative Tony Sertich to approve the Iron Range Resources Board delegation of the Central Iron Range Sanitary Sewer District Board appointment to Iron Range Resources Board Chair, Senator David Tomassoni, as presented in Resolution No. 10-011. Seconded by Yvonne Prettner Solon. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Representative Loren Solberg, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
CENTRAL IRON RANGE SANITARY SEWER DISTRICT
BOARD APPOINTMENT**

Resolution No.: 10-011

WHEREAS, Laws of Minnesota for 2009, Chapter 122, Sections 2-21 reconstituted the Central Iron Range Sanitary Sewer District (CIRSSD); and

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WHEREAS, the CIRSSD is governed by a Board comprised of nine Board members chosen in accordance with the provisions in the above cited law; and

WHEREAS, Section 2, paragraph 2 of the law provides that one CIRSSD board member, “must be selected by the Iron Range Resources and Rehabilitation Board on behalf of Ironworld.”

NOW, THEREFORE, IT IS HEREBY RESOLVED that the IRRR Board delegates the selection of the CIRSSD Board member to Chair David Tomassoni; provided, however, that the Board may override the Chair’s selection and appoint a different CIRSSD board member at a future meeting of the IRRR Board. Promptly following the appointment of the CIRSSD Board member, the Chair shall report his appointment to the Board and to the chair of the CIRSSD Board.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF AUGUST 2009.

Member	Aye	Nay	Abstain	Excused
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	10	0	0	3

Signed: _____
 Senator David Tomassoni, Chair

c) Application Fund Program – Resolution No. 10-010
Action required: Approval requires 7 votes

Motion by Senator Tom Bakk to approve a budget increase of an amount not to exceed \$40,000 to the Application Fund Program, for use by communities and businesses to pay a portion of their costs of preparing an application for financial support from another state, federal or private grant program, as presented in Resolution No. 10-010. 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 Yvonne Prettner Solon, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Representative Loren Solberg, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
BUDGET INCREASE FOR BOARD ACCOUNT APPLICATION FUNDS**

Resolution No.: 10-010

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 monies made available under Minnesota Statutes Section 298.22 (“**Board Account**”) for purposes as specified under that law; and

WHEREAS, the agency’s approved FY 10 Budget, as approved by the Board at its June 18, 2009 meeting, includes the allocation of \$40,000 of Board Account funds for use by communities and businesses to pay a portion of their costs of preparing an application for financial support from another state, federal or private grant program (“**Application Fund**”); and

WHEREAS, strong interest expressed by prospective Application Fund grantees indicates that the Application Fund will exhaust all monies available without meeting the needs of many communities and businesses that may not be able to afford to apply for state, federal or private grants that they are otherwise qualified and eligible to apply for; and

WHEREAS, the agency anticipates that it could meet the needs of prospective Application Fund grantees if an additional \$40,000 were made available from Board Account funds; and

WHEREAS, the Board met in open session at 10:00 a.m. on August 20, 2009, in the Eveleth Administrative Building, to consider, among other matters, the proposed transfer of Board Account fund monies to the FY 10 Budget line item for the Application Fund and has determined that it is appropriate to modify the approved agency’s Budget by transferring \$40,000 from Board Account fund monies into the FY 10 Budget Application Fund line item.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the modification of the approved FY10 Budget to transfer \$40,000 of Board Account funds into the Application Fund line item portion of the approved budget, thereby increasing the Application Fund line item to the sum of \$80,000.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 20th DAY OF AUGUST 2009.

Member	Aye	Nay	Abstain	Excused
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	10	0	0	3

Signed: _____
 Senator David Tomassoni, Chair

d) Giants Ridge® Lodge Update

John Fedo, RLK Associates, and Tom Rosensteel, Jr., KRM, reported that they've made significant process in putting together the acquisition by KRM of certain WHG property (WHG is the current owner of the Lodge at Giants Ridge®). Fedo noted that the acquisition has been achieved through private financing and equity contributions. Fedo said they plan to continue to work with the agency on development at Giants Ridge®.

X. Adjournment

The meeting adjourned at 11:50 a.m.

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 votes

- a) Birchem Logging, Inc.
- b) Minnesota Twist Drill
- c) Spectrum Housing with Services, LLC – *Resolution No. 10-012*

Birchem Logging, Inc.
Bank Participation Loan Program

APPLICANT:

Jerome (Jerry) Birchem

PRINCIPAL(S):

Jerome Birchem

BRIEF PROJECT DESCRIPTION:

Purchase equipment to support expansion into the biomass industry.

PROJECT COST:

\$80,000

PROJECT BREAKDOWN:

Bank loan, 4 years at negotiated rate	\$40,000
Iron Range Resources Participation Loan, 4 years at formula rate	40,000

COLLATERAL:

Shared first position on all equipment, including the two walking-floor trailers purchased for \$80,000. Personal guaranty of owners.

JOBS:

Retain 10 full-time and create 2 new full-time positions at \$14.00 per hour.

CONTINGENCIES:

None. Bank financing has been approved.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Recommended at the October 13, 2009, 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:

Birchem Logging was formed in 1984 and incorporated in 1987. The company operates primarily as a cut-to-length system with three crews. The majority of the wood harvested is soft pulpwoods, birch and maple, with customers including Blandin, Sappi, Verso and Louisiana Pacific. The company recently received a contract for biomass chips for Laurentian Energy Authority. This project is to purchase two walking-floor trailers which will be used to transport the biomass chips.

MANAGEMENT TEAM:

Birchem Logging, Inc. consists of President Jerry Birchem with over 25 years of experience in the logging industry.

MARKET OPPORTUNITY:

Over the past few years, the logging industry has been severely impacted by reduced housing construction. During the same period, other markets for woody biomass have been developing. Due to energy prices and air pollution concerns, local energy producers such as Minnesota Power, Hibbing Public Utilities and Virginia Public Utilities are utilizing woody biomass in place of coal for some of their electric generation.

COLLATERAL REVIEW:

The Loan will be cross-collateralized with all equipment securing the debts at AgStar Bank, plus the personal guarantees of Jerome and Joanne Birchem.

PAST IRON RANGE RESOURCES HISTORY:

None.

MTD Acquisition, Inc.
Development Financing Loan Program

APPLICANT:

MTD Acquisition, Inc.

PRINCIPAL(S):

Scott Allision, John Bergum, Jon Larsen, Allan Lambert,
John Dosen, James Fena, Paul Janssen

BRIEF PROJECT DESCRIPTION:

MTD Acquisition, Inc. (MTD), doing business as Minnesota Twist Drill, began operations in 2003 when it acquired the assets of the drill bit manufacturing business from Milacron. The business, itself, dates back to the 1960s operating under various names.

The proposed financing will allow MTD to expand its operations with the acquisition of additional equipment. The financing also will allow for an expansion and renovation of MTD's facility in Chisholm.

PROJECT COST: \$6,600,000

PROJECT BREAKDOWN:

American Bank Line of Credit (rate and terms to be negotiated) ¹	\$1,500,000
American Bank Term Loan (5 year term, negotiated interest rate) ²	\$1,500,000
Iron Range Resources Bank Participation Loan (5 year term, 3.00%) ²	\$ 500,000
Iron Range Resources Direct Loan (5 year term, 4.00%) ³	\$1,450,000
Iron Range Resources Direct Loan (7 year term, 4.00%) ⁴	\$ 750,000
Equity	<u>\$ 900,000</u>
Total	\$6,600,000

¹ Represents a \$1,500,000 increase of American Bank's Line of Credit to MTD from its current level of \$2,000,000. The new Line of Credit will have a \$3,500,000 limit and will be secured by a proportional first lien on inventory and accounts receivable of MTD in conjunction with loan ².

² A \$2,000,000 term loan of which the bank will retain \$1,500,000 and Iron Range Resources will purchase \$500,000. Collateral will consist of a proportional shared first lien on all inventory and accounts receivable of MTD in conjunction with loan ¹.

³ A Direct Loan to MTD secured by a first priority lien on newly acquired machinery and equipment and intangible assets (branding, catalog, website, customer list), and a junior lien on all existing machinery and equipment subject only to an existing term loan held by American Bank with a current principal balance of approximately \$1,600,000. Iron Range Resources will release the junior lien on all existing machinery and equipment when the outstanding principal balance of the \$1,450,000 Direct Loan falls below \$725,000.

⁴ A Direct Loan to MTD secured by a real estate mortgage on the land and building that houses MTD's manufacturing facility, junior only to a first mortgage with a current principal balance of approximately \$400,000 held by American Bank. The loan may be forgiven in five (5) annual increments of up to \$150,000 each based on MTD attaining and maintaining the job levels as listed below, all of which are over and above the current compliment of 61 full-time employees:

2011	40 Full-Time Employees	10 Full-Time Equivalents
2012	50 Full-Time Employees	10 Full-Time Equivalents
2013	50 Full-Time Employees	15 Full-Time Equivalents
2014	50 Full-Time Employees	15 Full-Time Equivalents
2015	50 Full-Time Employees	25 Full-Time Equivalents

Should MTD not attain the job numbers during one of the years listed above, the schedule and the job commitment will be shifted out by one year to 2016.

Full-Time Employees are those who earn no less than \$10.00 per hour plus benefits, including health insurance, and who work at least 2,080 hours per year including any paid vacation or paid sick time. Full-Time Equivalent Employees includes those who work part time, or full time on a temporary basis, and do not receive benefits. A Full-Time Equivalent is calculated by adding all of the hours of the Full-Time Equivalent Employees and dividing the sum by 2,080.

All of the above loans will be personally guaranteed by Scott Allison, John Bergum, John Larsen and Allan Lambert. James Fena will provide a personal guaranty limited to 11% of the original principal amount of the proposed loans.

COLLATERAL:

See above for a description of the collateral.

JOBS:

MTD currently has 61 full-time employees earning between \$11.34 and \$20.34 per hour. Salaried employees earn between \$34,000 to \$75,000 per year. The overall average wage is \$16.34 per hour. The proposed expansion will result in the addition of 50 new Full-Time Employees with hourly wages ranging from \$10.35 to \$17.81 plus benefits, including health insurance. The company also projects that it will add at least 25 additional Full-Time Equivalent Employees as a result of the expansion.

CONTINGENCIES:

Prior to closing, MTD will provide a "desktop" appraisal by a qualified third party, satisfactory to Iron Range Resources, of the machinery and equipment to be acquired with loan proceeds as well as any machinery and equipment purchased by MTD since February of 2005.

Prior to closing, MTD will provide full disclosure of the real estate improvements, including a project budget for the \$700,000 equity injection committed to in the loan application, and a copy of the lease(s) between MTD and the affiliated MTD Real Estate LLC. Iron Range Resources will require MTD to provide documentation that the improvements to the manufacturing facility will have been made within 120 days of closing, or at an agreed upon time thereafter.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Recommended at the October 13, 2009, 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:

MTD Acquisition Inc. (MTD), doing business as Minnesota Twist Drill, began operations in 2003 when it acquired the assets of the drill bit manufacturing business from Milacron. At the time, Milacron, which had owned and operated the business since 1998, had chosen to exit the operation, either by selling the business, or by closing the doors and liquidating the equipment. The drill bit manufacturing operation, itself, dates back to the 1960's operating under various owners and names.

Since acquiring the business in 2003, MTD has operated the business successfully and has grown the employee base to approximately 61 full-time employees. The proposed expansion, which will more than double the number of drill bit grinding machines on the floor, also will result in the addition of at least 50 new full-time employees and 25 full-time equivalents. The manufacturing facility will require a moderate expansion as well as renovations to accommodate the project.

MANAGEMENT TEAM:

The management team consists of five of the current owners of MTD. Scott Allison serves as the President and CEO of MTD. Mr. Allison has worked at MTD for approximately twelve years, with at least nine of those years as the plant manager. Previous employment has been in various management and sales positions in the region. Terry Bergum is the VP of Sales and Marketing, having started with the predecessor companies in the mid 1990's. John Larsen serves as VP of Facility Maintenance. He has been with MTD and predecessor companies since 1978. Allan Lambert serves as the VP of Manufacturing and has been with MTD and predecessor companies since 1979. Paul Janssen serves as the Controller for MTD and various other business interests of Jim Fena. Jim Fena serves as the Chairman of the Board and assists the management team with strategic decisions. He has been associated with MTD's operations for many years and has various other business interests in the region.

MARKET OPPORTUNITY:

MTD currently produces drill bits for private labeling and original equipment manufacturer (OEM) markets. The drill bit end users are those in the maintenance, repair and operations (MRO) markets, the construction/contractor market, and the light-to-heavy industrial market. The proposed expansion will allow MTD to expand its offerings into other round tool

configurations such as routers and end mills. With the marketplace demanding that its suppliers provide a full range of round tool products, MTD views the expansion as a strategic move that will ensure its longevity in the market. In addition, the "Made in the USA" story is becoming increasingly important for MTD as much of its competition has moved offshore. Finally, with the expansion, MTD will develop its own private label, as well as continue to supply private labeled bits to a variety of customers.

MTD's competition primarily consists of less than five domestic manufacturers. Offshore competition is there, but long lead and delivery times, coupled with escalating prices, have hurt these sources. MTD considers itself the lowest cost producer of drill bits in the U.S.

COLLATERAL REVIEW:

Collateral coverage on the proposed loans to MTD by Iron Range Resources is as follows:

- \$500,000 Bank Participation Loan will be secured by a proportional first lien on the inventory and accounts receivable of MTD. The collateral will secure a total of up to \$5,500,000 of debt issued by American Bank, including a \$2,000,000 term loan (of which IRR is purchasing \$500,000) and a \$3,500,000 revolving Line of Credit loan. The advances on the Line of Credit will be reviewed monthly and controlled by the bank via agreed upon advance ratios. On the date of the interim financial statement (8/28/09) MTD had approximately \$4,500,000 of collateral available and approximately \$707,000 outstanding on the Line of Credit.
- The \$1,450,000 Direct Loan will be secured by a first lien on the equipment to be acquired as part of the expansion (28 Normac grinding machines and 1 packaging machine), intangible assets (branding, catalog, customer list, website), and a junior lien on all of MTD's existing machinery and equipment subject only to an outstanding term loan held by American Bank with a current principal balance of approximately \$1,600,000.

Prior to closing, MTD will provide a desktop appraisal by a qualified third party, satisfactory to Iron Range Resources, of the machinery and equipment to be acquired with loan proceeds as well as any machinery and equipment purchased by MTD since February of 2005.

Iron Range Resources will release the junior lien on all existing machinery and equipment when the outstanding principal balance of the loan falls below \$725,000.

- The \$750,000 Direct Loan will be secured by land (approximately 7 acres) and building (approximately 56,000 square feet) that houses MTD's manufacturing operation, subject only to a first mortgage with a current principal balance of approximately \$400,000 held by American Bank. A 2005 appraisal estimates the value at \$750,000. The property is assessed at \$498,000 and is owned by affiliate MTD Real Estate LLC. An estimated \$700,000 will be invested to expand the facility and renovate other portions of the building to accommodate the added equipment.

All of the above loans will be personally guaranteed by Scott Allison, John Bergum, John Larsen and Allan Lambert. James Fena will provide a personal guaranty limited to 11% of the original principal amount of the proposed loans.

PAST IRON RANGE RESOURCES HISTORY:

Iron Range Resources currently has one loan outstanding to MTD, a \$150,000 loan originated in 2005. The loan is forgivable in \$50,000 annual increment beginning on September 30, 2008, with final forgiveness on September 30, 2010, should the company maintain at least 50 employees who earn at least \$10.00 per hour and receive benefits. The current balance of the loan is \$100,000.

In addition to the above noted loan, Iron Range Resources has provided a total of five different loans to the Minnesota Twist Drill operation. All loans have been paid in full.

Spectrum Housing with Services, LLC



Iron Range Resources
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4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218) 735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources Board

From: Sandy Layman
Commissioner

Date: October 12, 2009

Re: **Spectrum Housing with Services, LLC**

In 2004, an Iron Range Resources loan of \$375,000 to Spectrum Housing with Services, LLC (Spectrum) was approved to assist with renovations of Spectrum's building in Progress Park. Due to delays in being able to complete the renovations, only \$266,558 was advanced under the loan. The remaining dollars were returned to the Douglas J. Johnson Economic Protection Trust Fund (DJJ) as carry-forward funds.

Spectrum has requested that \$105,000 of the funds be restored to the loan for use in roof repairs that will be completed this fall. Total cost of the project is estimated at \$226,974.

I recommend approval of this request and re-allocation of \$105,000 of DJJ funds to be advanced under the existing loan documents as approved in 2004.

SOURCES:

USES:

Iron Range Resources Direct Loan	\$105,000	Re-roof 45,300 square foot roof of Eveleth facility	\$227,000
Company equity	122,000		
TOTAL SOURCES	\$227,000	TOTAL USES	\$227,000

Taconite Area Economic Protection Fund

Action required: Project approval requires 7 votes

- a) Mt. Iron Economic Development Authority – ***Resolution No. 10-013***
- b) Minnesota Film Board Film Making Incentive – ***Resolution No. 10-014***
- c) Drilling Incentive Grant (DIG) Program – ***Resolution No. 10-015***
- d) Minnesota Discovery Center – ***Resolution No. 10-016***

Mt. Iron Economic Development Authority



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Fax: (218)735-3047

To: Iron Range Resources Board

From: Sandy Layman
Commissioner

Date: October 12, 2009

Re: Mountain Iron Economic Development Authority First Discovery Wind Project

Laws of Minnesota for 2009, Chapter 78, Article 7, Authorized the transfer of \$5,998,597 to the Taconite Environmental Protection Fund. These funds are to be available for cooperative projects between Iron Range Resources and local governments for renewable energy initiatives.

Mountain Iron Economic Development Authority (MIEDA) is developing a wind energy project, First Discovery Wind, to be located near Giants Ridge. This project will consist of six wind turbines that will generate up to 9 megawatts of electric energy. Total cost of the project is estimated to reach \$23 million, with proposed financing of approximately \$4.6 million from the agency.

MIEDA has requested that a portion of the agency funding be in the form of a grant to fund development costs including engineering, permitting and achieving a power purchase agreement. I propose that the agency award a grant up to \$1 million with the funds to be advanced as the project achieves specific benchmarks as detailed in MIEDA's application.

FIRST DISCOVERY WIND PROJECT

BUDGET AND MILESTONES:

ADVANCES:

- | | | |
|--|--------------------|--------------------|
| 1. <i>Development, Permitting, Interconnection:</i> | 7/09 through 12/09 | \$264,000 |
| Wind monitoring data complete | | |
| Windlogics finalized wind resource assessment approved | | |
| Distribution and interconnect application completed | | |
| Land leases finalized | | |
| Geotechnical flyover completed | | |
| Letter of Intent and non-disclosure signed for power purchase negotiations | | |
| Turbine supply agreement options outlined | | |
| 2. <i>Pre-construction:</i> | 1/10 through 3/10 | \$292,804 |
| Access/easement agreement completed | | |
| Distribution/transmission approved | | |
| FCC approval | | |
| MPUC application preliminarily filed | | |
| PPA negotiations completed | | |
| Microwave approval | | |
| County approval | | |
| Town of White agreement | | |
| Site clearing commenced | | |
| 3. <i>Pre-construction, continued:</i> | 4/10 through 6/10 | \$270,809 |
| Road construction commenced | | |
| Easements completed | | |
| MPUC comment period completed | | |
| Foundation/structural engineering plan completed | | |
| Equipment delivered | | |
| 4. <i>Begin construction, road access:</i> | 7/10 through 9/10 | \$172,387 |
| | TOTAL | \$1,000,000 |

Minnesota Film Board Film Making Incentive



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Fax: (218)735-3047

To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 9, 2009

Re: Minnesota Film & TV Board: The Movie "The Convincer"

The Minnesota Film & TV Board (MFB) is a state-wide Commission dedicated to creating jobs and economic growth by promoting and supporting the state's film production industry.

The MFB has requested, and I support, a grant award of up to \$150,000 of Taconite Area Environmental Protection Funds that would be used to provide rebate incentives to WercWerkWorks (WWW) for expenditures within the Taconite Assistance Area (TAA) related to the filming of the movie, "The Convincer."

Terms of the rebate program would be similar to those used for production of the movie "North Country." This incentive grant potentially could bring economic activity of up to \$1.5 million to the TAA this winter, at a time when the incremental growth in revenues is much needed, considering the recent economic challenges.

TERMS OF “THE CONVINCER” FILM MAKING INCENTIVE

Rebate

As an incentive to film the movie “The Convincer” in the Taconite Assistance Area (TAA), Iron Range Resources shall provide a grant to the Minnesota Film & TV Board (MFB), to enable MFB to rebate to WercWerkWorks (WWW), the amount of certain eligible expenditures WWW makes within the TAA. Only expenditures incurred within the TAA are eligible for the rebate.

Grant Contract

The funds required to pay the rebate shall be made available to MFB through a grant agreement between the MFB and Iron Range Resources. Therefore, the rebate is dependent upon final execution of that grant agreement between MFB and Iron Range Resources.

Eligible Expenditures

The rebate shall be paid on:

- WWW expenditures for products and services required to film “The Convincer” that are purchased from businesses located within the TAA. Expenditures for individual laborers, trades people or “extras” hired to make the film, provided these persons are residents of the TAA, also shall be eligible for the rebate.
- The rebate shall equal 10% of WWW’s eligible expenditures made during the period November 1, 2009 through June 30, 2010.
- The rebate shall be capped at a maximum of \$150,000. (The maximum rebate of \$150,000 would require eligible expenditures of at least \$1.5 million dollars.)

Ineligible Expenditures

The rebate shall not be paid on:

- WWW expenditures for products or services purchased outside the TAA.
- WWW expenditures for WWW employees, contract laborers who are not residents of the TAA, or the primary actors with whom WWW contracts to make the film.
- MFB costs or expenses in administering the grant.

Documentation

To obtain its rebate, WWW shall supply receipts, invoices or other means of documentation of eligible expenditures to MFB. MFB shall submit such documents to Iron Range Resources which shall independently review such supporting documentation to verify the correct rebate payment amounts and advance to MFB funds to enable it to reimburse WWW for verified eligible expenditures up to the maximum amount of the grant.

Point-of-Sale Discount Program

In addition, Iron Range Resources will coordinate a voluntary Point-of Sale discount program to be offered by TAA businesses on WWW purchases from participating businesses. Names and contact information for businesses that respond to Iron Range Resources shall be forwarded to WWW for its use in obtaining these discounts.

Drilling Incentive Grant (DIG) Program



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Fax: (218)744-7403

To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 8, 2009

Re: **Drilling Incentive Grant (DIG) Program**

From 1998 to 2003, Iron Range Resources operated the Drilling Incentive Grant Program (DIG) to encourage the exploration of mineral resources within our service area. The DIG program provided matching grants to qualified applicants to conduct exploratory drilling. The agency has recently experienced renewed demand and would like to reinstate the DIG program to stimulate additional exploration activity in Minnesota, specifically in titanium and gold.

The guidelines for this program would be:

1. Matching grants to mineral exploration companies to assist targeted exploratory (not development or delineation) drilling
2. Iron Range Resources will match up to 40% of direct drilling costs, not to exceed a match of \$20,000 per drill hole
3. Grantees must be eligible to hold a state minerals lease by meeting criteria established by the Minnesota Department of Natural Resources Lands and Minerals Division
4. All drilling must occur before June 30, 2010

No new money would be required to reinstate the DIG program. Funding for the program would come from the \$125,000 line-item in the FY10 Mining & Reclamation budget originally designated for a Copper Nickel Tax Study.

Reinstatement of the DIG program would allow the region to capitalize on some of the pent-up exploration energy that is building in a number of companies to further explore Minnesota's mineral resources.

Another benefit would be to provide an opportunity to retain skilled, trained, experienced drill operators in our area. The DIG program would bring additional drilling activity to northeast Minnesota, offering these skilled workers an opportunity to remain here.

Minnesota Discovery Center



Iron Range Resources

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4261 Highway 53 South
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Fax: (218)744-7403

To: Sandy Layman
Commissioner

From: Marianne Bouska
IDC Liaison

Date: October 10, 2012

Re: \$118,000 for Minnesota Discovery Center Boiler Replacement Project

PURPOSE

The nonprofit Ironworld Development Corporation (IDC) has managed Iron Range Resources' facilities at Ironworld under a Sublease/Management Agreement (Agreement) since January 2007. IDC is now doing business as Minnesota Discovery Center. The Agreement provides for annual capital improvement funding from IRR for MN Discovery Center to address emergency, health and safety, or facility infrastructure and capital building repairs. IDC requests supplemental funds to cover the cost of replacing the inoperable central boiler with three new gas-fired independent boiler units and 5 Lennox Roof Top Units (RTU's). The total cost of this project is \$207,652. The balance that MN Discovery needs to cover the cost is \$117,652.

A chief boiler license is not required to operate the new systems and the efficient units use less gas, water and electricity. The change provides better control of heat in individual building areas as well as increased reliability.

Funds provided for this project will be deducted from FY11 and FY12 building capital improvement allocations, \$58,826 each year.

IDC Boiler Replacement Project

Grant Amount: \$117,652

IDC requests additional FY10 funds to pay for equipment, installation and related construction work to retire the central boiler system and implement independent boiler units for three buildings, the Research Center, Museum and former Admissions building.

<u>SOURCES</u>		<u>USES</u>	
FY10 Building Capital Improvement Grant	\$90,000	Equipment and Installation	\$154,552
October 15, 2009, Agency Funding Request	\$117,652	Construction and Electrical	\$53,100
<hr/>		<hr/>	
TOTAL	\$207,652	TOTAL	\$207,652

Board Account

Action required: Project approval requires 7 votes

- a) Hoyt Lakes Grant Amendment – ***Resolution No. 10-017***

Hoyt Lakes Grant Amendment



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 12, 2009

Re: **City of Hoyt Lakes – Amendment for Leeds Road Project**

At the December 21, 2006, IRR Board meeting, a \$150,000 FY07 Public Works grant was awarded to the city of Hoyt Lakes for remediation, soil cleanup and site improvements at the old Public Works garage area near the golf course. The remediation in this project did not take as long as anticipated and the actual cost came in lower than estimated, resulting in a \$98,680 surplus. The grant contract expired on June 30, 2009, but the agency has not yet canceled the remaining balance.

At the September 23, 2008, IRR Board meeting, a \$300,000 FY09 Public Works grant was awarded to the city of Hoyt Lakes for infrastructure for a 25-unit housing project on Leeds Road. At the time of the grant award, no remediation, soil or site problems were anticipated. However, recently, the city has uncovered site issues that will both delay and increase the budget for the Leeds Road project.

I recommend that the FY07 grant for the Public Works Garage area be extended until December 31, 2010, and amended to allow the \$98,680 in remaining funds to be used for remediation, soil cleanup and site improvements on the Leeds Road project.

Iron Range Higher Education Account

Action required: Project approval requires 7 votes

- a) Arrowhead Institute of Technology Higher Education Programs – ***Resolution No. 10-018***

Arrowhead Institute of Technology Higher Education Programs



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 15, 2009

Re: Iron Range Higher Education Committee: \$315,000 grant to the Northeast Higher Education District (NHED) for higher education programs

The Iron Range Higher Education Committee (IRHEC) is a legislatively created committee (Minnesota Statutes Section 298.2214) charged to advise the Commissioner of Iron Range Resources on providing higher education programs in the Taconite Assistance Area (TAA).

The IRHEC has approved and I support an expenditure of up to \$315,000 of the Iron Range Higher Education Account funds to provide a grant to NHED for use by the Arrowhead University Consortium to develop, in collaboration with private industry, higher education programs in Industrial Technology, Process Automation, Industrial Lab Technician, Industrial Construction and Information Management.

This approved expenditure will cover the first year costs of the programs. Funding for ensuing years will be considered subject to required approval by the Iron Range Higher Education Committee, the Commissioner, and the Board of Iron Range Resources.

Note: Copies of the final report entitled, "*The Arrowhead Institute of Technology: A Comprehensive Plan for Providing Post Secondary, Upper Division, and Graduate Technical Education in Northeastern Minnesota*" will be distributed at the Board meeting.

**Iron Range Higher Education Account
Projected Revenues and Expenditures FY09-12**

October 12, 2009

	FY09 (2007 Production) Actual	FY10 (2008 Production) Actual	FY11 (2009 Production) Estimated	FY12 (2010 Production) Estimated	Total
Revenues					
Balance Forward In	-	1,795,161	2,021,112	562,112	
Taconite Production Tax Distributions	1,896,471	1,935,031	1,569,000	1,453,000	6,853,502
Total Revenues	1,896,471	3,730,192	3,590,112	2,015,112	6,853,502
Expenditures					
Committee meeting expenses	2,195	1,982	-	-	4,177
Consulting services - Sertich Consulting	99,115	-	-	-	99,115
Programs:					
Iron Range Engineering	-	1,144,700	800,000	750,000	2,694,700
Masters of Engineering	-	247,398	400,000	400,000	1,047,398
Technology Programs:					
Industrial Technology	-	25,000	575,000	586,000	1,186,000
Process Automation	-	125,000	762,000	-	887,000
Industrial Lab Technician	-	40,000	186,000	-	226,000
Industrial Construction	-	105,000	105,000	60,000	270,000
Information Management	-	20,000	200,000	44,000	264,000
Entrepreneurial Management -- TBD	-	-	-	-	-
Wind/Solar/Biofuels -- TBD	-	-	-	-	-
Total - Expenditures	101,310	1,709,080	3,028,000	1,840,000	6,678,390
Account Balance	1,795,161	2,021,112	562,112	175,112	175,112