

**Meeting of the
Iron Range Resources Board**

Monday, December 14, 2009

10:00 a.m.

**Iron Range Resources
Eveleth, Minnesota**

1) Roll Call

Senator David Tomassoni, Chair, called the meeting to order at approximately 10:11 a.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Loren Solberg, Senator Tom Bakk; Senator Tom Saxhaug, Senator Yvonne Prettner Solon; Senator Rod Skoe, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan. Excused: Representative Tony Sertich. Also present: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Al Becicka, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Marianne Bouska, Director of Human Resources and Strategic Results; Jean Dolensek, Chief Financial Officer; Roy Smith, Workforce Development Coordinator; Dan Jordan, Mining Program Supervisor; Dave Hart, Loan Officer Sr. Supervisor; Richard Walsh, Community Development Representative; Mary Somnis, Community Development Representative; Sheryl Kochevar, Marketing & Communications Coordinator; Lauren Hall, Executive Assistant; Kim Anderson, Executive Assistant; Ramakrishnan (Krish) Narasimhan, Essar Steel Minnesota; Jon Monacelli, Spectrum Health Companies; Rick Puhek, Ironworld Development Corporation.

2) Approval of the October 15, 2009, Minutes

Representative David Dill moved approval of the October 15, 2009, minutes. Seconded by Citizen Shelley Robinson. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Tony Sertich

3) Douglas J. Johnson Economic Protection Trust Fund

Action required: Approval requires 8 votes

a) Essar Steel – Resolution No. 10-020

Motion by Representative Tom Rukavina to approve the Essar Steel Industries, LLC forbearance of loan payments as presented in Resolution No. 10-020, and as he amended, by adding that by April 1, 2010, Essar would be required to pay the interest due on the loan or increase the amount of the letter of credit to cover the interest owed to the agency, plus principal, through December 31, 2010. Seconded by Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Loren Solberg, Senator Tom Bakk, Senator Rod Skoe, Senator Yvonne Prettnr Solon, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: Senator Tom Saxhaug, Senator David Tomassoni

Abstain: None

Excused: Representative Tony Sertich

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
ESSAR STEEL INDUSTRIES LLC
FORBEARANCE OF LOAN PAYMENTS**

Resolution No.: 10-020

WHEREAS, the Board by motion on December 16, 2004, approved the expenditure of up to \$5.0 million of Douglas J. Johnson Economic Protection Trust Fund monies, subject to a \$1.0 million loan fee, for a total \$6.0 million obligation, for loans to Minnesota Steel Industries, LLC (“Borrower”), for the purpose of helping Borrower develop and pay for the costs of a steel plant (“Project”) to be located near Nashwauk within the Taconite Assistance Area; and

WHEREAS, consistent with such actions, the agency entered into a loan agreement with the Borrower for the \$5.0 million loan on February 2, 2005, which by its terms also required Borrower to pay the agency a \$1.0 million loan fee, creating a total loan indebtedness of \$6.0 million (“Loan”); and

WHEREAS, in October 2007, Essar Steel Limited, a corporation based in India, purchased the interests of Minnesota Steel Industries, LLC in the Project, assumed the obligations of the Loan, and subsequently changed the entity name of Borrower to Essar Steel Minnesota LLC; and

WHEREAS, the due date for repayment of the Loan is December 31, 2008 (“Due Date”); and

WHEREAS, the terms of the loan permit the agency to forbear repayment of the Loan for up to four years after the Due Date if Borrower is making substantial progress on the Project; and

WHEREAS, on December 18, 2008, the Board approved Resolution 09-18 which resolved that it was in the best interest of the agency to forbear repayment of Borrower's Loan for a period of one year from the Due Date, which the agency subsequently proceeded to do; and

WHEREAS, Borrower has requested that the agency forbear repayment of its Loan for a period of one additional year until December 31, 2010; and

WHEREAS, the agency has determined that Borrower has met the criteria for making substantial progress on the Project; and

WHEREAS, the Board met in open session at 10:00 a.m. on December 14, 2009, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, Borrower's request, and determined that the forbearance period should be extended until April 1, 2010, and may be extended at the agency's option until December 31, 2010, if the Borrower agrees before April 1, 2010 to either: 1) pay all interest accrued on the Loan through December 31, 2009 and continue to provide the agency with a letter of credit in an amount that is sufficient to fully secure the repayment of the principal on the Loan during that forbearance period; or 2) provide a letter of credit, in a form acceptable to the agency, in an amount that is sufficient to fully secure the repayment of the principal of the Loan as well as the payment of all interest that has accrued and will accrue prior to the end of that forbearance period.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the agency granting the Borrower a forbearance of all payments due on Borrower's Loan until April 1, 2010, and thereafter for an additional period up to December 31, 2010, if the Borrower agrees before April 1, 2010 either: 1) to pay all interest accrued on the Loan through December 31, 2009 and continue to provide the agency with a letter of credit in an amount that is sufficient to fully secure the repayment of the principal on the Loan during the forbearance period; or 2) to provide a letter of credit, in a form acceptable to the agency, in an amount that is sufficient to fully secure the repayment of the principal of the Loan as well as the payment of all interest that has accrued and will accrue prior to the end of that forbearance period.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 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	2	0	1

Signed: _____
 Senator David Tomassoni, Chair

b) Silver Bay Assisted Living – Resolution No. 10-021

Motion by Representative David Dill to approve the Silver Bay Assisted Living project for the infrastructure and site work costs for the Spectrum Health Company assisted living/memory facility, as presented in Resolution No. 10-021, for an amount not to exceed \$350,000. Seconded by Senator Tom Bakk. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Tony Sertich

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 CITY OF SILVER BAY ASSISTED LIVING/MEMORY CARE FACILITY
 DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND PROJECT**

Resolution No.: 10-021

WHEREAS, the Commissioner is authorized to expend, upon approval of eight members of the Board, the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.291-298.294 and Minnesota Statute Section 298.28, subdivision 11 (“**DJJ Funds**”), to participate with private sources in providing financing for various projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

WHEREAS, the agency’s approved FY10 Investment Plan, as amended, includes provision for the use of DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects, in which budget fund category there existed a balance of \$1,655,001 prior to the start of the Board meeting on December 14, 2009; and

WHEREAS, the City of Silver Bay submitted a request for a grant of \$350,000 to fund a portion of the water, sewer, road, site preparation and infrastructure costs it anticipates incurring in connection with its financial participation, with other sources of private financing, in an economic development project that will be undertaken by the Spectrum Health Companies to construct an assisted living/memory care facility that would be able to accommodate at least 16 assisted living/memory care units in Silver Bay, which is a city located within the TAA (the “**Proposed Project**”); and,

WHEREAS, the technical advisory committee appointed pursuant to Minnesota Statutes Section 298.297 met on December 8, 2009, and recommended that the Board approve the Proposed Project as presented in accordance with the information provided in **Exhibit A** which is attached hereto; and

WHEREAS, the Board met in open session at 10:00 a.m. on December 14, 2009, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, final approval for the Proposed Project and determined that the expenditure of \$350,000 of FY 2010 DJJ Funds to make a grant to the City of Silver Bay for the Proposed Project, for the purposes specified herein would be a project designed to create employment, would be in the public interest, and would promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$350,000 of FY 2010 DJJ Business Development Funds to provide a grant to the City of Silver Bay for the Proposed Project for the infrastructure and site work costs for the Spectrum Health Company assisted living/memory facility project.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of these funds is contingent upon the agency, in its grant contract(s) with the City of Silver Bay, requiring the payment of prevailing wages, as indicated in and to the extent required in, the Board’s Resolution 96-005, by all contractors of the City and of the Spectrum Community Health company furnishing labor or materials to the Proposed Project site.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 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 David Tomassoni, Chair

EXHIBIT A

The city of Silver Bay has requested Iron Range Resources financing, in the form of a Public Works Infrastructure grant, for infrastructure and site work for a 16-unit assisted living/memory care facility. The city has been working with Spectrum Health Companies in the development of this project, summarized below:

City of Silver Bay

Grant Amount: \$350,000

The project is comprised of water, sewer, roads and site work for a 16-unit assisted living facility. The city is working with an established developer, Spectrum Health Companies, which has been in business since 1981. Spectrum owns facilities in Ely, Virginia, Grand Rapids, Brainerd, Duluth, Willmar, Twin Cities, St. Cloud, Faribault and Rochester, and manages additional facilities in Ely, Virginia, Gilbert and Duluth. The company also is building a 20-unit assisted living facility in Cook.

The project is expected to create 7 FTE permanent jobs at an average rate of \$11.50 per hour, plus benefits with an estimated value of \$3.00 per hour. In addition, a number of construction jobs will be created.

<u>USES</u>		<u>SOURCES</u>	
Building	\$1,343,000	Iron Range Resources	\$350,000
Infrastructure & site work	457,000	Applicant	150,000
Land	150,000	Private	1,450,000
TOTAL	\$1,950,000	TOTAL	\$1,950,000

A recent market study suggests a need for 8 private pay and 8 subsidized care units in the Silver Bay area. Spectrum has submitted a business plan, and the release of agency funds will be contingent upon receipt of a development agreement with the city and a firm commitment letter from Spectrum's lender. IRR funds will not be released until all financing is in place.

4) Taconite Area Environmental Protection Fund

Action required: Approval requires 7 votes

a) Public Works Projects – Resolution No. 10-022

Motion by Senator Tom Bakk to approve the Public Works projects as presented in Resolution No. 10-022, in an amount not to exceed \$140,000. Seconded by Senator Yvonne Prettner Solon. Motion carried.

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

Voting Against the Motion:

Abstain: None

Excused: Representative Tony Sertich

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

Resolution No.: 10-022

WHEREAS, the Commissioner is authorized to expend, upon approval of seven 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 and is recommending the expenditure of up to \$140,000 of such TEPF Business Development Funds for community and economic development projects in Crystal Bay Township and the City of Iron Junction that are more specifically described 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 December 14, 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.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$140,000 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 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.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 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 Anzenc	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 David Tomassoni, Chair

**EXHIBIT A
 PUBLIC WORKS GRANTS**

**Crystal Bay Township
 Grant amount: \$90,000**

The project is comprised of construction of a septic system for an intermodal center in Finland, Minnesota. The center will serve as a trailhead building for the Superior Hiking Trail, Moose Run ATV trail and the North Shore snowmobile trail, as well as a community center and a community education facility. Elements of green design will be incorporated into the facility.

<u>USES</u>		<u>SOURCES</u>	
Building & Contingency	\$1,479,560	Iron Range Resources	\$90,000
A&E	82,000	Applicant	150,000
Geothermal System	41,500	Coastal grant	97,300
Septic system	90,000	Lake County	139,000
Furniture, Fixtures, Equipment	85,000	MN DOT grant- Enhancement grant	295,000
		Grants, donations	286,839
		Federal DOT grant	719,921
TOTAL	\$1,778,060	TOTAL	\$1,778,060

City of Iron Junction

Grant Amount: \$50,000

The project is comprised of extending new sewer lines to 17 residents and eliminating inflow and infiltration (I&I) in the existing waste treatment system.

<u>USES</u>		<u>SOURCES</u>	
Sewer extension / I & I	\$909,000	Iron Range Resources	\$50,000
A & E	132,000	Applicant -USDA loan	281,000
		Iron Range Resources FY08	50,000
		USDA grant	410,000
		Army Corp 569 grant	250,000
TOTAL	\$1,041,000	TOTAL	\$1,041,000

TOTAL GRANT AMOUNT \$140,000
TOTAL PROJECT COST \$2,819,060
LEVERAGE 19.1 to 1

b) Range Cities Health Care Collaborative – Resolution No. 10-023

Motion by Representative Loren Solberg to approve the Range Cities Health Care Collaborative project as presented in Resolution No. 10-023, in an amount not to exceed \$215,000. Seconded by Senator Yvonne Prettner Solon. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Tom Rukavina, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, 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 Tony Sertich

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
RANGE CITIES HEALTH CARE COLLABORATIVE PROJECT APPROVAL**

Resolution No.: 10-023

WHEREAS, the Commissioner is authorized to expend, upon approval of at least seven 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 requested the Board’s approval for the expenditure of up to \$215,000 of TEPF Business Development Funds for a grant to Range Regional Health Services to provide funds which, in combination with other funding sources, will be used by the Range Cities Health Care Collaborative in its project to identify ways in which the delivery of health care services within the areas served by three of the TAA’s largest hospitals can be enhanced, and greater efficiencies can be achieved, through collaborative efforts by those participating health care institutions (“**Proposed Project**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on December 14, 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 \$215,000 of TEPF Business Development Funds for the Proposed Project would be in the public interest and promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$215,000 of TEPF Business Development Funds to provide a **grant to Range Regional Health Services, as the fiscal agent for the Range Cities Health Care Collaborative**, to provide funding that will be used in combination with other sources of funding for the Proposed Project, all as more fully described in the materials furnished by the Commissioner in the Board meeting packet.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 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 David Tomassoni, Chair

c) Minnesota Discovery Center – Resolution No. 10-024

Motion by Representative Tom Rukavina to amend Resolution No. 10-024, which approves the reallocation and expenditure of up to \$250,000 of FY10 Endowment Match monies to pay for costs and expenditures associated with the closing of the Minnesota Discovery Center, to also approve the expenditure of an additional \$200,000 in Board Account monies for use by the IDC staff to keep the research facility at the site open. Seconded by Representative Tom Anzelc. Motion carried.

Motion by Representative Tom Rukavina to approve Resolution No. 10-024, as amended. Seconded by Representative Tom Anzelc. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson

Voting Against the Motion: Representative David Dill, Citizen Jack Ryan

Abstain: None

Excused: Representative Tony Sertich, Representative Loren Solberg, Senator Yvonne Prettner Solon

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

Resolution No.: 10-024

WHEREAS, on August 18, 2005, the Board approved Resolution No. 06-001 and authorized Iron Range Resources (“Agency”) to place \$10,000,000 into an endowment for the Ironworld Development Corporation (“IDC”); and

WHEREAS, on September 11, 2006, the Board approved the Ironworld Lease/Management Agreement Term Sheet (“Term Sheet”), which included a \$10,000,000 endowment plus interest from February 2, 2006 (“Endowment”) and an endowment challenge match of up to \$250,000 a year for five years (“Endowment Match”), beginning in FY 2007 and concluding in FY 2011; and

WHEREAS, on December 21, 2006, the Board approved Resolution No. 07-002, which authorized the Commissioner of Iron Range Resources (the “Commissioner”) to release the Endowment and Endowment Match to the IDC subject to certain conditions specified in the Resolution; and

WHEREAS, on September 23, 2008, the Board approved Resolution No. 09-003 which authorized the Commissioner to waive conditions precedent and release the FY 07 Endowment Match amount of \$250,000 to IDC for the purpose of recruiting and hiring a CEO and a grant writer and conducting strategic planning, fundraising and other related activities; and

WHEREAS, on November 16, 2009, the IDC Board informed the Commissioner that it had insufficient cash to continuing operating the Minnesota Discovery Center (formerly known as Ironworld), and on November 20, 2009, IDC closed the center to the public; and

WHEREAS, the Agency has taken over the assets at the site and intends to provide critical services during the closure to protect the buildings and preserve the collections; and

WHEREAS, expenditures must be incurred by the Agency to meet past and future expenses ancillary to the closure and ongoing maintenance of the site; and

WHEREAS, no significant FY 10 Endowment Match funds have been released to date; and

WHEREAS, the Board believes it is necessary to provide the Agency with sufficient funds to enable it to pay for costs incurred as a result of IDC’s financial shortfall and closure of the Minnesota Discovery Center; and

WHEREAS, the Board met in open session at 10:00 a.m. on December 14, 2009, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, reallocating and releasing the FY 10 Endowment Match amount of \$250,000 to the Agency for the purpose of covering expenditures associated with the closing of the Minnesota Discovery Center and the subsequent provision of critical services by the Agency at the site and has determined that reallocating and releasing such monies to the Agency would be in the public interest and promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the reallocation and expenditure of up to \$250,000 of FY 10 Endowment Match monies by the Agency to pay for costs and expenditures associated with the closing of the Minnesota Discovery Center and subsequent provision of critical services by the Agency at the site, all as more fully described in the materials furnished by the Commissioner in the Board meeting packet; and

IT IS FURTHER RESOLVED, that, through a motion offered at the Board meeting to amend this Resolution, the Board hereby approves the expenditure of up to \$200,000 in Board Account monies for use by the IDC for staff to keep the research facility at the site open.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 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	2	0	3

Signed: _____
 Senator David Tomassoni, Chair

5) Taconite Economic Development Fund

Action required: Approval requires 7 votes

a) United States Steel – Keetac – Resolution No. 10-025

Motion by Representative Tom Anzelc to remove from the table Resolution No. 10-007, which had been tabled at the August 20, 2009, meeting and to substitute Resolution No. 10-025. Seconded by Citizen Joe Begich. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Tony Sertich, Representative Loren Solberg, Senator Yvonne Prettner Solon

Motion by Senator Tom Saxhaug to approve the United States Steel – Keetac projects as presented in Resolution No. 10-025, in an amount not to exceed \$1,725,971. Seconded by Representative Tom Anzelc. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Tony Sertich, Representative Loren Solberg, Senator Yvonne Prettner Solon

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

Resolution No.: 10-025

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, upon approval of at least seven members of the Iron Range Resources and Rehabilitation Board (“**Board**”), 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 Keetac 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 December 8, 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 December 14, 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 14th DAY OF DECEMBER 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

Addendum A
UNITED STATES STEEL KEETAC COMPANY

Project 1 – Exploratory Drilling and Analysis for Expansion

Keetac is conducting an exploratory diamond drilling program for the Keetac Expansion project. The purpose is to obtain ore quality and characteristic information where extensive drilling is lacking. This project is necessary for meeting the Security Exchange Commission (SEC) standards to prove the ore reserves exist for at least the next twenty-five years. This data also will be used to estimate stripping, stockpile volume, mining requirements and to provide valuable information about the ore characteristics to be used in determining proper plant process equipment requirements.

Idea Drilling LLC in Virginia is using up to three Hagby drill rigs twenty-four hours a day, seven days a week to perform this work. The locations of the holes are determined by using a four-hundred foot by four-hundred foot offset grid pattern. Lerch Brothers in Hibbing is performing the analyses of the drill core.

TEDF Grant	\$1,725,971
Company	<u>\$371,042</u>
Estimated Project Total Cost	\$2,097,013

Project 2 – Tailings Basin Reclamation and Dust Control

Keetac's active tailings pond is 2,500 acres in size and has a perimeter dike of 44,000 feet. Each year, the height of 12,000 linear feet of this perimeter dike is increased by six feet. This is accomplished by discharging tailings near the dike and dozing the coarse tails to add to the existing dike structure and height. The tailing beaches, located between the water's edge and the toe of the dike, along the 12,000 lineal feet of new deposition, vary in width from 600 to 2,000 feet. The tailing beaches consist of, from the perimeter dike towards the interior, the coarse and medium tailings; second, the medium and the fine tailings; and third, the fine tailings. The discharge water carries the medium and fine tailings flow into the interior of the pond where the tailings settle out in the interior water reservoir.

Minnesota Department of Natural Resources requires Keetac to develop and execute an annual reclamation plan to control fugitive dust levels established by the Minnesota Pollution Control Agency (MPCA). The annual vegetation and tree planting activity on the tailings basin is used to satisfy the requirements of both of these agencies.

Seed and fertilizer are applied to bare areas of soil on inactive areas of the basin by using specialized low ground pressure seeding equipment. Various seed mixtures are used depending upon if the mix is needed for temporary or permanent vegetation. Temporary vegetated areas are seeded within the basin during March and April while the ground is still frozen. Permanent seeding activities on the outer slopes are generally completed in May. The soil nutrient levels are very low; therefore significant amounts of fertilizer are required to sustain plant growth. In lieu of chemical fertilizer, bio solids have been a successful alternative.

The use of hay mulch has been an effective method of controlling dust on the tailings basin. Mulch is spread by either bale busters which are pulled by low ground pressure tractors or by helicopter when the ground is too wet such as in areas where tailings have been recently deposited.

Trees are used to enhance the perimeter of the tails basin. Trees are beneficial because they act as a visual and sound buffer for the operation and they have proved effective as a means of windbreak. The trees that are used are acquired from Iron Range Resources, local nurseries, or grown from seed and cuttings collected from the Keetac property. An excess of 15,000 trees are planted annually.

TEDF Grant	\$0
Company	<u>\$70,675</u>
Estimated Project Total Cost	\$70,675

Project 3 – Welcome Creek Treatment

Keetac has historically exceeded its winter season turbidity limits for NPDES monitoring station SD002. Previous research, visual observations and technical data into the cause of these exceedances indicated that ground water inflow in Basin 10 may be contributing to the increased turbidity witnessed downstream at SD002. The elevated turbidity levels are the result of dissolved iron entering the ditch system through ground water seeps in Basin 10 and downstream. The dissolved iron is oxidized within the stream and precipitates, but is not able to adequately settle out of the water column before reaching SD002. A permit Compliance Schedule with the MPCA requires implementation of a new Welcome Creek treatment system to bring the turbidity levels below permitted levels.

Keetac's plan is to increase the settling basin's dam height to an elevation of 1,465 feet and thereby, increase the retention time in the last settling basin to 24 hours. This project also will include the addition and mixing of coagulant prior to entering the final settling basin to assure compliance.

As a trial, a small settling basin was constructed in the fall of 2008, which appears to have lowered the turbidity in the effluent when compared to previous years. The current

plan is to increase the surface area of the basin by approximately ten times its current size as this will provide maximum settlement time. The settling basin size would be as large as can be constructed given the physical site constraints.

A pretreatment basin, weir, mixer and chemical feed system also will be installed. Jar testing has confirmed that the coagulant aluminum chlorhydrate induces rapid settling of the suspended iron particles. The contractor's testing has shown that this will greatly increase the probability of preventing excessive turbidity that would exceed the allowable level.

TEDF Grant	\$0
Company	<u>\$86,577</u>
Estimated Project Total Cost	\$86,577

6) Other

a) PolyMet Mining, Inc. – Resolution No. 10-026

Motion by Representative David Dill to support the NorthMet project proposed by PolyMet Mining, Inc., as presented in Resolution No. 10-026. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative Tony Sertich, Representative Loren Solberg, Senator Yvonne Prettner Solon

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

Resolution No.: 10-026

WHEREAS, the Board is aware that PolyMet Mining, Inc (“**PolyMet**”) is proposing to construct and operate an open pit mine and processing facility to process low-grade disseminated sulfide-bearing ore into finished copper metal and various copper, nickel, cobalt, and precious metal concentrates and precipitates (the NorthMet Mine and Ore Processing Facilities Project that also is known as the “**NorthMet Project**”); and,

WHEREAS, the proposed NorthMet Project includes open pit mining operations with ore processed at a refurbished and modified taconite processing facility located at the former LTV Steel Mining Company Erie Plant site near Hoyt Lakes (“**LTVSMC**”), in an area that lies within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (the “**TAA**”) and is entirely within the Board’s statutory service area; and,

WHEREAS, a Draft Environmental Impact Statement (“**DEIS**”) was jointly issued in October 2009 by the Minnesota Department of Natural Resources and the U.S. Army Corps of Engineers to evaluate the NorthMet Project in accordance with the National Environmental Policy Act 42 USC 4321-4347, and the Minnesota Environmental Policy Act, Minnesota Statutes, Section 116D, on which DEIS public comment is now being received; and,

WHEREAS, it appears to the Board that the NorthMet Project is being designed to reuse and recycle all water during operations, thereby minimizing or eliminating any discharge to surface water; and,

WHEREAS, it appears to the Board that the NorthMet Project will not require any additional tailing disposal area beyond those already developed at the former LTVSMC plant site; and

WHEREAS, it appears to the Board that the NorthMet Project’s planned wetland disturbance area has been significantly reduced and that those wetlands areas intended to be used for the project will be mitigated through the purchase and dedication of replacement wetlands as required by Minnesota statute and federal regulations; and

WHEREAS, PolyMet has represented in its preferred plans and its alternatives that the NorthMet Project will manage and treat all generated wastes in the manner and to the extent determined appropriate through the environmental review and permitting process; and

WHEREAS, PolyMet has stated its intent in planning for the NorthMet Project to utilize the best mining and reclamation practices, coupled with clean and energy efficient metal recovery processing that does not include heap leaching or smelting; and,

WHEREAS, the commitment of PolyMet to pursue its proposed NorthMet Project in an environmentally friendly and responsible manner, in combination with the exceptional expertise of the combined resources the State and federal environmental regulators who are evaluating and will be monitoring this proposed project, provide strong grounds upon which to conclude that any potentially adverse elements of the Project will be eliminated or substantially mitigated and that the environment of the TAA will be adequately protected; and,

WHEREAS, it is anticipated that the NorthMet Project will create approximately 400 full-time, long-term jobs in northeastern Minnesota and that it will require over 1 million hours of labor during its construction phase; and

WHEREAS, the NorthMet Project is anticipated to generate 500 spin-off jobs in St. Louis County alone; and

WHEREAS, it is anticipated that the NorthMet Project will contribute millions of dollars to cities and school districts within the TAA and to the State through net proceed taxes, ad valorem taxes, occupation taxes, and royalties; and

WHEREAS, the Duluth Complex ore body at the Project site constitutes the second largest undeveloped copper-nickel/precious metals ore deposit site remaining in the world; and,

WHEREAS, the Northmet Project holds the potential of ushering in a new non-ferrous era in the mining history of Minnesota and of strengthening and diversifying the economies and global competitive positions of the TAA, the State and the nation; and,

WHEREAS, the Board has concluded that the potential economic benefits to the citizens of the TAA and the State from the proposed NorthMet Project are great and that any potentially adverse environmental impacts from the proposed Project can be adequately monitored and mitigated; and,

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby asserts its strong support for the proposed NorthMet Project.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 14th DAY OF DECEMBER 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

b) Grand Marais FY08 Housing Grant Amendment

Action required: Approval requires 7 votes

Motion by Senator Tom Bakk to authorize the agency to amend the \$130,000 FY08 Public Works housing grant agreement with the city of Grand Marais, to pay for a portion of its business park general obligation bonds debt. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Senator Tom Bakk, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Yvonne Prettner Solon

7) Adjournment

The meeting adjourned at 12:20 p.m.