

Thursday, June 17, 2010
10:00 a.m.
Iron Range Resources
Eveleth, Minnesota

1) Roll Call

Senator David Tomassoni, Chair, called the meeting to order at approximately 10:02 a.m. Present: Representative Tom Anzelc, 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. Excused: Representative David Dill, Senator Rod Skoe. Minute Taker: Lauren Hall, Executive Assistant. Also present: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Doug Gregor, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Jean Dolensek, Chief Financial Officer; Roy Smith, Workforce Development Coordinator; Dave Hart, Loan Officer Sr., Supervisor; Rick Anderson, Loan Officer Sr.; Richard Walsh, Community Development Representative; Janette Paul, Executive Assistant; Marianne Bouska, Human Resources and Strategic Results Director; Linda Johnson, Giants Ridge® Director; Sheryl Kochevar, Communications Coordinator; Dan Jordan, Mining Program Coordinator; Ron Ulseth, Director, Itasca Community College Engineering; Dr. James Riehl, Dean, Swenson College of Science & Engineering; Thomas Ehrbright, President, Disability Specialist, Inc.; Larry Lehtinen, Chairman of the Board, Magnetation, Inc.; Michelle Ufford, Director of Program Development, Northeast Minnesota Office of Job Training; David Rhode, Plant Operations Manager, DMR Electronics; Duane Northagen, Coordinator, City of Hibbing; John Carroll, Vice President, Newport Partners, LLC (Silicon Energy MN, LLC); Gary Cerkenik, Consultant, Mt. Iron EDA.

2) Approval of the April 15, 2010, Minutes

Representative Loren Solberg moved approval of the April 15, 2010, minutes. Seconded by Senator Yvonne Prettner Solon. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

1) Iron Range Higher Education Fund – Resolution No. 10-038

a) Iron Range Engineering: Minnesota State University, Mankato

i) Bachelors of Engineering Program

Representative Loren Solberg moved approval the Iron Range Engineering, Minnesota State University, Mankato, Bachelors of Engineering Program in an amount not to exceed

\$800,000, as presented in Resolution No. 10-038. Seconded by Senator Yvonne Prettner Solon. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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

Resolution No.: 10-038

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 273.1341 (“**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 and Board previously approved an expenditure of up to \$1,144,700 of 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 and implement a higher education program that, in collaboration with private industry, will allow students to earn a bachelors of science in engineering degree from Minnesota State University at Mankato (hereafter referred to as the “**Engineering Degree Program**”); and,

WHEREAS, at its meeting at 9:00 a.m. on June 17, 2010, the Committee approved an expenditure of up to \$800,000 of Higher Education Account funds to provide a grant to NEHD for use by the AUC to continue developing and implementing the Engineering Degree Program; and,

WHEREAS, the Committee approved expenditure will cover the second year of costs for the Engineering Degree Program, for which it is projected that total costs for the development and implementation of the Program will be \$3,097,852 over the course of

four years, and for which it is further anticipated that the Program will begin to generate revenues in excess of costs starting with the fifth year after it has been implemented; 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 starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota to consider, among other matters, the proposed expenditure of up to \$800,000 of Higher Education Account funds for the purpose of providing a grant to the NHED for use by the AUC to continue developing and implementing an Engineering Degree Program within the TAA 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 \$800,000 of Higher Education Account funds for a grant to the NHED to be used by the AUC to continue developing and implementing an Engineering Degree Program that, in collaboration with private industry, will allow students to earn a bachelors of science in engineering degree from Minnesota State University at Mankato.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2010.

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 Dave Tomassoni, Chair

- b) Iron Range Engineering: University of Minnesota, Duluth – Resolution No. 10-039**
 - i) Masters of Engineering Program**

Representative Tom Rukavina moved approval of the UMD Masters of Engineering Program in an amount not to exceed \$400,000, as presented in Resolution No. 10-039. Seconded by Senator Tom Bakk. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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

Resolution No.: 10-039

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 273.1341 (“**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 and Board previously approved an expenditure of up to \$250,000 of 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 and implement 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, at its meeting at 9:00 a.m. on June 17, 2010, the Committee approved an expenditure of up to \$400,000 of Higher Education Account funds to provide a grant to the NHED for use by the AUC to continue developing and implementing the Masters Degree Program; and,

WHEREAS, the Committee approved expenditure will cover the second 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 starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota to consider, among other matters, the proposed expenditure of up to \$400,000 of Higher Education Account funds for the purpose of providing a grant to the NHED for use by the AUC to continue developing and implementing a Masters Degree Program within the TAA 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 \$400,000 of Higher Education Account funds for a grant to the NHED to be used by the AUC to continue developing and implementing a Masters Degree Program that, in collaboration with private industry, will allow students within the TAA to earn a Masters of Engineering degree from the University of Minnesota Duluth.

BE IT FURTHER RESOLVED that the terms of the grant to NHED shall require that all monies to be used for expenditures on faculty salaries and expenses shall be disbursed on a reimbursement basis and only after receipt of invoices for actual services provided.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2010.

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 Dave Tomassoni, Chair

3) Douglas J. Johnson Economic Protection Trust Fund

a) Disability Specialist, Inc. – Resolution No. 10-040

Motion by Senator Tom Bakk to approve the Disability Specialist, Inc. project in an amount not to exceed \$486,250 as presented in Resolution No. 10-040. Seconded by Citizen Jack Ryan. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom

Bakk, Senator Yvonne Prettner Solon, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DISABILITY SPECIALIST INC. DIRECT LOAN
DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND PROJECT**

Resolution No.: 10-040

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 provide loans and 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 FY 2011 Investment Plan, as proposed, includes provision for the use of up to \$1,500,000 of DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects; and

WHEREAS, Disability Specialist, Inc., is a successful business with its headquarters in the City of Cook, located within the TAA, which employs 30 full-time people at its headquarters location; and

WHEREAS, at its meeting held on April 15, 2010, the Board approved the expenditure of up to \$875,000 of FY 2010 DJJ Business Development Funds to be used for an agency loan participation interest of up to \$675,000 with a private bank, and to provide a grant of up to \$200,000 to the City of Cook for infrastructure site work costs, all of which are in support of the expansion of Disability Specialist, Inc.’s current facility so that it may continue to grow and hire additional employees (the “**Proposed Project**”) as more fully described in the Board’s Resolution 10-033, which is attached hereto as Exhibit #1; and

WHEREAS, subsequent to the passage of Resolution 10-033, an appraisal was performed on the value of the facility after the expansion improvements are completed and the appraised value was substantially less than the estimated value relied upon by the Board, meaning Disability Specialist, Inc. is in need of gap financing of \$486,250 in the form of a direct agency loan to maintain all previously approved financing for the Proposed Project, as more fully described in Exhibit #2, which is attached hereto; and

WHEREAS, the Commissioner recommends and supports the provision of the above amount of gap financing in the form of a direct agency loan to Disability Specialist, Inc. to enable the Proposed Project to be completed; and

WHEREAS, the technical advisory committee appointed pursuant to Minnesota Statutes Section 298.297 met on June 9, 2010, and recommended that the Board approve the additional financing for the Proposed Project as presented in accordance with the information provided in Exhibit #2; and

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota to consider, among other matters, the proposed loan expenditure for the Proposed Project and determined that the expenditure of up to \$486,250 of DJJ Funds for a direct agency loan to Disability Specialist, Inc. to maintain all previously approved financing for the Proposed Project for the purposes specified herein, would be an expenditure in support of 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 \$486,250 of DJJ Business Development Funds to be used for a direct agency loan to Disability Specialist, Inc. in support of the Proposed Project as provided herein and more fully described in attachment Exhibit #2.

BE IT FURTHER RESOLVED that this approval is contingent upon passage of an FY 2011 Investment Plan with sufficient funding provided from the DJJ Business Development Fund for this expenditure.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2010.

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

EXHIBIT #1

IRON RANGE RESOURCES AND REHABILITATION BOARD

**OF THE STATE OF MINNESOTA
DISABILITY SPECIALISTS PARTICIPATION LOAN/ CITY OF COOK
INFRASTRUCTURE GRANT
DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND PROJECT**

Resolution No.: 10-033

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 provide grants and 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; and

WHEREAS, Disability Specialist, Inc., is a successful business with its headquarters in the City of Cook, located within the TAA, which employs 30 full-time people at its headquarters location and is in need of \$675,000 in funding in the form of an agency participation loan to assist it with expanding its current facility so that it may continue to grow and hire additional employees (the “**Proposed Project**”) as more fully described in Exhibit A, which is attached hereto; and

WHEREAS, the City of Cook supports the expansion of Disability Specialist’s headquarters facility and has submitted a request for a grant of \$200,000 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 the Proposed Project as more fully described in Exhibit B, which is attached hereto; and

WHEREAS, the technical advisory committee appointed pursuant to Minnesota Statutes Section 298.297 met on April 8, 2010, and recommended that the Board approve the Proposed Project as presented in accordance with the information provided in Exhibit A and Exhibit B; and

WHEREAS, the Board met in open session on April 15, 2010, at 5:30 p.m. in St. Paul, Minnesota, to consider, among other matters, final approval of the Proposed Project and determined that the expenditure of \$675,000 of FY 2010 DJJ Funds for an agency participation loan to help provide construction financing for Disability Specialist, Inc., and the expenditure of \$200,000 of FY 2010 DJJ Funds for a grant to the City of Cook for infrastructure costs, 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 \$875,000 of FY 2010 DJJ Business Development Funds to be used for an agency loan participation interest of up to \$675,000 with a private bank, and to provide a grant of up to \$200,000 to the City of Cook for infrastructure site work costs, all of which shall be

in support of the Proposed Project as provided herein and more fully described in the attachments Exhibit A and Exhibit B.

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 Cook, 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 Disability Specialist, Inc. furnishing labor or materials to the Proposed Project site.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 15th DAY OF APRIL 2010.

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

EXHIBIT A
Disability Specialist, Inc.
 Bank Participation Loan Program

APPLICANT:
 Disability Specialist, Inc.

PRINCIPAL(S):
 Tom Ehrbright, President, and Matthew Hoeschen-Ehrbright, CEO

BRIEF PROJECT DESCRIPTION:
 Construct a new facility to allow the company to continue to expand in Cook, MN

PROJECT COST:
 \$2,700,000

PROJECT BREAKDOWN:

Small Business Administration 504 loan	\$1,080,000
Bank loan	675,000
Iron Range Resources Bank Participation Loan	675,000
Owner's equity	<u>270,000</u>
Total	\$2,700,000

COLLATERAL:

Collateral consists of a first mortgage on the new facility and personal guaranties of Thomas and Lee Ann Ehrbright. The appraisal has not yet been completed on the new facility. Any collateral shortfall will be secured with mortgages on the existing commercial real estate and the guarantor's personal residence or with additional owner's cash injection into the project. All collateral will be shared pro-rata with the bank. The SBA will hold a subordinate position on the collateral.

JOBS:

This project will allow the retention of 30 full-time employees and the creation of an additional 20 full-time jobs at wages of \$11.50 to \$16.00 per hour. Full-time employees are provided a comprehensive benefit package including health and dental insurance.

CONTINGENCIES:

All construction permits must be acquired and all other sources of financing must be committed. Appraisals on pledged real estate must total at least \$2,700,000 or additional owner's equity will be required.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Recommended approval of the Project at the Committee's April 8, 2010, 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:

Disability Specialist, Inc. was formed in 1989 when the state of Minnesota began contracting with specialists to assist clients in accessing Social Security disability benefits. The company began as a two-person operation and quickly grew. By 2005, the company had grown to 12 employees in Cook and needed a larger facility. The new facility was constructed in 2006 and supported business growth to the current total of 30 full-time employees.

The current facility in Cook cannot support additional growth. President Tom Ehrbright estimates that continued growth of the company will require an additional 20 full-time employees over the next 5 years.

The project under consideration is to construct a new, expandable, 11,500 square-foot facility to allow the company to continue to grow in Cook, Minnesota.

MANAGEMENT TEAM:

Thomas Ehrbright, President, founded the company in 1989. Tom holds degrees in political science and history from the University of Michigan. Matthew Hoeschen-Ehrbright, CEO, joined the company in 2005. Matt holds a degree in psychology from the College of St. Scholastica.

MARKET OPPORTUNITY:

Disability Specialist’s target market is those people applying for Social Security disability benefits. The company has a state-wide contract to represent the clients of the Minnesota Department of Human Services. The company has representatives in Cook, Brainerd, Rochester Minneapolis and Detroit Lakes and serves clients in Minnesota, western Wisconsin, northern Iowa, eastern North and South Dakota and the upper peninsula of Michigan.

COLLATERAL REVIEW:

The new 11,500 square-foot facility has an estimated construction cost of \$2,700,000. The appraisal has been ordered, but is not available at this time. The existing 4-year-old facility had a construction cost of \$435,000 and has a current appraisal value of \$270,000. The guarantor’s personal residence has a current tax value of \$360,000.

Total estimated value of real estate is calculated below:

New facility construction cost	\$2,700,000
Existing facility appraised value	270,000
Guarantor’s residence	<u>360,000</u>
Total	\$3,330,000

PAST IRON RANGE RESOURCES HISTORY:

In 2005, Iron Range Resources approved a \$185,000 Bank Participation Loan for construction of a new facility in Cook to allow the company to expand. The loan was paid in full in September 2009.

**EXHIBIT B
City of Cook**



Iron Range Resources
P.O. Box 441
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: April 15, 2010

Re: \$200,000 CITY OF COOK INFRASTRUCTURE GRANT

The City of Cook has requested Iron Range Resources financing, in the form of a Public Works Infrastructure Grant in the amount of \$200,000, to assist with infrastructure in the development of a new building for Disability Specialist, Inc.

BACKGROUND:

Disability Specialist, Inc. was formed in 1989 when the State began contracting with specialists to assist clients in accessing Social Security disability benefits. The company began as a two-person operation and quickly grew. By 2005, the company had grown to 12 employees in Cook and needed a larger facility. A new facility was constructed in 2006 and supported business growth to the current total of 30 full-time employees.

The current facility in Cook cannot support additional growth. President Tom Ehrbright estimates that continued growth of the company will require an additional 20 full-time employees over the next 5 years.

Disability Specialist plans to construct a new, expandable, 11,500 square-foot facility to allow the company to continue to grow in Cook, Minnesota.

PROJECT DETAIL:

The project consists of water, sewer, road and site improvements for the construction of an 11,500 square-foot building. Total project costs are \$270,800 with the developer providing the funding in excess of the \$200,000 provided by the agency.

The option for on-site well and septic was evaluated but, in light of future fire protection needs and land development opportunities, the extension of utilities appears to be the most advantageous option. This extension of infrastructure along River Street North and C.S.A.H. 115 will bring infrastructure to the northern end of 76 additional developable acres.

Release of Iron Range Resources funds is contingent upon the agency receiving a copy of a development agreement between the City and Disability Specialist, Inc.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and road improvements	\$270,800	Iron Range Resources	\$200,000
		Private/city	\$70,800
TOTAL	\$270,800	TOTAL	\$270,800

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Recommended approval of the Project at the Committee's April 8, 2010, meeting.

FUNDING AUTHORIZATION:

Douglas J. Johnson Economic Protection Trust Fund: This proposed 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 the expenditure of such DJJEPTF monies to provide loans and other forms of financial participation with private sources of funding to assist private enterprises in projects that promote job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

EXHIBIT #2

Disability Specialist, Inc. Direct Loan Program

APPLICANT:

Disability Specialist, Inc.

PRINCIPAL(S):

Thomas Ehrbright, President, and Matthew Hoeschen-Ehrbright, CEO

BRIEF PROJECT DESCRIPTION:

Construction of a new facility to support the company's expansion. This request is for gap funding to fill the shortfall between the appraised value and construction cost of the new facility to be constructed in Cook, MN. The original estimates below were approved at the April 15, 2010 Board meeting. The appraisal values determine the amount the SBA will allow in senior position to the SBA loan, thus limiting the amount the bank and Iron Range Resources can lend as a first mortgage and, thereby, creating the shortfall.

PROJECT COST:

\$2,515,750

PROJECT BREAKDOWN:

	Original	Revised
Small Business Administration 504 loan (20 year)	\$1,080,000	\$782,000
Bank loan (20 year)	675,000	488,750
Iron Range Resources Bank Participation Loan (20 year)	675,000	488,750
Owner's equity	270,000	270,000
Iron Range Resources Direct Loan (7 year) (\$300,000 new money)		<u>486,250</u>
Total	\$2,700,000	\$2,515,750

COLLATERAL:

Collateral for the \$486,250 loan consists of an assignment of accounts receivable, a life insurance policy on Thomas Ehrbright plus the personal guaranties of Thomas and Lee Ann Ehrbright.

JOBS:

This project will allow the retention of 30 full-time employees and the creation of an additional 20 full-time jobs at wages of \$11.50 to \$16.00 per hour. Full-time employees are provided a comprehensive benefit package including health and dental insurance.

CONTINGENCIES:

All construction permits must be acquired and all other sources of financing must be committed.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Recommended approval at the June 9, 2010, 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:

Disability Specialist, Inc. was formed in 1989 when the state of Minnesota began contracting with specialists to assist clients in accessing Social Security disability benefits. The company began as a two-person operation and quickly grew. By 2005, the company had grown to 12 employees in Cook and needed a larger facility. The new facility was constructed in 2006 and supported business growth to the current total of 30 full-time employees.

The current facility in Cook cannot support additional growth. President Ehrbright estimates that continued growth of the company will require an additional 20 full-time employees over the next 5 years.

The project under consideration is to construct a new, expandable, 11,500 square-foot facility to allow the company to continue to grow in Cook, Minnesota.

In April 2010, the Iron Range Resources Board approved a loan of \$675,000 as part of the new 11,500 sf. construction project which will support the company's growth in Cook, MN. That loan amount was based on the anticipated Small Business Administration (SBA) participation of \$1,080,000 in the project. Due to the current commercial real estate market, total appraised value of the project is \$1,955,000. This reduced the SBA's participation in the project to \$782,000 and limits the amount of first mortgage debt to \$977,500 (which is shared equally by the bank and IRR at \$488,750).

This resulted in a shortfall of approximately \$500,000 for project financing.

MANAGEMENT TEAM:

Thomas Ehrbright, President, founded the company in 1989. Tom holds degrees in political science and history from the University of Michigan. Matthew Hoeschen-Ehrbright, CEO, joined the company in 2005. Matt holds a degree in psychology from the College of St. Scholastica.

MARKET OPPORTUNITY:

Disability Specialist's target market is those people applying for Social Security Disability benefits. The company has a state-wide contract to represent the clients of the Minnesota Department of Human Services. The company has representatives in Cook, Brainerd, Rochester, Minneapolis and Detroit Lakes and serves clients in Minnesota, western Wisconsin, northern Iowa, eastern North and South Dakota and the upper peninsula of Michigan.

COLLATERAL REVIEW:

Accounts receivable are due from the Social Security Administration and are generally collected within 90 days. With annual revenues exceeding \$2,000,000, the outstanding

balance of accounts receivable is typically over \$500,000. The cash value of the life insurance policy is \$104,000.

PAST IRON RANGE RESOURCES HISTORY:

In April, 2010, Iron Range Resources approved a \$675,000 loan for the above project. The project is not complete and the loan has not been advanced. In 2005, Iron Range Resources approved a \$185,000 Bank Participation Loan for construction of a new facility in Cook to allow the company to expand. The loan was paid in full in 2009.

b) Magnetation, Inc. – Resolution No. 10-041

Motion by Representative Tom Anzelc to approve the Magnetation, Inc. subordination agreement as presented in Resolution No. 10-041. Seconded by Senator Tom Saxhaug. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
MAGNETATION, INC. SUBORDINATION AGREEMENT**

Resolution No.: 10-041

WHEREAS, Magnetation, Inc. (the “**Borrower**”) currently owes Iron Range Resources a total of \$4,610,761 principal (plus currently accrued interest) under the terms of four loans that the agency has made in recent years to finance the construction, equipping and operations of certain of Borrower’s facilities and operations (collectively the “**Iron Range Resources Loans**”);

WHEREAS, Borrower’s obligations to repay the Iron Range Resources Loans are secured by shared (shared with comparable security and interests and liens securing the repayment of \$957,466 to DEED) first priority security interests and liens in the Borrower’s real estate, machinery and equipment, other personal property, a processing facility building, and intellectual property interests (collectively, the “**Borrower’s Property**”);

WHEREAS, Borrower has requested the agency to subordinate its first priority security interests and liens in the Borrower’s Property to security interest and liens that JP Morgan Chase Bank is proposing to create in Borrower’s Property to secure the repayment of a new \$5,000,000 line of credit loan which the Borrower is seeking to obtain to reduce its accounts payable balances, refinance a short term loan from a local bank, fund expenses

related to and in support of Borrower’s expansion for Plant 2 and fund minor improvements to maximize the utilization of Plant 1 (the “**New Loan**”);

WHEREAS the Commissioner has requested the Board to approve the Borrower’s request to subordinate the agency’s security interests and liens securing repayment of the Iron Range Resources Loans to the proposed new security interests and liens associated with the New Loan on the basis of certain associated terms and conditions set forth in the Board packet materials presented at the Board’s June 17, 2010, meeting (the “**Modified Deal Terms**”).

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board hereby approves the Borrower’s request to subordinate the agency’s security interests and liens securing repayment of the Iron Range Resources Loans to the proposed new security interests and liens associated with the New Loan, with such approval being subject to the Modified Deal Terms and such other terms and conditions as the Commissioner shall determine to be appropriate, subject to the further understanding that no more than \$5,000,000 of New Loan principal, interest and expenses shall be accorded at any time a first priority security interest and lien position over the agency’s security and lien positions and that the subordination agreement include standard State contract terms including those regarding no indemnification or hold harmless obligations imposed on the agency, no waivers of jury trials, statutory audit clause, and provisions for venue and jurisdiction in Minnesota courts.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17TH DAY OF JUNE 2010.

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

c) **Wage Subsidy Program – Resolution No. 10-042**

Motion by Representative Loren Solberg to approve the Wage Subsidy Program in an amount not to exceed \$1,500,000 as presented in Resolution No. 10-042. Seconded by Representative Tony Sertich. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FY10 AND FY11 WAGE SUBSIDY PROGRAM
DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND**

Resolution No.: 10-042

WHEREAS, the provisions of Minnesota Statutes Section 298.294 (2009) establish a special account within the Douglas J. Johnson Economic Protection Trust Fund (the “**Wage Subsidy Account**”) to receive, in State fiscal years 2010 and 2011 only, \$1,000,000 of the net interest, dividends, and other earnings (“**Wage Subsidy Funds**”) that otherwise would have been transferred into the Douglas J. Johnson Economic Protection Trust Fund’s primary account; and,

WHEREAS, Laws of Minnesota for 2010, Chapter 216, Section 20 (the “**2010 Wage Subsidy Law**”), amended Minnesota Statutes Section 298.294 (2009) by increasing the available Wage Subsidy Funds and the authorized FY 2010 and FY 2011 wage subsidy program expenditure limits from \$1,000,000 to \$1,500,000 for each fiscal year and by authorizing an extension of the period for which such wage subsidy benefits could be paid for the benefit of any one worker from a maximum of 26 weeks to a maximum of 52 weeks; and

WHEREAS, the Board previously, in its resolutions 09-032, 10-019, and 10-032, authorized the expenditure of up to \$1,500,000 of FY10 Wage Subsidy funds for grants to Northeast Minnesota Office of Job Training (“**NEMOJT**”) to provide wage subsidies for up to 26 weeks for employees working in certain approved categories of employment in Taconite Assistance Area businesses; and,

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota and determined that it would be in the public interest and in accordance with the 2010 Wage Subsidy Law: (i) to authorize \$1,500,000 of FY11 Wage Subsidy Funds for a grant to NEMOJT for the FY11 wage subsidy program; (ii) to authorize the payment of wage subsidy benefits under the program during FY10 and FY11 for up to 52 weeks for individual workers in eligible businesses; and (iii) to provide that employees formerly receiving benefits under the

program who still are employed by the same employer are eligible to receive an additional 26 weeks of wage subsidy benefits.

NOW, THEREFORE, IT IS RESOLVED that, in accordance with the provisions of the 2010 Wage Subsidy Law, the Board hereby approves:

- (i) authorizing \$1,500,000 of FY11 Wage Subsidy Funds for a grant to NEMOJT for the FY11 wage subsidy program;
- (ii) revising the wage subsidy program guidelines effective for FY10 and FY11 to authorize the payment of wage subsidy benefits for up to 52 weeks for individual workers in eligible businesses; and
- (iii) revising the wage subsidy program guidelines effective for FY10 and FY11 to provide that employees formerly receiving benefits under the wage subsidy program who still are employed by the same employer are eligible to receive an additional 26 weeks of wage subsidy benefits.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2010.

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 Dave Tomassoni, Chair

4) Taconite Area Environmental Protection Fund

Action required: Approval requires 7 votes

a) City of Two Harbors – Resolution No. 10-043

Motion by Senator Tom Bakk to approve the City of Two Harbors project in an amount not to exceed \$175,000 as presented in Resolution No. 10-043. Seconded by Senator Yvonne Prettner Solon. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Tom Rukavina, Representative Tony Sertich, Representative Loren Solberg, Senator Tom

Bakk, Senator Yvonne Prettner Solon, Senator Tom Saxhaug, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe, Senator David Tomassoni

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TWO HARBORS BUSINESS DEVELOPMENT FUND PROJECT
TACONITE AREA ENVIRONMENTAL PROTECTION FUND**

Resolution No.: 10-043

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 \$4,150,000 of TEPF Funds for Business Development Projects (“**TEPF Business Development Funds**”); and

WHEREAS, the Commissioner has received a proposal and is recommending the expenditure of up to \$175,000 of such TEPF Business Development Funds for a community and economic development project in the City of Two Harbors that is more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Project**”); and

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, 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 \$175,000 of TEPF Funds for the purposes specified 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 \$175,000 of TEPF Business Development Funds to provide a grant to the City of Two Harbors for the Proposed Project for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of TEPF Funds for the Proposed Project is contingent upon the agency, in its grant contract, requiring the 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 17th DAY OF JUNE 2010.

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: _____
 Representative Loren Solberg, Vice Chair

EXHIBIT A

PUBLIC WORKS GRANT

City of Two Harbors

Grant Amount: \$175,000

The project is comprised of water, sewer, site work and wet land delineation for the construction of a new commercial building on C.S.A.H. #26. The old commercial operation of the business to be assisted was destroyed by fire. The project will retain five jobs and add another 2-3 jobs at a wage level of \$17.50 plus benefits. This project also will bring infrastructure to and complete the wet land delineation process for 34.5 acres for future development.

USES

SOURCES

Water, sewer, site work and wet land delineation	\$267,359	Iron Range Resources	\$175,000
Building Construction	450,000	Applicant	92,359
Land purchase	35,000	Private	485,000
TOTAL	\$752,359	TOTAL	\$752,359

FUNDING AUTHORIZATION:

Taconite Area Environmental Protection Fund: These proposed projects are authorized under the provisions of the Taconite Area Environmental Protection Fund Act (“TEPF”) (Minnesota Statutes Section 298.233) pertaining to expenditures of monies made available under the TEPF for local economic development projects and public works,

including construction of sewer and water systems located within the taconite assistance area (“TAA”) as defined in Minnesota Statute Section 273.1341.

b) Hibbing EDA – Resolution No. 10-044

Motion by Representative Tony Sertich to approve the Hibbing EDA project in an amount not to exceed \$100,000 as presented in Resolution No. 10-044. Seconded by Citizen Jack Ryan. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
HEDA BUSINESS DEVELOPMENT FUND PROJECT APPROVAL
TACONITE AREA ENVIRONMENTAL PROTECTION FUND**

Resolution No.: 10-044

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 \$4,150,000 of TEPF Funds for Business Development Projects (“**TEPF Business Development Funds**”); and

WHEREAS, the Commissioner has received a proposal and is recommending the expenditure of up to \$100,000 of such TEPF Business Development Funds for a community and economic development project in the City of Hibbing through the Hibbing Economic Development Authority (“**HEDA**”) that is more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Project**”); and

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, 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 \$100,000 of TEPF Funds for the purposes specified 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 \$100,000 of TEPF Business Development Funds to provide a grant to the HEDA for the Proposed Project for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of TEPF Funds for the Proposed Project is contingent upon the agency, in its grant contract, requiring the 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 17th DAY OF JUNE 2010.

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

EXHIBIT A

BUSINESS DEVELOPMENT PROJECT GRANT

**Hibbing Economic Development Authority
 Grant Amount: \$100,000**

The Hibbing Economic Development Authority (HEDA) has submitted a request for a \$100,000 grant from Iron Range Resources for infrastructure to facilitate an expansion of the DMR Electronics branch of Detroit Diesel Remanufacturing, which is located in the North Hibbing Industrial Park. Detroit Diesel Remanufacturing acquired the former DMR Electronics in 2007. Since that time, sales generated at this location have quadrupled, with a corresponding increase in employment from 51 to 87.

The current project being contemplated would require a capital investment of \$1.92 million and is expected to create a minimum of 10 new jobs, paying a minimum of \$13/hour including wages and benefits, within a two year period. HEDA is considering

an investment of \$200,000 in the project, including this \$100,000 grant and \$100,000 in HEDA funds, with the balance of project financing being contributed by Daimler Trucks North America, the parent of Detroit Diesel Remanufacturing. The assets financed by HEDA, including the infrastructure financed by this grant, will remain in the ownership of HEDA until job creation goals have been met. Company officials have made representations that there is a good chance the Hibbing operation will lose sales, and corresponding employment, should this expansion not be undertaken.

Any Iron Range Resources funding would be contingent upon the project being fully funded and a satisfactory agreement between HEDA and Detroit Diesel Remanufacturing.

FUNDING AUTHORIZATION:

Taconite Area Environmental Protection Fund: This proposed project is authorized under the provisions of the Taconite Area Environmental Protection Fund Act (“TEPF”) (Minnesota Statutes Section 298.233) pertaining to expenditures of monies made available under the TEPF for local economic development projects located within the taconite assistance area (“TAA”) as defined in Minnesota Statute Section 273.1341.

c) Mt. Iron EDA for Silicon Energy Solar Panel Building (Silicon Energy MN, LLC) – Resolution No. 10-045

Motion by Representative Tom Rukavina to approve Resolutions 10-045 and 10-046. Seconded by Senator Yvonne Prettner Solon. Motion carried.

Motion by Representative Tom Rukavina to rescind his motion to approve Resolution 10-045 and 10-046. Motion carried.

Motion by Representative Tom Rukavina to approve the Mt. Iron EDA/Silicon Energy MN, LLC projects as presented in Resolution No. 10-045. Seconded by Senator Yvonne Prettner Solon. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
SILICON ENERGY MN, LLC MT. IRON PROJECT LOAN APPROVALS
MINERALS 21ST CENTURY AND TEPF RENEWABLE ENERGY FUNDS**

Resolution No.: 10-045

WHEREAS, Under the provisions of Laws of Minnesota, Chapter 215, Article 7, Section 18 (k) up to \$10 million was appropriated by the Legislature to the Commissioner from the Minnesota Minerals 21st Century Fund (“**21st Century Funds**”) to be used for grants or forgivable loans to renewable energy manufacturing facilities; and,

WHEREAS, the 21st Century Funds are intended to be deposited, upon receipt by the Commissioner, into the Board Account created under the provisions of Minnesota Statutes Section 298.22 (“**Board Account Funds**”) whose funds are directed to be used to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, under the provisions of Minnesota Statutes Section 298.2961, Subdivision 6, distribution year 2009 taconite production tax revenue funds in the amount of \$5,998,597 were made available to the Commissioner, in a special account within the taconite environmental protection fund that has been created under the provisions of Minnesota Statutes Section 298.223 (“**TEPF Renewable Energy Funds**”), to be used for cooperative agreements between Iron Range Resources and local governmental units for renewable energy initiatives; and,

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$1,500,000 of the 21st Century Funds for a forgivable loan to Silicon Energy MN, LLC for the purchase of equipment to be installed in a photovoltaic solar paneling manufacturing facility (the “**Equipment Loan**”) to be constructed by the Mt. Iron Economic Development Authority (“**Mt. Iron EDA**”) in Mt. Iron; and,

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$3,600,000 of the Renewable Energy Funds for a non-recourse building loan to the Mt. Iron EDA for the construction of a facility that will be leased to Silicon Energy MN, LLC for its planned photovoltaic solar paneling manufacturing operations (the “**Facility Loan**”) and,

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota to consider, among other matters, the proposed expenditure of 21st Century Funds from the Board Account for the Equipment Loan and the expenditure of TEPF Renewable Energy Funds for the proposed Facility Loan; and,

WHEREAS, the Board determined that the expenditures of such funds are for the purposes authorized by law and will promote the economic development of the TAA.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of up to \$1,500,000 of 21st Century Funds from the Board Account for the proposed Equipment Loan to Silicon Energy MN, LLC and the expenditure of up to \$3,600,000 of TEPF Renewable Energy Funds for the Facility Loan to the Mt. Iron EDA, on the terms and subject to the conditions set forth in the project proposal materials submitted to the Board for its consideration at this meeting.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2010.

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 Dave Tomassoni, Chair

5) FY11 Agency Investment Plan – Resolution No. 10-046

Motion by Representative Tom Rukavina to approve the proposed Fiscal Year 2011 Investment Plan for the agency’s operations, programs and projects, as presented in Resolution No. 10-046. Seconded by Representative Tony Sertich.

AMENDMENTS TO THE FY11 AGENCY INVESTMENT PLAN

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Community Redevelopment - \$1,000,000 (Competitive)

Grants designated for cities, townships or non-profits. The rehabilitation of workforce housing in partnership with the regional housing team will enjoy the highest priority. The demolition and removal of commercial structures to make way for new development will now take on a lower priority. These are competitive grants with a maximum of \$150,000 or \$200,000¹ available per grantee.

Motion by Citizen Joe Begich that the allocation of \$1,000,000 for Community Redevelopment on Page 19 in the FY11 Agency Investment Plan is amended to restrict the authorized use of such funds to demolition and removal of structures consistent with the existing program guidelines and not for the rehabilitation of workforce housing. Representative Tom Anzelc seconded. Motion carried.

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

¹ The maximum amount would be \$200,000 if AEOA, Kootasca or the regional HRA submits an application on behalf of several small cities or if the applicant issues Green Energy Bonds to complement the program.

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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Commissioner Program \$500,000

Grants under the Commissioner's Program allow the agency to respond quickly to emergency situations or to support development opportunities that may not meet other program requirements. The Commissioner provides quarterly reports to the Board on grant awards.

Motion by Representative Rukavina that the expenditure of \$500,000 for the Commissioner Program on Page 21 of the FY11 Agency Investment Plan is approved subject to the following conditions:

- The Commissioner may expend the first \$250,000 without further Board approval;
- Expenditure of the remaining \$250,000 is subject to further Board approval; and
- The Commissioner to report quarterly to the Board the amounts and purposes for which funds were expended.

Seconded by Representative Tony Sertich. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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<i>Business Development & Recruitment</i>	<i>FY 2010 Budget</i>	<i>FY 2010 Projected</i>	<i>FY 2011 Budget</i>
<i>Employee Costs</i>	<i>\$655,396</i>	<i>\$570,500²</i>	<i>\$660,134</i>
<i>Operational Costs</i>	<i>\$340,740</i>	<i>\$220,207</i>	<i>\$166,040</i>
<i>Training and travel</i>	<i>43,200</i>	<i>28,016</i>	<i>36,000</i>
<i>Professional services</i>	<i>192,000</i>	<i>140,951</i>	<i>70,500</i>
<i>Purchased services</i>	<i>53,400</i>	<i>17,862</i>	<i>21,600</i>
<i>Memberships</i>	<i>18,000</i>	<i>13,625</i>	<i>18,000</i>
<i>Supplies, telephone and equipment</i>	<i>12,700</i>	<i>11,773</i>	<i>18,500</i>
<i>Utilities and maintenance</i>	<i>21,440</i>	<i>7,980</i>	<i>1,440</i>

² In FY10, one budget position (Loan Officer) was not filled.

Total	\$996,136	\$790,707	\$826,174
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FY11 Operations: Business Development & Recruitment budget

Motion by Representative Loren Solberg that the proposed expenditure of \$107,000 for the professional services line item is reduced to \$70,500. Seconded by Citizen Shelley Robinson. Motion carried.

Voting in Favor of the Motion: Representative Tony Sertich, Representative Loren Solberg, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni, Citizen Shelley Robinson, Citizen Jack Ryan

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

Abstain: None

Excused: Representative David Dill, Senator Yvonne Prettner Solon, Senator Rod Skoe

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Mining & Mineland Reclamation	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
<i>Employee Costs</i>	\$289,382	\$282,802	\$295,605
<i>Operational Costs</i>	\$106,905	\$96,223	\$182,576
<i>Training and travel</i>	4,050	589	3,960
<i>Purchased services</i>	2,600	4,114	4,350
<i>Memberships</i>	7,700	6,559	7,750
<i>Supplies, telephone and equipment</i>	44,765	37,461	33,120
<i>Utilities and maintenance</i>	47,790	47,500	33,396
<i>Board Allocation - Raising/Planting Trees</i>	0	0	100,000
Total	\$396,287	\$379,025	\$478,181

FY11 Operations: Mining & Mineland Reclamation budget

Motion by Representative Rukavina that an additional \$100,000 is provided to continue raising and planting trees. Seconded by Representative Tom Anzelc. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Citizen Jack Ryan, Representative David Dill, Senator Yvonne Prettner Solon, Senator Rod Skoe

FY11 TEPF Public Works Expenditures – Resolution No. 10-047

Motion by Representative Tony Sertich to waive the 50% requirement that each year no less than one-half of the amounts deposited into the Taconite Area Environmental Protection Fund must be used for public works projects as presented in Resolution No. 10-047, with the stipulation that \$4 million in Public Works projects must be presented at the August 2010 Iron Range Resources Board meeting. Seconded by Representative Loren Solberg. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Citizen Jack Ryan, Representative David Dill, Senator Yvonne Prettner Solon, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FY 11 TEPF PUBLIC WORKS EXPENDITURES**

Resolution No.: 10-047

WHEREAS, Minnesota Statutes Section 298.223, Subd. 2 (b) provides that each year no less than one-half of the amounts deposited into the Taconite Area Environmental Protection Fund must be used for public works projects, including construction of sewer and water systems (the “**50% Requirement**”), but that the Board, with approval by at least seven Board members, may waive that 50% Requirement; and,

WHEREAS, as a result of legislation enacted during the 2010 Legislative session (Laws of Minnesota 2010 Chapter 389, Art. 7, Sec. 20, which is to be codified as Minnesota Statutes Section 298.223, Subd. 7) a total of **\$9,032,845** of distribution year 2010 production tax revenues that otherwise would have been allocated to the Taconite Property Tax Relief Fund, instead were appropriated to provide funds for public works grants to public entities across the Taconite Assistance Area (“**TAA**”) to help stimulate the economy of the Iron Range.

NOW, THEREFORE, BE IT RESOLVED, that the 50% Requirement as applied to the agency’s budgeting for public works projects in FY11 is hereby waived due to the pending expenditure of **\$9,032,845** of distribution year 2010 production tax revenues that otherwise would have been allocated to the Taconite Property Tax Relief Fund, that were appropriated to provide funds for the public works grants that are being made this month to public entities across the Taconite Assistance Area (“**TAA**”) to help stimulate the economy of the Iron Range.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2010.

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	9	0	0	4

Signed: _____
 Senator David Tomassoni, Chair

Representative Tom Rukavina renewed his motion to approve the proposed Fiscal Year 2011 Investment Plan for the agency’s operations, programs and projects, as presented in Resolution No. 10-046, and as amended. Seconded by Representative Tony Sertich. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Citizen Jack Ryan, Representative David Dill, Senator Yvonne Prettner Solon, Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 FISCAL YEAR 2011 AGENCY BUDGET APPROVAL**

Resolution No.: 10-046

WHEREAS, the Commissioner pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11 has submitted to the Board for its consideration and approval a proposed FY11 Agency Investment Plan for the funding of operational expenditures, programs and projects of the agency during the State’s fiscal year 2011 (“**FY11**”) which

covers the period of time from July 1, 2010, through June 30, 2011 (the “**Proposed Budget**”); and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Thursday, June 17, 2010, at 10:00 a.m. to consider, among other matters, the Proposed Budget; and

WHEREAS, the Board, after careful deliberation of the current and future resources anticipated to be available to the agency, has concluded that it would be in the best interests of the agency and the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) to approve the Proposed Budget and to approve the requested expenditures of funds made available to the Commissioner under the provisions of Minnesota Statutes Section 298.22 (“**Board Account**”), Section 298.223 (“**Taconite Area Environmental Protection Fund**”), and Sections 298.291 through 298.294 (“**Douglas J Johnson Economic Protection Trust Fund**”) for the projects and purposes, in the amounts, and to the extent requested for final approval authorization in the Proposed Budget.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board approves, subject to the conditions indicated below, the Proposed Budget for FY11 and the expenditure authorizations therein requested for FY11 to fund the operations of the agency during FY11 and those additional specific projects and programs for which final expenditure authorization was requested by the Commissioner in the Proposed Budget, reserving the right of the Board to approve or disapprove at subsequent meetings during FY11 expenditures for those projects for which final expenditure authorization was not requested in the Proposed Budget.

BE IT FURTHER RESOLVED that the Board’s approval of the Proposed Budget is subject to the following additional requirements:

1. Programs:
 - a. Community Readiness: The allocation of \$1,000,000 for the Community Redevelopment program is amended to restrict the authorized use of such funds to demolition and removal of structures consistent with the existing program guidelines and not for the rehabilitation of workforce housing; and,
 - b. Commissioner’s Program: The proposed expenditure of \$500,000 is subject to the following conditions:
 - i. The Commissioner may expend the first \$250,000 portion of the budgeted amount without further Board approval;
 - ii. Expenditure of the remaining \$250,000 of the budgeted amount is subject to further Board approval; and,
 - iii. The Commissioner shall report quarterly to the Board the amounts and purposes for which the approved Commissioner projects funds were expended.
2. Operations:
 - a. Business Development:
 - i. Business Development & Recruitment: The proposed expenditure of \$107,000 for professional services is reduced to \$70,500; and,
 - ii. Mining & Mineland Reclamation: Up to an additional

\$100,000 is provided for raising and planting trees.

**PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND
REHABILITATION BOARD THIS 17th DAY OF JUNE 2010.**

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	9	0	0	4

Signed: _____
Senator David Tomassoni, Chair

6) Adjournment

The meeting adjourned at 1:52 p.m.