

Meeting of the Iron Range Resources Board

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

MEETING OF THE IRON RANGE RESOURCES BOARD
Iron Range Resources, Eveleth, Minnesota
Thursday, June 17, 2010
10:00 a.m.

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MEETING OF THE IRON RANGE RESOURCES BOARD
Iron Range Resources
Eveleth, Minnesota
Thursday, June 17, 2010 – 10:00 a.m.

Agenda

- 1) Roll Call
- 2) Approval of the April 15, 2010, Minutes
- 3) Commissioner's Comments
- 4) Iron Range Higher Education Fund
 - Action required: Project approval requires 7 votes*
 - a) Iron Range Engineering: Minnesota State University, Mankato – **Resolution No. 10-038**
 - i) Bachelors of Engineering Program
 - b) Iron Range Engineering: University of Minnesota, Duluth – **Resolution No. 10-039**
 - i) Masters of Engineering Program
- 5) Douglas J. Johnson Economic Protection Trust Fund
 - Action required: Project approval requires 8 votes*
 - a) Disability Specialist, Inc. – **Resolution No. 10-040**
 - b) Magnetation, Inc. – **Resolution No. 10-041**
 - c) Wage Subsidy Program – **Resolution No. 10-042**
- 6) Taconite Area Environmental Protection Fund
 - Action required: Project approval requires 7 votes*
 - a) City of Two Harbors – **Resolution No. 10-043**
 - b) Hibbing EDA – **Resolution No. 10-044**
 - c) Mt. Iron EDA for Silicon Energy Solar Panel Building (Silicon Energy MN, LLC) – **Resolution No. 10-045***
- 7) Board Account
 - a) Silicon Energy MN, LLC (Mt. Iron EDA for Silicon Energy Solar Panel Building) – **Resolution No. No. 10-045***
Action required: Project approval requires 7 votes
- 8) FY11 Agency Investment Plan – **Resolution No. 10-046 & Resolution No. 10-047**
Action required: Project approval requires 8 votes
- 9) Adjournment

Approval of the April 15, 2010, Minutes

Meeting of the Iron Range Resources Board

Thursday, April 15, 2010
5:30 p.m.
State Capitol – Room 318
St. Paul, Minnesota

I. Roll Call

Senator David Tomassoni, Chair, called the meeting to order at approximately 5:33 p.m. Present: Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Tom Saxhaug, Senator Yvonne Prettner Solon, Senator Rod Skoe, Citizen Joe Begich, Citizen Shelley Robinson, Citizen Jack Ryan. Excused: Representative Tom Anzelc, Representative Loren Solberg. Minute Taker: Lauren Hall, Executive Assistant. Also present: Sandy Layman, Commissioner; Brian Hiti, Deputy Commissioner; Al Becicka, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Jean Dolensek, Chief Financial Officer; Roy Smith, Workforce Development Coordinator; Dave Hart, Loan Officer Sr., Supervisor; Kyle Hopstad, Interim CEO, Virginia Regional Medical Center; Tom Ehrbright, President, Disability Specialist, Inc.; Scott Dane, Executive Director, Associated Contract Loggers & Truckers of Minnesota; Keith Nelson, St. Louis County Commissioner; Rich Puhek, Chairman of the Board, Ironworld Development Corporation; Paul Metsa, Musician.

II. Approval of the February 18, 2010, Minutes

Senator Tom Saxhaug moved approval of the February 18, 2010, minutes. Seconded by Senator Yvonne Prettner Solon. Motion carried.

Voting in Favor of the Motion: Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Yvonne Prettner Solon, 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 Anzelc, Representative Loren Solberg

III. Commissioner Comments

- a. **FY10 Agency Budget Amendment – Resolution No. 10-032**

Commissioner Layman explained that the economic development projects on the agenda to be funded from the Douglas J. Johnson Economic Protection Trust Fund (DJJ) would exceed the amount currently available in the FY10 Budget. Therefore, Resolution No. 10-032 was being presented, which would increase the budget by \$10,999 to enable the agency to fund those projects. Also, the Resolution acknowledges the Laws of Minnesota 2010, Chapter 215, which was enacted by the legislature and signed into law by the Governor on April 1, 2010, amended Minnesota Statutes Section 298.294 (b) and requires that an additional \$500,000 not included in the FY10 Budget be transferred from DJJ Funds into a special account.

Motion by Representative Tony Sertich to approve the FY10 Agency Budget Amendment as presented in Resolution No. 10-032. Seconded by Citizen Jack Ryan. Motion carried.

Voting in Favor of the Motion: Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Yvonne Prettner Solon, 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 Anzelc, Representative Loren Solberg

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2010 AGENCY BUDGET AMENDMENT APPROVAL**

Resolution No.: 10-032

WHEREAS, the Commissioner, pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11, submitted to the Board for its consideration and approval a proposed FY10 Agency Investment Plan for the funding of operational expenditures, programs and projects of the agency during the State's fiscal year 2010 ("FY10") which covered the period of time from July 1, 2009, through June 30, 2010 (the "**Budget**"); and

WHEREAS, on June 18, 2009, the Board voted to approve Resolution No. 09-030, which adopted the Budget for FY10 ; and

WHEREAS, the Commissioner intends to present three projects at this Board meeting to be funded from the Business Development Project Account (the "**BDP Account**") of 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**") for the Board's consideration and approval, but approval of all three projects would deplete the amount budgeted for the BDP Account and leave a shortfall of \$10,999 in the FY10 Budget for the BDP Account; and

WHEREAS, Law of Minnesota 2010, Chapter 215, which was enacted by the legislature and signed into law by the Governor on April 1, 2010, amended Minnesota Statutes Section 298.294 (b) and requires that an additional \$500,000 not included in the FY10 Budget be transferred from DJJ Funds into a special account (the “**Special Account**”) authorized pursuant to said statute in FY10; and

WHEREAS, the Board met in open session at 5:30 p.m. in St. Paul, Minnesota, to consider, among other matters, amending the FY10 Budget to increase the BDP Account by \$10,999 from additional DJJ Funds and to increase the Special Account authorized by Minnesota Statutes Section 298.294 (b) by \$500,000, and by approval of at least eight of its members has determined that amending the FY10 Budget as proposed would help promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board approves amending the FY10 Budget by increasing funds in the BDP Account by \$10,999 from additional DJJ Funds and by increasing the Special Account authorized by Minnesota Statutes Section 298.294 (b) by \$500,000.

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

IV. Douglas J. Johnson Economic Protection Trust Fund

a. Disability Specialist, Inc./City of Cook – Resolution No. 10-033

Motion by Representative David Dill to approve the Disability Specialist, Inc. and City of Cook projects as presented in Resolution No. 10-033. Seconded by Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Yvonne Prettner Solon, 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 Anzelc, Representative Loren Solberg

**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.

b. City of Mt. Iron – Resolution No. 10-034

Motion by Representative Tom Rukavina to approve the City of Mt. Iron project as presented in Resolution No. 10-034. Seconded by Representative Tony Sertich. Motion carried.

Voting in Favor of the Motion: Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Yvonne Pretzner Solon, 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 Anzelc, Representative Loren Solberg

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 CITY OF MOUNTAIN IRON RAIL ACCESS ROAD IMPROVEMENT GRANT
 DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND PROJECT**

Resolution No.: 10-034

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; and

WHEREAS, the City of Mountain Iron, which is a city located within the TAA, submitted a request for a grant of \$191,000 to fund the road improvement 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 Canadian National railway (“**CN**”) to improve a rail yard within the city near Slate Street that will allow logging companies located within the TAA to access and utilize the rail yard up to an additional 12 weeks per year and ship up to 3,564 additional cords of wood per year to markets accessible by railroad transportation, (the “**Proposed Project**”); 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 which is attached hereto; and

WHEREAS, the Board met in open session at 5:30 p.m. on April 15, 2010, in St. Paul, Minnesota, to consider, among other matters, final approval for the Proposed Project and determined that the expenditure of up to \$191,000 of FY 2010 DJJ Funds to make a grant to the City of Mountain Iron 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 \$191,000 of FY 2010 DJJ Business Development Funds to provide a grant to the City of Mountain Iron for road improvement costs for the Proposed Project, in accordance with the information provided in Exhibit A.

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 Mountain Iron, 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 CN company 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



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: \$191,000 CITY OF MOUNTAIN IRON RAIL ACCESS ROAD IMPROVEMENT GRANT

The City of Mountain Iron has requested Iron Range Resources financing, in the form of a Public Works Infrastructure Grant in the amount of \$191,000, to assist with improvements to a rail yard road (Slate Street) utilized by logging trucks. Loggers off-load their trucks at the rail yard and the wood is shipped to Wisconsin mills. It is anticipated that the Canadian National railway will make improvements, at a cost of \$500,000, to its yard that runs adjacent to the railway. Loggers pull up to the rail cars, off-load their wood and exit by crossing the tracks near Highway 169. Total project cost is \$691,000.

BACKGROUND:

The logging operation at the Mt. Iron siding is run by FOFES LLC out of Angora, Minnesota. The principal is Richard "Finn" Ostman, who has 30 years of experience as a forester and wood buyer. He worked for the Ainsworth plant in Cook for 20 years, which bought over 325,000 cords of wood annually from 80 logging companies. Gary Bailey from Williams MN, through Custom Building Logs, handles the coordination of the rail shipments. He has 20 years of experience in doing so.

The first shipment of logs for this Mountain Iron operation went out in December 2008, and there has been a dramatic increase in business in the past 15 months. Ostman is working with 15 local loggers on this project. Currently there are 40 logging jobs involved; and with the addition of 12 more shipping weeks, an additional 7 jobs would be added.

Recently two other rail transfer operations in the region have shipped a small number of rail car loads. The Minnesota Wilpen yard in Chisholm primarily ships birch to Wisconsin. The Two Harbors site, which is a drying yard, also ships wood. Both operations are run by North Shore Forest Products.

The loss of roughly 800,000 cords of wood demand in Minnesota as a result of the Ainsworth and Weyerhaeuser mill closures has forced area loggers to look for new markets for their wood. New markets are becoming established that allow northeastern Minnesota loggers to export a significant volume of logs to Wisconsin and Canada. The rail transfer yards provide potential markets for over 100,000 cords annually, at a considerable reduction in transportation expenses.

PROJECT DETAIL:

The improvements to the road include geotextile fabric, sub grade preparation, erosion control and class 5 aggregate base. Road improvement will allow 12 more weeks of utilization of the access road in the spring. At the current shipment of 9 rail cars per week, approximately 3,564 additional cords of wood could be shipped. Also, under current market conditions, the number of rail car shipments could increase from 9 to 15 rail cars per week, thereby increasing traffic on this road overall.

Each rail car handles approximately 33 cords of wood. Each logging truck can haul 10 – 11 cords of wood in the summer and an additional 2 cords in the winter, taking into account the overweight allowance. In the winter, loggers ship mostly tamarack and in the summer, pine.

The release of Iron Range Resources funds is contingent on Canadian National railroad committing, in writing, to improve the railroad siding.

<u>USES</u>		<u>SOURCES</u>	
City access road	\$191,000	Iron Range Resources	\$191,000
Canadian National siding	500,000	Canadian National railway	500,000
TOTAL	\$691,000	TOTAL	\$691,000

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.

V. Taconite Area Environmental Protection Fund

Action required: Approval requires 7 votes

i. FY11 Ironworld Development Corporation – Resolution No. 10-035

Motion by Citizen Shelley Robinson to approve the FY11 Ironworld Development Corporation funding request as presented in Resolution No. 10-035. Seconded by Citizen Jack Ryan. Motion carried.

Voting in Favor of the Motion: Representative David Dill, Representative Tom Rukavina, Representative Tony Sertich, Senator Tom Bakk, Senator Yvonne Prettner Solon, 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 Anzelc, Representative Loren Solberg

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

Resolution No.: 10-035

WHEREAS, the Commissioner of Iron Range Resources (“**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**”); and,

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**”) for the purpose of permitting the IDC to take control of the management and operations of the Ironworld facilities; and

WHEREAS, pursuant to a Sublease/Management Agreement (“**Agreement**”) between IDC and the Commissioner, which provided the IDC with operating funds from the Agency pursuant to its terms, the IDC began managing and operating Ironworld facilities on January 25, 2007; and

WHEREAS, on November 16, 2009, the IDC Board informed the Commissioner that it had insufficient cash to continuing operating the Ironworld facilities (now known as the “**Minnesota Discovery Center**”), and on November 20, 2009, IDC closed the facilities to the public, leaving responsibility for the care and management of the facilities at the site to the Agency; and

WHEREAS, on December 14, 2010, the Board approved Resolution No. 10-024, which provided the Agency with up to \$250,000 to cover expenditures associated with the closing of the Minnesota Discovery Center and the subsequent provision of critical services by the Agency at the site to ensure the protection of the buildings and preservation of the collections; and

WHEREAS, the Agency and IDC have subsequently negotiated a tentative amendment to the Agreement (“**Amendment**”) that would permit the IDC to resume management and operating control of the Minnesota Discovery Center in May 2010; and

WHEREAS, the Amendment calls for the agency to provide the IDC with up to \$1,331,547 in FY 2011 as more fully described in the materials furnished by the Commissioner in the Board meeting packet; and

WHEREAS, the Board believes it is necessary to provide the IDC with sufficient funds to enable it to resume operating and managing the Minnesota Discovery Center; and

WHEREAS, the Board met in open session at 5:30 p.m. on April 15, 2010, in St. Paul, Minnesota, to consider, among other matters, approving the expenditure of up to \$1,331,547 of TEPF Funds in FY 2011 for the purpose of allowing IDC to resume managing and operating the Minnesota Discovery Center and upon approval of at least seven members has determined that approving the expenditure 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 \$1,331,547 of TEPF Funds in FY 2011 to enable the IDC to resume operating and managing the Minnesota Discovery Center pursuant to the terms of the Agreement, which shall be amended consistent with the Commissioner’s proposal 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 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

FY11 Ironworld Development Corporation Funding



Iron Range Resources
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(218) 744-7400 • 800-765-5043
Fax: (218)744-7403

To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 10, 2012

**Re: PRE-APPROVAL OF FY11 BUDGET ALLOCATION FOR IRONWORLD
DEVELOPMENT CORPORATION SUBLEASE/MANAGEMENT AGREEMENT**

AGREEMENT REACHED:

A dedicated team from Iron Range Resources and the Ironworld Development Corporation (IDC) Board has worked hard to reach agreement on a revised Sublease/Management contract. To support that agreement I am requesting your pre-approval of the following FY11 Budget amounts for IDC:

AGENCY FY11 INVESTMENT PLAN

IDC Operating Grant	\$1,000,000
Fundraising Match Grant	\$250,000
Insurance	\$40,400
Capital Repairs	\$41,147
TOTAL	\$1,331,547

AGREEMENT TERMS:

- The agency investment schedule (Exhibit C-2) has been changed to \$1,000,000 a year.
- The “Dollar for Dollar” fundraising match of \$250,000 a year may be applied toward operations or toward the endowment.
- IDC must keep the premises open to the public at least 120 days a year, reduced from a previous minimum of 180. They intend to re-open sometime in May 2010.

- Commercial general liability and commercial auto liability limits were increased from \$1,000,000 to \$2,000,000 per MMB policy changes.
- IDC shall report quarterly to the agency on its financial position, fundraising results and other significant operating matters.

Additionally, IDC has developed the following budget, which projects FY11 revenues in excess of operating expenditures by \$8,472:

	<u>USES</u>		<u>SOURCES</u>	
Salaries	\$791,500		Iron Range Resources Operating Grant	\$1,000,000
Operating Expenses	\$682,928		Earned Income and Fundraising	\$62,900
			Endowment Interest	\$420,000
	Subtotal	\$1,474,428	Subtotal	\$1,482,900
<i>Budget Surplus</i>		\$8,472		
TOTAL USES		\$1,482,900	TOTAL SOURCES	\$1,482,900

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.

VI. Other

a. Virginia Regional Medical Center Grant Request

Chairman Tomassoni invited Kyle Hopstad, Interim Administrator, Virginia Regional Medical Center (VRMC), to present a grant request for \$850,000.

Hopstad discussed the hospital’s need to remodel its surgical facilities and purchase new equipment that will allow additional surgical procedures to be performed at VRMC, thereby bringing in much needed revenues to the hospital.

Commissioner Layman cautioned that the project had not been placed on the meeting agenda because no application had yet been received by the agency allowing for due diligence by staff. She suggested that time be allowed to properly review the project prior to Board action. Layman mentioned that a \$200,000 grant had been approved by the Board for remodeling at VRMC at a meeting in August 2009, which has not yet been accessed. In addition, she also discussed a \$215,000 grant to the Iron Range Health Care Collaborative, which includes the VRMC, Grand Itasca and Fairview hospitals, which had been awarded at the December 2009, Board meeting and also has not been accessed.

Motion by Representative Tom Rukavina to: amend the FY10 Budget by increasing the TEPF business development account by \$650,000 from carryforward monies; authorize the agency to reallocate \$200,000 in the a current grant contract with VRMC toward this new request; not release the funding for the project until VRMC and Iron Range Resources enter into a grant contract that specifies, to the agency's satisfaction, all matters necessary to ensure that grant funds are expended for operating room improvements consistent with a detailed project plan and budget, to be included as part of the grant contract, and require a 1-to-1 match by VRMC on an amount up to \$650,000 from non-agency sources. Second by Senator Yvonne Prettner Solon. Motion carried.

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

VII. Taconite Area Environmental Protection Fund (*continued*)

Action required: Approval requires 7 votes

b) City of Eveleth – Resolution No. 10-036

Motion by Citizen Joe Begich to approve the City of Eveleth project, as presented in Resolution No. 10-036. Seconded by Representative Tony Sertich. Motion carried.

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

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
CITY OF EVELETH MINELAND RECLAMATION GRANT APPROVAL**

Resolution No.: 10-036

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**”) for the reclamation, restoration or reforestation of mine lands not otherwise provided for in state law within the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”); and

WHEREAS, the agency’s approved FY 2010 Investment Plan budget includes the allocation of \$490,000 of TEPF Funds for Mining and Mineland Reclamation Expenditures, and of that amount allocates \$125,000 specifically for other Mineland Reclamation Projects (“**Mineland Reclamation Funds**”); and

WHEREAS, the Commissioner has received a proposal from the City of Eveleth for the expenditure of up to \$40,920 of Mineland Reclamation Funds for a project to help mitigate the land subsidence occurring in the city from an abandoned underground mine, as more specifically described in the Board packet materials presented to the Board, which project would be undertaken and implemented in the TAA (the “**Proposed Project**”); and

WHEREAS, the Board met in open session at 5:30 p.m. on April 15, 2010 in St. Paul, Minnesota, to consider, among other matters, the Proposed Project and has determined that the expenditure of up to \$40,920 of Mineland Reclamation Funds for the purposes specified herein would be in the public interest and would result in the reclamation and restoration of mine lands within the Taconite Assistance Area.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of up to \$40,920 of Mineland Reclamation Funds to provide a grant to the City of Eveleth for the Proposed Project, which is more fully described in the Board packet materials presented to the Board.

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	9	0	0	4

Signed: _____
Senator David Tomassoni, Chair

City of Eveleth



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(218) 735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources Board

From: Sandy Layman
Commissioner

Date: April 15, 2010

Re: \$40,920 CITY OF EVELETH GRANT FOR MITIGATION OF SUBSIDENCE ASSOCIATED WITH THE AAD UNDERGROUND MINE

The City of Eveleth has requested Iron Range Resources financing, through a Mineland Reclamation grant in the amount of \$40,920, to mitigate the subsidence caused by the Aad underground mine at the corner of Adams Avenue and Cleveland Street in Eveleth. The project will include filling the area of subsidence, preparing the surface for the construction of a reinforced concrete slab extending over the subsidence area, and then installing the concrete cap over the area.

BACKGROUND:

In June 2009, part of the old Aad Underground Mine had significantly subsided for the second time within a residential area in Eveleth at the northwest corner of Cleveland Street and Adams Avenue. The St. Louis County Mine Inspector, DNR and IRR visited the site and, along with the City, determined the best short-term action plan was continued monitoring of the site and placing fill material into the subsidence as required. The diameter of the subsidence has not grown over the past ten months, which was a primary concern, as this would have prevented a permanent solution to this safety issue.

PROJECT DETAIL:

The perimeter of the subsidence area now appears to be stable and not expanding. Therefore, it's feasible to implement a permanent fix of constructing a concrete cap over the area with a removable hatch cover assembly (manhole with cover) placed over the center of the subsidence. This will permit the city to continue monitoring the subsidence and placing fine grained fill material into the void as necessary and prevent any unfortunate accidents from occurring in the future.

The funding for the project will come from the \$125,000 FY10 Budget allocation for Mineland Reclamation projects. At the June 18, 2009, Board meeting, the Board reallocated the \$125,000 that had been proposed for a Wetland Mitigation Cooperative to instead be used for Mineland Reclamation projects that might arise during FY10. To date, none of these funds have been used. The \$40,920 for the Eveleth project will be used as follows:

Site preparation	\$5,000.00
Common excavation	\$2,025.00
Aggregate base	\$875.00
Concrete pavement	\$22,000.00
Casting assembly	\$1,000.00
Turf establishment	\$500.00
Engineering	\$7,950.00
Contingency (5%)	\$1,570.00
Total	\$40,920.00

FUNDING AUTHORIZATION:

Funding for the project will come from the Taconite Area Environmental Protection Fund (M.S. 298.223), which is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within the taconite assistance area defined in section 273.1341 that are adversely affected by the environmentally damaging operations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes. . . (2) reclamation, restoration, or reforestation of mine lands not otherwise provided for by state law. . .

VIII. Iron Range Higher Education Fund

Action required: Approval requires 7 votes

a. Iron Range Higher Education Committee Expenditure – Resolution No. 10-037

Motion by Senator Tom Bakk to approve the Iron Range Higher Education Committee expenditure, as presented in Resolution No. 10-037. Seconded by Citizen Shelley Robinson. Motion carried. Representative Tony Sertich abstained from the vote.

Voting in Favor of the Motion: Representative David Dill, 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: Representative Tony Sertich

Excused: Senator Rod Skoe, Representative Tom Anzelc, Representative Tom Rukavina, Representative Loren Solberg

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

Resolution No.: 10-037

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

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

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

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

WHEREAS, the comprehensive plan has been completed and accepted by the Committee, and the Committee has approved the expenditure of up to an additional \$100,000 to issue a Request for Proposals (“RFP”) and award a contract to a qualified consultant to evaluate and implement certain portions of the comprehensive plan as more fully described in the materials furnished by the Commissioner in the Board meeting packet; and

WHEREAS, the Board met in open session at 5:30 p.m. on April 15, 2010 in St. Paul, Minnesota, to consider, among other matters, the proposed expenditure of up to \$100,000 of Higher Education Account funds for the purpose of entering into a contract with a consultant to evaluate and implement key components of the comprehensive plan that addresses higher education needs in the TAA, and by an affirmative vote of at least seven of its members has determined that such expenditure would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of up to \$100,000 of Higher Education Account funds for the purpose of issuing an RFP and entering into a contract with a qualified consultant to evaluate and implement certain portions of the comprehensive plan that addresses higher education needs in the TAA, 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 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	8	0	1	4

Signed: _____
 Senator David Tomassoni, Chair

IX. Adjournment

The meeting adjourned at 7:09 p.m.

Iron Range Higher Education Account

Action required: Project approval requires 7 votes

- a) Iron Range Engineering: Minnesota State University, Mankato
 - i) Bachelors of Engineering Program
- b) Iron Range Engineering: University of Minnesota, Duluth
 - i) Masters of Engineering Program

**Iron Range Bachelors of Engineering Program: Minnesota State University,
Mankato**



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: June 17, 2010

Re: Iron Range Higher Education Committee: Iron Range Engineering Program

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

The IRHEC has approved, and I support, an expenditure of up to \$800,000 of the Production Year 2009 Iron Range Higher Education Account funds to provide a grant to the Northeast Higher Education District (NHED) for use by the Arrowhead University Consortium (AUC) to develop a higher education program that, in collaboration with private industry, will allow students to earn a Bachelor's of Science degree in engineering from Minnesota State University, Mankato.

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.

Iron Range Masters of Engineering Program: University of Minnesota, Duluth



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(218) 735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: June 17, 2010

Re: Iron Range Higher Education Committee: Iron Range Engineering Program

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

The IRHEC has approved, and I support, an expenditure of up to \$400,000 of the Production Year 2009 Iron Range Higher Education Account funds to provide a grant to the Northeast Higher Education District (NHED) for use by the Arrowhead University Consortium (AUC) to develop a higher education program that, in collaboration with private industry, will allow students to earn a Masters of Engineering degree from The University of Minnesota, Duluth.

This approved expenditure will cover the second year costs of the 2 ½ year Masters of Engineering Degree Program. Funding for the ensuing half year will be considered by the IRHEC at a future date, subject to approval by Iron Range Resources.

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 votes

- a) Disability Specialist, Inc.
- b) Magnetation, Inc.
- c) Wage Subsidy Program

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)		486,250
<hr/> Total	<hr/> \$2,700,000	<hr/> \$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.

Magnetation, Inc.



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(218) 735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: June 14, 2010

Re: **MAGNETATION, INC. - COLLATERAL SUBORDINATION REQUEST**

Magnetation, Inc. is requesting that Iron Range Resources (IRR) and the Minnesota Department of Employment and Economic Development (DEED) subordinate its priority collateral position on the assets of the company. The subordination will accommodate Magnetation's proposed new \$5,000,000 line of credit financing arrangement with JP Morgan Chase Bank. The new financing will allow Magnetation to reduce its accounts payables, refinance a short term loan from a local bank, fund expenses related to and in support of Magnetation's expansion for Plant2 (Holman site near Taconite, MN), and fund minor capital improvements that would maximize utilization of Plant1 (Keewatin) capacity offered by the company's new Rev3 Separator™.

Magnetation currently owes IRR \$4,610,761 and DEED \$957,466 via four loans advanced to the company beginning in 2008. The funds were generally used for machinery and equipment acquisition and installation, the construction of a fabric building at the company's plant site near Keewatin, and other related expenses. Collateral, which is shared with DEED, includes a real estate mortgage on the approximately 150 acre plant site/tailings basin, all machinery and equipment, other personal property, the building and the intellectual property (patents, pending patents, copyrights, trademarks, etc.) of the company. In addition, there are personal guarantees from Larry Lehtinen, Thomas Hammerlund, Sr. and other stockholders which in aggregate total \$1,250,000, and an assignment of life insurance from Larry Lehtinen in the amount of \$2,000,000. The requested subordination would result in IRR and DEED moving into a junior position on the real estate, machinery and equipment, other personal property, the building and the intellectual property. IRR and DEED will retain the personal guarantees and the life insurance assignment as originally structured.

As part of the initial financing arrangement with Magnetation, both IRR and DEED receive a royalty of \$1.00 per dry metric ton of concentrate produced and shipped. This royalty arrangement is for all concentrate produced and shipped by Magnetation, any affiliates and from any licensees. In addition, as an incentive for additional financing to the company in 2009, IRR receives an additional \$0.50 per dry metric ton on the first 5,000,000 tons of concentrate produced and shipped. As an incentive for both IRR and DEED to agree to the proposed subordination request, Magnetation has agreed to increase the upper tonnage limit for the additional \$.50 royalty to 7,500,000 dry metric tons of concentrate from the current limit of 5,000,000 tons. IRR and DEED will

proportionately share on the \$0.50 per dry metric ton royalty on the production over and above the first 5,000,000 dry metric tons.

Attached for information purposes is the formal letter request from Larry Lehtinen, CEO of Magnetation and the details of the financing terms between Magnetation and JP Morgan Chase Bank.



June 11th, 2010

Summary of Terms and Conditions of \$5,000,000 Letter of Credit Offered to Magnetation, Inc. by JP Morgan Chase Bank

1. **Borrower:** Magnetation, Inc.
2. **Guarantors:** All future and existing subsidiaries. Affiliate guarantees as appropriate.
3. **Personal Guarantor:** Larry Lehtinen. Lender may contemplate reducing or limiting the Lehtinen guarantee based on the inclusion of other qualified guarantors (as determined by Lender in its sole discretion). The guarantees will be limited to the actual debt and expenses owed to Lender.
4. **Facilities: \$5,000,000 Line of Credit (“Line of Credit”);** The Line of Credit will be used to finance working capital and the general corporate needs of the Borrower. Sublimit for letter(s) of credit will be made available as appropriate.
5. **Security:** Blanket first lien on all assets. An assignment of patents will be reviewed as applicable.
6. **Financial Covenants:**
 - a. Minimum Fixed Charge Coverage Ratio (1.20:1) defined as the ratio of EBITDA less Capex, taxes, and Distributions to Interest and Principal payments. At relationship inception, the covenant will contemplate a quarterly “step-out” calculation (i.e. 1-quarter measurement, then 2-quarters measurement, etc). After the first year, the covenant would be a trailing 4-quarter measurement.
 - b. Minimum Tangible Net Worth. Levels and definitions TBD.
 - c. Capex Limitation. Levels and definitions TBD.
 - d. Limitation on asset sales, asset transfers, joint ventures, new equity, and incremental debt. Considering the impact of the AHMSA contract and the associated capital raise, this limitation is meant as a “triggering event”.
7. **Initial Conditions:** The Facilities shall be conditional upon satisfaction of, among other things, the following:
 - a. Completion of a field exam (books and records review), a review of the personal financial statements of the guarantors, and an appraisal (OLV in-place of the company’s M&E).
 - b. Evidence of at least \$1MM of new equity capital (May 2010 Private Placement).
 - c. Satisfactory agreement on the initial capitalization and sources/uses for FY2010.
 - d. Delivery of definitive financing documentation, including a credit agreement, security documents, subordination agreements, and other legal documentation as appropriate for Facilities of this nature and satisfactory to the Lender.
 - e. Delivery of an inter-creditor agreement and/or subordination agreement with existing creditors acknowledging the first priority security interests of Chase. Second lien rights will be afforded to the existing security holders where applicable.
 - f. Satisfaction of business due diligence investigations, including Chase’s credit approval.
 - g. A final product production rate at Plant 1 that sufficiently supports CY2010 financial projections TBD.



June 10, 2010

Sandy Layman
Commissioner
Iron Range Resources Agency
(by email to: Sandy.Layman@ironrangeresources.org)

Paul Moe
Deputy Commissioner
Department of Employment and Economic Development
(by email to: paul.a.moe@state.mn.us)

Subject: Bank Financing and Subordination of IRRA and DEED Loans to Magnetation, Inc.

Commissioner Layman and Deputy Commissioner Moe:

The purpose of this letter is to request the State of Minnesota (**State**) through the Iron Range Resources Agency (**IRRA**) and the Department of Employment and Economic Development (**DEED**) to accommodate the execution of a \$ 5,000,000 line of credit (**LOC**) being offered to Magnetation Inc. (**Magnetation**) by JP Morgan Chase Bank (**JPMC**).

As a start up, developmental company founded in 2006 that began operations using a newly developed iron recovery technology at a “first-of-its-kind” plant near Keewatin, Minnesota in early 2009, Magnetation received initial funding support from the State through IRRA and DEED in the form of four loans and a grant totaling \$6.485 million. Including accrued interest, the present outstanding balance of the State loans to Magnetation is approximately \$5.5 million and Magnetation is current in all its interest and royalty payments to the State. As would be expected in the normal progression of a developmental company from reliance on economic development agencies, such as DEED and IRRA, to reliance on banks, Magnetation has been seeking to develop a banking relationship that would facilitate its growth and development. Recently Magnetation has succeeded in soliciting a term sheet from a reputable bank, JP Morgan Chase Bank, with the financial size, strength and scope appropriate to support Magnetation’s growth plans and chosen markets. JPMC has submitted a term sheet relative to providing Magnetation a line of credit in an amount of \$5 million for Magnetation’s general corporate purposes and development. Magnetation desires to put in place this LOC with JPMC within the next thirty days or sooner.

Even though Magnetation is a relatively new upstart company, JPMC likes the growth prospects and overall business plan/model of Magnetation and is willing under certain conditions to fulfill the role of senior lender to Magnetation. One of the conditions of JPMC providing the LOC is that it requires the senior collateral position (first lien position) to the assets of Magnetation. Consequently to facilitate the transition of Magnetation from support by the State economic development agencies to reliance on a normal commercial bank, we hereby request the State to accommodate JPMC’s requirement of senior collateral position associated with the close of the LOC.

Therefore, we respectfully request that the IRRA and DEED agree to take a collateral position subordinate to JPMC relative to the existing \$5.5 million of State loans outstanding to Magnetation thus allowing Magnetation to obtain the LOC in the amount of \$5 million from JPMC. Such an accommodation to lien position #2 will allow Magnetation to reduce its accounts payables, pay off a short term loan to American Bank, fund expenses related to and in support of Magnetation’s expansion for



Plant2, and fund minor capital improvements that would maximize utilization of plant1 capacity offered by the new Rev3 Separator™ (pat.pending).

In addition to the foregoing benefits, the liquidity of the LOC will provide working capital to: (a) pursue strategic sales opportunities at sinter plants located on the south shore of Lake Michigan that have recently come forward and (b) complete the transactional expenses for the capital raise and the initial engineering/permitting for the construction of Plant 2 expansion at the Holman Basin. Magnetation recently executed a six year, 650,000ktpy concentrate supply contract with Altos Hornos de Mexica S.A. (AHMSA). Successful execution of the plan to engineer, permit, procure, construct, start and operate Plant 2 will create a new export product for the State of Minnesota, create over 50 jobs with average salary and benefits of over \$60,000 per year for the Iron Range, generate over 200,000 man-hours of construction job opportunities during Plant2 construction, and generate over \$5,000,000 per year in revenue to the State of Minnesota (IRRA, DEED & DNR) in the form of process royalties, mineral royalties, and production taxes. A favorable action by IRRA and DEED to this request to accommodate JPMC's requirement for the senior collateral position on Magnetation financing will allow Magnetation to raise the capital vital to the execution of the Plant2 build-out by Magnetation.

The Rev3 Separator™ (pat.pending) construction was completed under the \$2,985,000 original budget for an "all in" cost of \$2,780,000 with its start up on April 21, 2010. We ran it for most of May 2010 performing various commissioning adjustments and improvements. It improved production from 4.5 mtpshippable product to 25 mtpshippable product as of June 10, 2010. Employment at Plant1 has increased to 38 Magnetation employees, 2 pipefitters (Mesabi Mechanical), 12 truckers (Hammerlund), and 2 lab analysts (Lerch Bros).

With the successful commissioning of the Rev3 Separator, Magnetation projects a cash profit for 2010 followed by significantly higher net income in 2011 and the out years as higher contract prices for Magnetation products take effect.

The action to subordinate collateral position of the State loans to the LOC provided by JP Morgan Chase bank will allow Magnetation to successfully sustain employment of 54 people related to Plant1 plus facilitate the expansion of employment by an additional 50 FTEs and the creation of 200,000 man-hours of construction work related to the build-out of Plant2 at the Holman basin near Taconite.

We look forward to a favorable action by the Iron Range Resources Board at the June 17, 2010 board meeting as well as favorable action to this request by the Department of Employment and Economic Development so that we can close this important financing for Magnetation, Inc.

Larry Lehtinen
CEO

Copies by email to: Brian Hiti (IRRA), Matt Sjoberg (IRRA), Rick Anderson (IRRA), Matt Lehtinen (Magnetation), Hope Wilson (Magnetation)

Iron Range Resources
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(218) 735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources Board

From: Sandy Layman
Commissioner

Date: June 17, 2010

Re: Iron Range Resources Wage Subsidy Program

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.

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”).

I am now proposing the implementation of the following three items regarding the Iron Range Resources Wage Subsidy Program:

1. Authorize \$1,500,000 of FY11 Wage Subsidy Funds for a grant to NEMOJT for the FY11 Wage Subsidy Program.
2. Revise 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.
3. Revise the Wage Subsidy Program guidelines to provide that employees formerly receiving benefits under the Wage Subsidy Program who are still employed by the same employer would be eligible to receive an additional 26 weeks of wage subsidy benefits.

Taconite Area Environmental Protection Fund

Action required: Project approval requires 7 votes

- a) City of Two Harbors
- b) Hibbing EDA
- c) Mt. Iron EDA for Silicon Energy Solar Panel Building (Silicon Energy MN, LLC)

City of Two Harbors



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To: Iron Range Resources Board

From: Sandy Layman
Commissioner

Date: June 11, 2010

Re: TWO HARBORS PUBLIC WORKS GRANT FY10 - \$175,000

PURPOSE

Public Works Infrastructure Grants provide funds for cities, townships and non-profits that can be used for infrastructure needs or health care capital improvement projects that support community and economic development.

CRITERIA

- A. Economic Impact – Priority #1
- B. Leverage – Priority #2
- C. Project Readiness – Priority #3
- D. Need – Priority #4

PUBLIC WORKS INFRASTRUCTURE GRANTS FY10

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

Water, sewer, site work and
wet land delineation
Building Construction

\$267,359
450,000

SOURCES

Iron Range Resources
Applicant

\$175,000
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.

Hibbing EDA



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To: Iron Range Resources Board

From: Sandy Layman
Commissioner

Date: June 14, 2010

**Re: HIBBING ECONOMIC DEVELOPMENT AUTHORITY ECONOMIC DEVELOPMENT
INFRASTRUCTURE GRANT FY10 - \$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.

Mt. Iron EDA for Silicon Energy Solar Panel Building/Silicon Energy MN, LLC.

Direct Loan Program
and
Non-recourse Loan Program

APPLICANT:

Silicon Energy MN, LLC. and
Mt. Iron Economic Development Association

PRINCIPAL(S):

Gary Shaver, Jong Limb, John Carroll: Silicon Energy MN, LLC
Craig Wanio: Mt. Iron City Administrator

BRIEF PROJECT DESCRIPTION:

Establish a photovoltaic solar panel manufacturing facility in Mt. Iron.

PROJECT COST:

Equipment, Inventory, Working Capital	\$3,250,000
Building	<u>3,600,000</u>
Total	\$6,850,000

PROJECT BREAKDOWN:

Newport Partners (owner) equity injection	\$1,500,000
East West Bank unsecured loan	250,000
Iron Range Resources Forgivable Loan for equipment, 7 years at 3%	1,500,000
Iron Range Resources Non-recourse building loan to Mt. Iron EDA	<u>3,600,000</u>
Total	\$6,850,000

COLLATERAL:

Equipment, building and the secured guaranty of Silicon Energy, LLC of Washington.

JOBS:

15 full-time jobs starting at \$13 per hour plus benefits. Employment will increase by 5 to 7 jobs as additional production lines are added. In addition, installation crews will be hired and trained to install the solar panels.

PAST IRON RANGE RESOURCES HISTORY:

Iron Range Resources has collaborated with Mountain Iron on several projects. John Carroll was involved in securing tax credits for the Laurentian Energy project in Hibbing and Virginia, and he is involved in the Embarrass Mountain Wind project. There has been no previous activity with Silicon Energy.

CONTINGENCIES:

A long-term lease commitment, confirmation of all other funding and firm construction contracts are required prior to disbursement of agency funds.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Recommended approval of the Project at the Committee's June 9, 2010, meeting.

FUNDING AUTHORIZATION:

Funding for the proposed Project is authorized under two separate provisions of law:

- a) Funding for the \$1,500,000 Forgivable Loan for equipment is authorized under the provisions of Laws of Minnesota, Chapter 215, Article 7, Section 18 (k) which appropriated up to \$10 million from the Minnesota Minerals 21st Century Fund to the Commissioner for grants or forgivable loans to renewable energy manufacturing facilities, which 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. Loans of Board Account funds that promote the economic development of the Taconite Tax Relief Area are authorized under the provisions of Minnesota Statutes Section 298.22; and
- b) Funding for the \$3,600,000 nonrecourse building loan to the Economic Development Authority of Mt. Iron is authorized under the provisions of Minnesota Statutes Section 298.2961, Subdivision 6, which made available to the Commissioner from 2009 production tax distributions, in a special account within the taconite environmental protection fund, \$5,998,597 that is to be used for cooperative agreements between Iron Range Resources and local governmental units for renewable energy initiatives.

PROJECT DESCRIPTION:

Silicon Energy MN, LLC is proposing to open a solar panel manufacturing facility in Mountain Iron, MN. The company was recently formed; however, management has substantial experience in the solar energy field and recently acquired and currently operates a solar panel manufacturing facility near Seattle, WA.

The Mountain Iron facility will be similar to the Seattle facility and will produce photovoltaic solar panels for commercial and residential installations. The project requires various automated equipment and a 25,000 square-foot building. At start-up the operation is projected to employ 15 full-time people.

MANAGEMENT TEAM:

Jong Limb is President of Newport Partners, LLC based in Irvine, California (which he formed in 1998). Newport Partners is a California development company which sources tax credit investments for institutional investors and provides consulting services for developers of tax credit projects in the real estate and renewable energy areas. Through his ownership of Newport Partners and JCL Development, LLC, Mr. Limb controls 90% of Silicon Energy MN, LLC.

John Carroll is a Vice President of Newport Partners, LLC. Since he joined Newport Partners in 1998, Mr. Carroll has been a financial consultant on various solar, biomass, biogas and wind energy projects across the country. Mr. Carroll controls 10% of Silicon Energy MN, LLC.

Gary Shaver is President of Silicon Energy located in Washington state. Mr. Shaver has been responsible for development of the solar module and the Underwriter Laboratory certification process. He will be in charge of getting the Minnesota facility operational and will manage both sites initially.

MARKET OPPORTUNITY:

Solar energy generation is still in its early stages of development. Demand for solar development is driven primarily by incentive programs.

During the 2010 Minnesota legislative session, Governor Pawlenty signed legislation to support a solar module rebate program funded through Xcel Energy's Renewable Development Fund in the amount of \$21 million. This program will provide funds to consumer and small business projects that purchase solar modules manufactured in Minnesota. There currently is only one other manufacturer in Minnesota of solar modules and the demand is expected to be far greater than current manufacturing capacity.

COLLATERAL REVIEW:

Equipment costs are estimated at \$2,540,000. Iron Range Resources will hold a first-position on all equipment as collateral for the \$1,000,000 equipment loan. This loan also will be secured with a guaranty of Silicon energy (Washington) secured with all property and equipment (currently valued at \$2,329,777).

Iron Range Resources will hold a first mortgage and an assignment of rents and leases on the building for the \$3,600,000 non-recourse loan to the Mt. Iron EDA.

PAST IRON RANGE RESOURCES HISTORY:

No history with Silicon Energy.

Iron Range Resources has collaborated with Mt. Iron on several projects.

Board Account

Action required: Project approval requires 7 votes

- a) Silicon Energy MN, LLC (Mt. Iron EDA)

**Silicon Energy MN, LLC./Mt. Iron EDA for Silicon Energy Solar Panel
Building**

See Page 43

FY11 Agency Investment Plan

Action Required: Approval requires 8 votes

See Attached

FY 2011 Investment Plan



IRON RANGE
Resources
Advancing regional growth.™

FY 2011 Iron Range Resources Investment Plan

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Introduction

Mission & Vision



Strategic Framework

Mission Statement

Advance regional growth by stabilizing and enhancing the economy of northeastern Minnesota's Taconite Assistance Area.

Vision Statement

Iron Range Resources is a recognized leader of collaborative efforts that shape the economic future of the region.

Values

- ❖ **Hope** – belief that anything and everything is possible
- ❖ **Integrity** – strength of character to do the right thing, as individuals and as an organization
- ❖ **Change** – vision to see opportunity and the courage to act
- ❖ **Sisu** – stamina, perseverance and tenacity to do what must be done, even in the face of adversity
- ❖ **Positivity** – adopting an attitude that one can increase achievement and positively influence outcomes

Principles

- ❖ **Commitment to our mission** – we focus on what is important and do it well
- ❖ **Focus on customer needs** – we listen, identify needs and act on opportunities to serve our customers
- ❖ **Managing for results** – we measure results and use the outcomes to guide decisions and direct our work
- ❖ **Improvements by innovation and collaboration** – we use technology and new tools to improve our work
- ❖ **Investing in life-long learning** – we develop our human resources and capacity
- ❖ **Advancing dialogue and solutions through convening** – we shape the future through collaborative decision making

Fiscal Year 2011 Strategies

- Enhance relationships with customers
- Maximize resources with the future in mind
- Provide resources for businesses and communities
- Develop and retain a motivated and skilled workforce

Investment Plan

Agency Budget

	FY 2010 Approved Budget	FY 2010 Projected	FY 2011 Request
Resources			
Carryforward In	\$11,219,814	\$12,645,519	\$10,929,874
Current Resources:			
Taconite Production Taxes	\$18,201,241	\$18,201,241	\$20,166,490
Legislative Reallocation - Renewable Energy	5,998,597	4,600,000	0
Legislative Appropriation - Windmill Blade Factory	10,000,000	1,500,000	0
Investment Earnings	1,450,952	1,188,725	752,099
Loan Revenues	1,553,302	2,219,542	2,491,498
Facilities Revenue	4,629,831	4,164,307	4,672,507
Occupation Tax Region III	580,509	580,509	267,284
Subtotal Current Resources	\$42,414,432	\$32,454,324	\$28,349,878
Total Resources Available	\$53,634,246	\$45,099,843	\$39,279,752
Estimated Expenditures			
Operations:			
Administrative Services	\$1,997,833	\$1,660,231	\$2,084,426
Human Resources & Strategic Results	710,070	591,453	675,764
Attorney General	376,121	328,208	370,538
Marketing & Communications	955,159	872,509	944,200
Giants Ridge Golf & Ski Resort	8,610,470	8,016,928	8,553,548 ¹
Minnesota Discovery Center	1,515,852	1,367,482	1,331,547 ²
Community Development	506,239	384,309	510,546
Business Development	1,633,444	1,382,983	1,509,448
Programs:			
Grants	2,620,000	2,224,358	2,300,000
Occupation Tax Region III	580,509	580,509	267,284
Projects:			
Business Development	9,160,999	9,160,999	9,500,000
Public Works	0	0	4,000,000
Legislative Reallocation - Renewable Energy	5,998,597	4,600,000	0
Legislative Appropriation - Windmill Blade Factory	10,000,000	1,500,000	0
Legislative Transfer - Small Business Fund	1,500,000	1,500,000	1,500,000 ³
Specially Designated Funds:			
Early Separation Incentive	2,000,000	0	0
TOTAL FY INVESTMENT PLAN	\$48,165,293	\$34,169,969	\$33,547,301
Estimated Carryforward Out	\$5,468,953	\$10,929,874	\$5,732,451

Notes:

¹Giants Ridge Golf & Ski Resort:

Giants Ridge Golf & Ski Resort Operations	\$6,278,645
Giants Ridge Golf & Ski Resort Debt Service	1,569,700
Giants Ridge Golf & Ski Resort Facility Improvements	705,203
Total	\$8,553,548

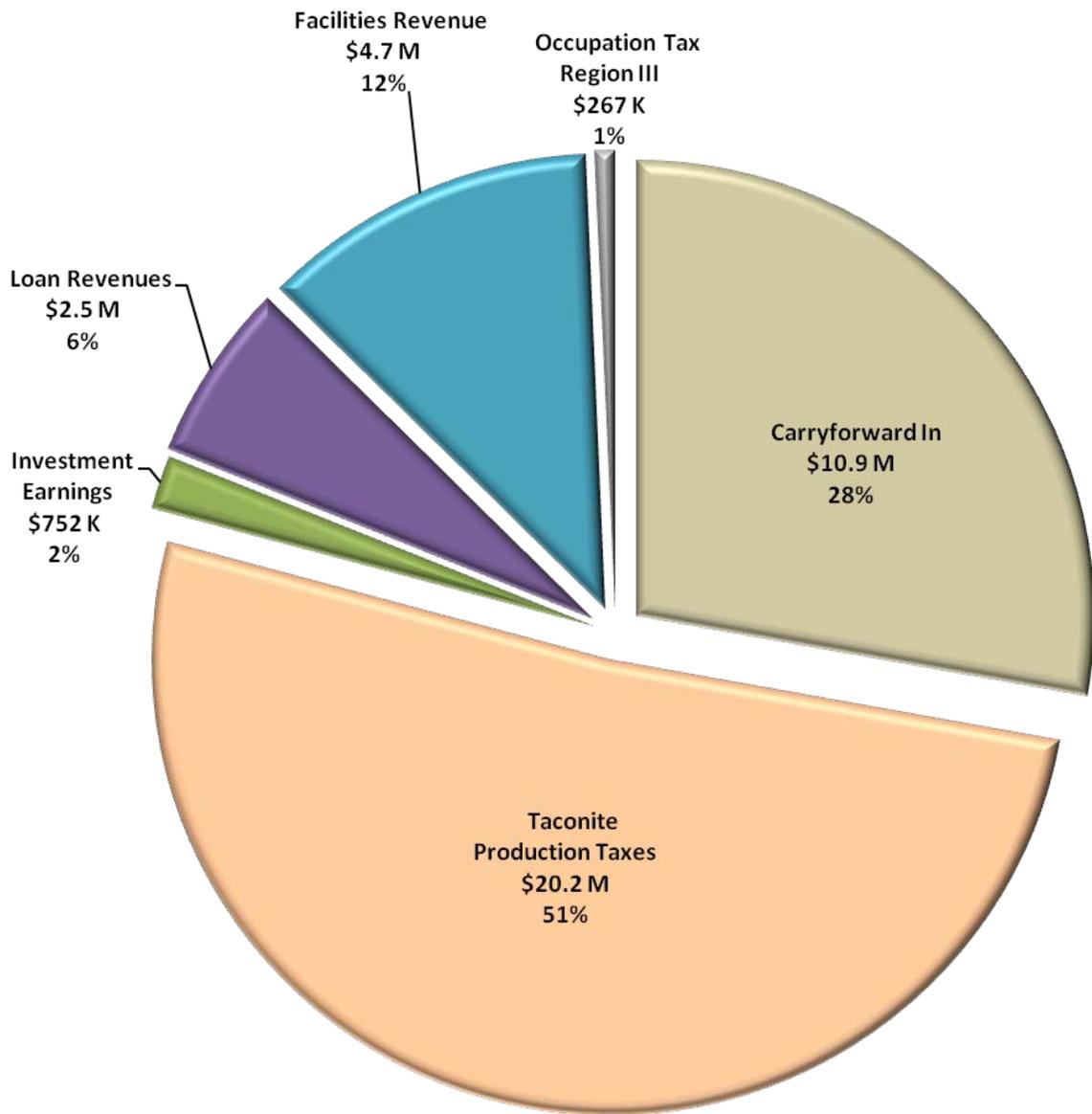
²Minnesota Discovery Center:

Ironworld Development Corp. - Operations	\$1,000,000
Endowment Challenge Match	250,000
Building Insurance & Capital Improvements	81,547
Total	\$1,331,547

³2010 Legislative Transfer - Small Business Fund, Session Law Chapter 215 HF 1671). Minn. Stat. 298.294 (b) amended to transfer \$1.5 million of DJJ funds in FY10 and FY11 for loans or grants to small businesses for wage subsidies and other uses.

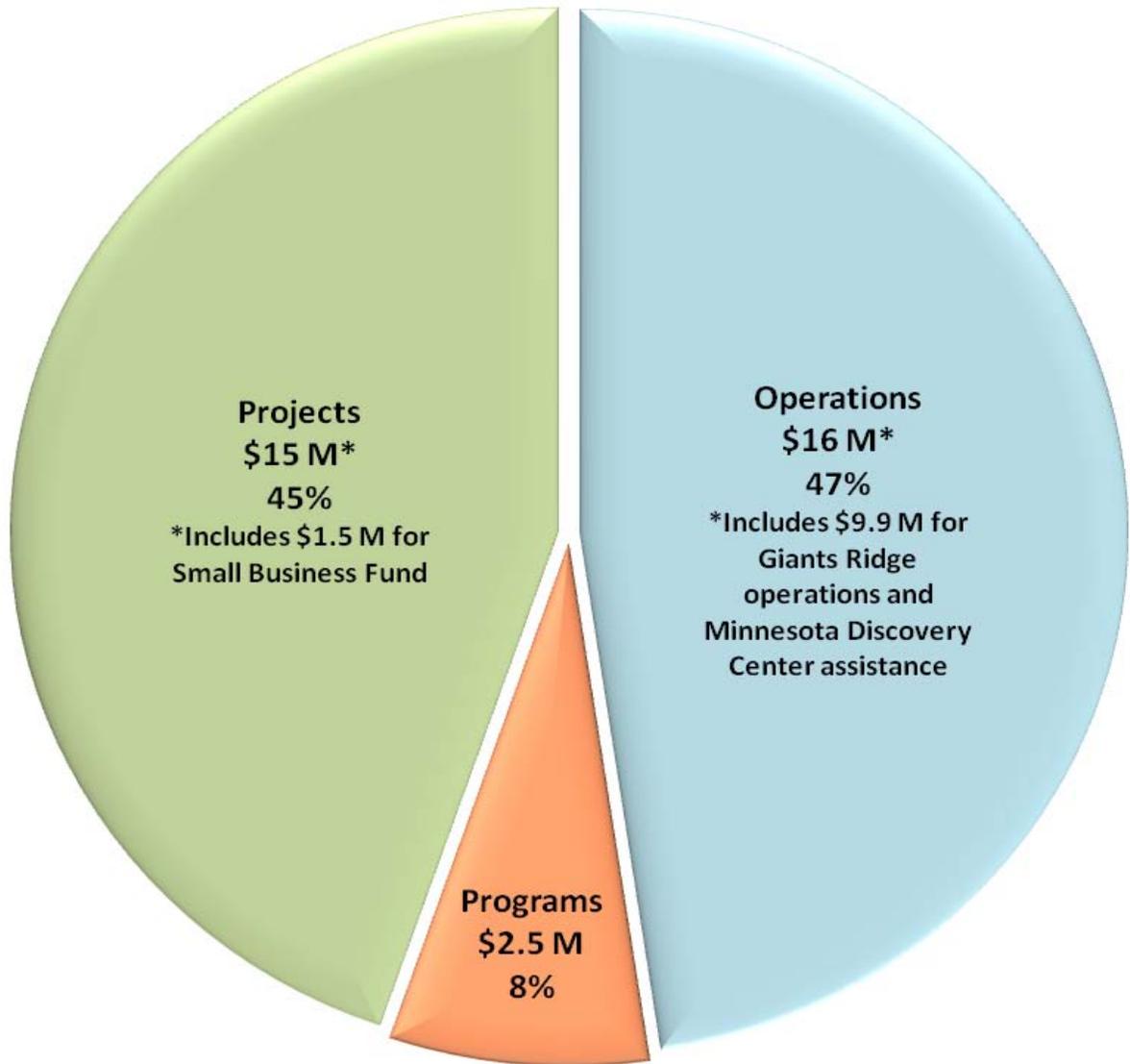
Revenues

\$39.3 M



Expenditures

\$33.5 M



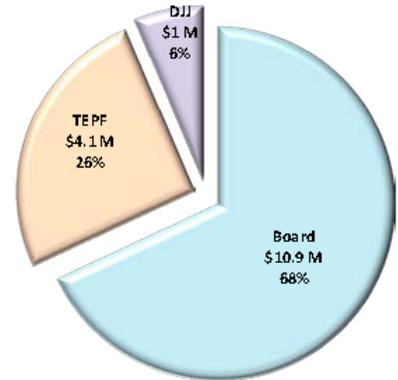
Funding Sources

\$33.5 M

Operations - \$16 M

\$2.1 M	Administrative Services - Board
\$676,000	Human Resources & Strategic Results - TEPF
\$371,000	Attorney General - Board & DJJ
\$944,000	Marketing & Communications - TEPF
\$8.6 M	Giants Ridge Golf & Ski Resort - Board
\$1.3 M	Minnesota Discovery Center - TEPF
\$511,000	Community Development - TEPF
\$1.5 M	Development Strategies - DJJ & TEPF

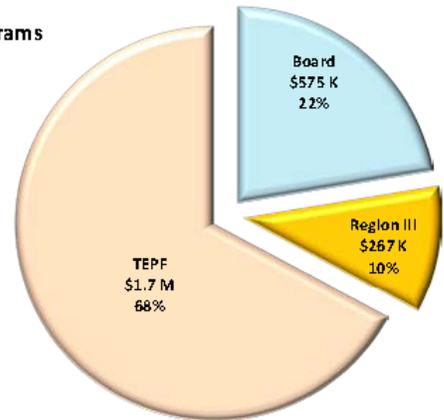
Operations



Programs - \$2.5 M

\$575,000	Grants - Board
\$1.7 M	Grants - TEPF
\$267,000	Occupation Tax Region III

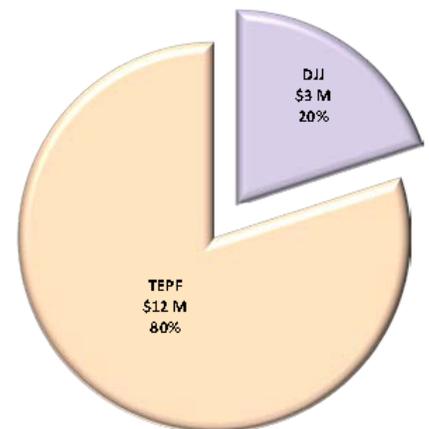
Programs



Projects - \$15 M

\$9.5 M	Business Development - DJJ & TEPF
\$4 M	Public Works - TEPF
\$1.5 M	2010 Legislation - Small Business Fund - DJJ

Projects



Operations

Administrative Services Division

Purpose of the division: The Administrative Services division provides support services and resources to other agency programs and facilities. The division is comprised of Finance, Information Systems and Maintenance & Shop. The budget of this division also includes the Office of the Commissioner.

How we do our work: Division staff members provide numerous services including all aspects of budgeting, accounting, financial reporting, purchasing and contracting. Staff also support and maintain the computer hardware, data and telecommunication infrastructure for the agency. Other duties include equipment maintenance, fleet management and building/grounds maintenance.

Key Business Objectives for FY11

- Implement “green” initiatives in recycling, power management and energy conservation
- Produce accurate and timely financial reports
- Provide timely accounting, purchasing and contracting services
- Support and maintain the computer hardware, data and telecommunication infrastructure for the agency
- Safely operate and maintain the Eveleth facility

Administrative Services Operations Budget

Finance	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Employee Costs	\$861,415	\$838,777	\$856,333
Operational Costs	\$148,100	\$102,878	\$149,500
Training and travel	49,500	37,625	49,500
Supplies	26,500	17,504	26,500
Purchased services	10,000	5,610	10,000
Telephone and postage	47,500	27,026	39,900
Equipment, rental and leases	14,600	15,113	23,600
State Indirect Costs	\$81,700	\$59,297	\$131,589
Total	\$1,091,215	\$1,000,952	\$1,137,422

Information Systems	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Employee Costs	\$159,489	\$147,427	\$156,187
Operational Costs	\$256,600	\$158,720	\$254,968
Maintenance and network services	79,200	64,190	92,568
Hardware, software and support	98,400	55,469	93,400
Supplies	60,000	25,315 ¹	50,000
Training and travel	19,000	13,746	19,000
Total	\$416,089	\$306,147	\$411,155

Maintenance & Shop	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Employee Costs	\$214,349	\$207,489	\$209,629
Building & Grounds	149,340	68,529 ²	209,380
Equipment Repair	126,840	77,114 ³	116,840
Total	\$490,529	\$353,132	\$535,849

¹ In FY10, \$30,000 was planned to be spent on a new phone system for Giants Ridge. The project could not be completed prior to June 30, 2010 and has been re-budgeted in FY11.

² In FY10, the heating/cooling system upgrade project for the Eveleth Office building was completed under budget.

³ In FY10, the agency reduced its motor pool fleet by three vehicles.

Human Resources & Strategic Results Division

Purpose of the division: The Human Resources & Strategic Results division guides and manages all human resources services, policies and programs for the agency. Additionally, the division coordinates HR efforts with organization development goals by managing the agency's strategic planning, performance and improvement plans.

How we do our work: Division staff members direct recruiting and staffing, employee orientation, employee relations, compensation, benefits administration and labor relations. Employees also conduct training, develop policy, manage performance metrics, provide internal communications and assist in planned change.

Key Business Objectives for FY11

- Manage and report agency progress toward goals
- Establish strategic staffing and workforce development plans
- Promote the safety and well being of all staff
- Reduce lost time and workers compensation costs
- Provide timely HR services and support to all employees

Human Resources & Strategic Results Operations Budget

Human Resources & Strategic Results	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Employee Costs	\$341,598	\$329,670	\$335,212
Retirement Insurance	\$89,772	\$78,844	\$60,577
Unemployment	\$100,000	\$49,714	\$100,000
Workers Compensation	\$148,000	\$108,377	\$150,925
Operational Costs	\$30,700	\$24,848	\$29,070
Training and travel	13,700	14,984	11,700
Purchased & professional services	15,000	7,674	12,250
Supplies	2,000	2,190	5,120
Total	\$710,070	\$591,453	\$675,764

Legal Services

The Attorney General's Office provides legal services to the agency and the Board in support of all agency activities.

Two assistant attorneys general and one legal assistant provide the Commissioner, agency staff and the Board with counsel on legal matters, including statutory interpretation, drafting or interpretation of legal documents, drafting of legislative language and defense of the agency or Board in litigation.

Legal Services	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Legal Services	\$376,121	\$328,208	\$370,538

Marketing & Communications Division

Purpose of the division: The Marketing & Communications division develops, coordinates and disseminates marketing, promotional and communications materials on behalf of Iron Range Resources and its stakeholders.

How we do our work: Working as a team, division staff members create and distribute internal and external agency communications, manage the agency website, provide writing and design services and provide staff support for special events and strategic initiatives.

Key Business Objectives for FY11

- Maintain and enhance all agency communications both internal and external including RangeView, board member briefings, agency websites, RangeViews by Lee, and others
- Respond to all media/information inquiries and data practices requests related to the agency's activities and its programs
- Market the region by developing business recruitment strategies, identifying media opportunities, and promoting the region through additional venues
- Expand web site capacity for e-business
- Initiate and maximize partnerships to enhance the region and the agency's image
- Launch intranet electronic communications

Marketing & Communications Operations Budget

Marketing & Communications	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Employee Costs	\$520,799	\$499,399	\$509,855
Operational Costs	\$434,360	\$373,110	\$434,345
Printing	58,000	48,070	58,000
Advertising	250,000	202,066	245,000
Professional services	63,000	46,826	63,000
Purchased services	18,500	42,324 ⁴	37,000
Training, travel and supplies	44,860	33,824	31,345
Total	\$955,159	\$872,509	\$944,200

⁴ During FY10, sponsorship expenditures were moved from advertising to purchased services.

Giants Ridge Golf & Ski Resort

Purpose of the division: Giants Ridge Golf and Ski Resort operates a quality recreational golf and ski facility and offers private-sector opportunities for property and real estate development.

How we do our work: Giants Ridge operates 36 holes of championship golf and a winter sports area that attracts over 130,000 guests annually. In addition, the Giants Ridge Recreation Area is comprised of 10,000 acres of land of which Iron Range Resources owns 1,850 acres. A Master Plan for the Giants Ridge area was built on the premise that the agency will focus on oversight and land sales to private parties who will drive future development. The plan serves as the blueprint for residential and commercial growth.

Key Business Objectives for FY11

- Operate and maintain two quality golf courses and a ski area that enhance economic impacts on the Iron Range
- Maximize golf and ski revenues through strategic pricing and packaging
- Facilitate a new Central Reservation Center for Giants Ridge
- Enhance winter sports activities/offerings and generate additional revenue with a new snow tubing park
- Commission a new chalet/events center design and engineering plan
- Safely operate and maintain the Giants Ridge facilities and continue to implement improvements
- Package promotions to increase mid-week revenues

Giants Ridge Golf & Ski Resort Operations Budget

Giants Ridge Golf & Ski Resort	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Revenues			
Admissions	\$2,901,410	\$2,485,667	\$2,938,190
Advertising & Marketing Sales	59,550	111,528	100,964 ⁵
Commissions	18,657	17,074	17,908
Facility Rental	134,237	126,921	128,802
Retail Sales	1,190,139	1,015,631	1,171,733
Equipment Rental	200	659	200
Miscellaneous Revenue	135,641	164,961	124,713
Total Revenues	\$4,439,834	\$3,922,441	\$4,482,510
Expenses			
Salaries & Benefits	\$1,454,600	\$1,432,872	\$1,442,574
Utilities	289,265	251,375	276,303
Advertising & Marketing	337,890	320,379	297,394
Communications	123,900	147,482	370,042
General & Administrative	15,601	5,659	10,400
Equipment Rental	295,530	185,946	140,172
Management Fees	79,920	81,180	79,920
Professional Services	63,765	36,086	62,231
Management Expenses ⁶	3,021,166	2,666,485	2,964,487
Other Professional Services	90,000	11,142	5,000
Insurance	94,082	92,245	93,565
Maintenance & Repairs	59,280	69,459	69,415
Supplies	251,700	243,607	251,865
Travel	4,075	3,164	2,600
Other Operational Costs	194,386	188,804	212,677
Total Operational Expenses	\$6,375,160	\$5,735,885	\$6,278,645
Excess of Revenues Over (Under) Expenses	(\$1,935,326)	(\$1,813,444)	(\$1,796,135)
Non Operational Expenses			
Equipment	\$388,000	\$305,544	\$216,500
Capital Improvements / Leases / Grants	275,277	403,726	488,703
Debt Service	1,572,033	1,571,773	1,569,700
Total Non Operational Expenses	\$2,235,310	\$2,281,043	\$2,274,903
Total Expenditures	\$8,610,470	\$8,016,928	\$8,553,548
Budget Surplus (Shortage)	(\$4,170,636)	(\$4,094,487)	(\$4,071,038)

⁵ In FY11, this line item was increased for golf advertising promotions.

⁶ Golf and food & beverage operating expenses.

Minnesota Discovery Center

The nonprofit Ironworld Development Corporation (IDC) manages the agency's facilities at Ironworld under a Sublease/Management Agreement. IDC's mission is to "collect, preserve, interpret and promote the history and cultural heritage of northeastern Minnesota; and to manage, promote, sustain and develop the assets of Ironworld for the long-term benefit of area residents and visitors."

The Sublease/Management Agreement provides an annual operating subsidy, the interest on an endowment fund and a \$250,000 challenge grant for operating or endowment fund raising. In addition to these financial terms, the agency budgets for insurance and capital repairs.

Minnesota Discovery Center	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
IDC Operating	\$1,009,000	\$1,109,011 ⁷	\$1,000,000
Endowment Challenge Match	250,000	0	250,000
Building Insurance	39,200	40,830	40,400
Building Capital Improvements	217,652 ⁸	217,652	41,147
Total	\$1,515,852	\$1,367,482	\$1,331,547

⁷ In FY10, an additional \$100,011 is projected to be spent under this line item for expenditures associated with the closing of the Minnesota Discovery Center on November 20, 2009.

⁸ In FY10, this line item was increased \$117,652 for building capital improvements.

Community Development Division

Purpose of the division: The Community Development division invests in communities through grant-making, based on criteria which include economic impact, job creation or retention, leverage, removing barriers to growth, readiness and need. The division provides technical assistance for the development of renewable energy in communities, development at Giants Ridge, Laurentian Vision Partnership, Range Readiness and tourism.

How we do our work: The division assists communities by providing infrastructure financing for business and housing development and funding for property redevelopment. Grant programs are offered to stimulate community development through tourism, innovation and removal of barriers to growth. Special projects and initiatives are tied to development at Giants Ridge, sustainable mining practices for future land use and renewable energy.

Key Business Objectives for FY11

- Participate in the green business economy
- Promote community sustainability
- Identify opportunities for renewable energy participation
- Align grant programs and services with community development needs
- Leverage agency funds used for community development
- Influence mining processes to create enhanced post mining landscapes

Community Development Operations Budget

Community Development	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Employee Costs	\$396,239	\$284,224⁹	\$390,546
Operational Costs	\$110,000	\$100,085	\$120,000
Training and travel	10,000	5,325	15,000
Professional services	88,000	116,651	100,000
Print and advertising	12,000	(21,891)	5,000
Total	\$506,239	\$384,309	\$510,546

⁹ In FY10, two budget positions (Community Development Director, Administrative Assistant) were not filled.

Business Development Division

Purpose of the division: The Business Development division manages agency deal flow, provides financial assistance to businesses, and improves the physical landscape impacted by mining activities within the Taconite Assistance Area. The division consists of Business Development & Recruitment and Mining & Mineland Reclamation. The budget of this division also includes the Residential Community Redevelopment Program.

How we do our work: Division staff members generate business leads and provide financial support to new and existing businesses, as well as assistance to communities. Special projects and initiatives tied to energy and workforce also are undertaken. Other activities include insuring the long-term utilization of Minnesota's mineral resources and undertaking reclamation planning efforts.

Key Business Objectives for FY11

- Identify business opportunities
- Operate the Residential Community Redevelopment Program to remove blight in communities
- Continue to implement a targeted business recruitment plan
- Adapt education and training programs to provide business and industry with access to a workforce that assures continued competitiveness in a changing world-wide marketplace
- Engage partnerships to realize the potential, readiness and availability of the workforce needed to capitalize on economic development opportunities
- Assist existing businesses by offering financial incentives for expansions as well as making connections with supply chain vendors and offering support for public policy issues. Continue to participate in Commissioner's business visits
- Continue to track results including job creation and retention
- Reclaim, restore or reforest minelands not otherwise provided for by state law

Business Development Operations Budget

Business Development & Recruitment	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Employee Costs	\$655,396	\$570,500¹⁰	\$660,134
Operational Costs	\$340,740	\$220,207	\$166,040
Training and travel	43,200	28,016	36,000
Professional services	192,000	140,951	70,500
Purchased services	53,400	17,862	21,600
Memberships	18,000	13,625	18,000
Supplies, telephone and equipment	12,700	11,773	18,500
Utilities and maintenance	21,440	7,980	1,440
Total	\$996,136	\$790,707	\$826,174

FY11 Operations: Business Development & Recruitment budget

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

Motion carried.

Workforce	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Employee Costs	\$45,891	\$44,611	\$44,812
Operational Costs	\$14,000	\$2,808	\$14,000
Training and travel	9,000	2,808	9,000
Professional services	5,000	0	5,000
Total	\$59,891	\$47,419	\$58,812

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

Motion carried.

¹⁰ In FY10, one budget position (Loan Officer) was not filled.

Residential Community Redevelopment	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Employee Costs	\$127,630	\$108,231	\$106,381
Operational Costs	\$53,500	\$57,601	\$39,900
Training and travel	500	3,943	600
Purchased services	200	302	0
Supplies, telephone and equipment	49,800	52,111	37,300
Utilities and maintenance	3,000	1,245	2,000
Total	\$181,130	\$165,832	\$146,281

Programs

Grants

Iron Range Resources is one of the region's largest grant makers to units of government, nonprofits and higher education. This budget demonstrates an on-going commitment to grant making as a tool to foster community growth and stimulate economic and cultural activity.

Grants include both competitive and noncompetitive application reviews. A competitive process involves a cycle with a call for proposals, an application deadline and published evaluation criteria. In the noncompetitive process, applications are received throughout the year and are evaluated individually using broader, general criteria.

Program descriptions and allocations are detailed below. In accordance with M.S. 298.22, Subd.11, the Commissioner will not bring specific grant projects back to the Iron Range Resources Board for approval.

Community Readiness \$1,250,000

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 \$200,000¹¹ available per grantee.

Motion by Citizen Begich that the allocation of \$1,000,000 for Community Redevelopment 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.

Motion carried.

Workforce Development \$250,000

Grants assist in workforce development by funding programs for industry, industry clusters, schools or collaborative partners that build capacity, responsiveness or innovation to address workforce needs. Funding is also available for secondary and post secondary educational institutions to develop and deliver curriculum that prepares students for a seamless transition from high school or post secondary education to the workforce.

¹¹ 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.

Mining and Mineland Reclamation \$325,000

Mineland Reclamation and Restoration \$35,000

Projects in this category are for reclaiming, restoring and enhancing eligible areas of the Taconite Assistance Area adversely affected by past mining activities. Local units of government, reclamation committees and county mine inspectors may submit projects for competitive review and consideration. Proposed FY11 projects are:

Fish Stocking \$15,000

In partnership with the DNR Division of Fisheries, the Mineland Reclamation program operates a cooperative program to stock rainbow trout in a number of water-filled, abandoned mine pits across the region from Ely to Crosby-Ironton. Iron Range Resources stocks pits on the Mesabi Range where campground and public access construction has been funded by the agency. Rainbow trout are stocked during the spring and fall at the following locations: St. James Pit, Aurora; Lake Ore-Be-Gone, Gilbert; Mott Pit, Mountain Iron; Kinney, Judson Pit, Buhl; and La Rue Pit, Nashwauk.

Emergency Safety Projects \$20,000

The County Mine Inspector's office monitors and inspects abandoned mine areas to address safety issues and emergencies. If any issues are discovered, they are brought to the agency's attention as soon as possible for immediate remediation. In FY10, activities included replacing old, rusted, collapsed mining road culverts to prevent flooding of a County Highway and capping an open shaft at the Old Weggum Mine.

Laurentian Vision Innovation Projects \$250,000

Innovation grants stimulate and facilitate collaborations between mining companies and local governments to build post-mining landscapes that benefit Iron Range communities. Funds from FY09 are being used to reshape and vegetate a highly visible overburden stockpile at United Taconite, and using different techniques, landscape a rock stockpile project at Keetac. These projects will prove that stockpiles can be blended into surrounding landscapes and enhance the resulting view shed.

FY10 funds are devoted to two large projects, both located at Hibbing Taconite. The first project will use the information gained from the previous projects and take the process to the next step. Stockpiles will be designed and built to provide for future development, habitat and landscape appearance. The second project is 168 acres of mined-out pit land to be shaped into a future lake. Additional project elements include: usable lake shoreline, back property, lakebed profiles, fish habitat, wetlands and vegetation enhancements.

FY11 funding proposals include second-phase elements at the two Hibbing Taconite projects. An additional proposal includes the United Taconite stockpile

shaping and vegetation project, located adjacent to the Ridgewood neighborhood in Virginia. Additional projects are likely to be submitted for consideration.

One role Laurentian Vision Partnership (LVP) plays is looking into the future to create landforms that support its vision: “Turning pits and piles into lakes and landscapes.” In October 2001, LVP planned and held a charrette in Virginia to begin planning for recovery of the taconite resource under US Highway 53 between Midway and Virginia. At the time, no one projected that we were looking only nine years into the future. Recently, United Taconite announced that within seven years, they will be ready to begin mining this ore reserve. The opportunity for LVP to step forward and facilitate the discussions and decisions has finally arrived. As this project is debated and designed, LVP’s proven collaborative approach will deliver broad-based support for the highway realignment.

Mining and Minerals \$40,000

Mining and minerals grants are for activities that promote and support Minnesota’s mining initiatives and activities. Grants also fund activities that encourage the production and use of value added iron products and stimulate the exploration and development of non-ferrous minerals. It is anticipated that with the increase in copper and nickel activity in FY11, these funds will primarily support activities that expand Minnesota’s mining industry.

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 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.

Motion carried.

Culture and Tourism \$150,000 (Competitive)

This program for nonprofits identifies initiatives unique to our region that strategically utilize cultural resources to stimulate tourism and enrich communities through artistic, heritage-related or recreational events. Culture and Tourism grants of up to \$10,000 will be awarded for activities that improve the quality of life and generate economic returns.

Application Fund \$75,000

The Application Fund provides up to \$3,500 for communities and non-profits. Funds may be used to pay up to half the cost of preparing an application for financial support from another state, federal or private grant program.

Region III \$267,284

M.S. 298.17 authorizes Koochiching and Carlton County (Region III) grants from occupation taxes for economic and environmental development projects:

- The allocation is equal to the amount that would have been generated by a 1.5-cent tax imposed on each taxable ton for the preceding production year.
- The amount for both counties in FY10 was \$580,509, from which Iron Range Resources was reimbursed \$14,000 for costs of administering the fund.
- By law, one-third of the portion allocated for Koochiching County must be used to fund the Koochiching County Economic Development Commission.

Programs Budget

Grants	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Community Readiness	\$1,450,000	\$1,303,001	\$1,250,000
Community Redevelopment	1,000,000	930,000	1,000,000
Workforce Development	400,000	333,001	250,000
Range Readiness	50,000	40,000	0
Mining and Mineland Reclamation	\$490,000	\$99,531	\$325,000
Mineland Reclamation and Restoration	285,000	58,892	35,000
Laurentian Vision Innovation Projects	125,000	200,000 ¹²	250,000
Mining and Minerals	80,000	40,639	40,000
Commissioner Program	\$500,000	\$455,945	\$500,000
Culture & Tourism	\$100,000	\$92,150	\$150,000
Application Fund	\$80,000	\$73,731	\$75,000
Total	\$2,620,000	\$2,224,358	\$2,300,000

Region III Grant – Carlton/Koochiching	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Region III	\$580,509	\$580,509	\$267,284

¹² Pending FY10 Laurentian Innovation Project grants: Hibbing Taconite - stockpile reshaping and vegetation project (\$100,000) and pit lake reshaping project (\$100,000). The grants will be funded from the following budget line items: Laurentian Vision Innovation Projects (\$125,000) and Mineland Reclamation and Restoration (\$75,000).

Projects

Iron Range Resources provides funding for a variety of community and economic development projects, as further described below. The Commissioner brings specific projects to the Iron Range Resources Board for its approval at future meetings in accordance with M.S. 298.22, Subd. 1 (Board account), M.S. 298.223, Subd. 2 (Taconite Area Environmental Protection Fund) and M.S. 298.296, Subd. 1 (Douglas J. Johnson Economic Protection Trust Fund).

Business Development \$9,500,000

A total of \$9,500,000 is designated for economic development projects to promote business development opportunities and attract new investments to the region.

Public Works \$4,000,000

Public Works grants fund the infrastructure needs of local units of government in order to support community and economic development. Eligible projects are publicly owned infrastructure, including wastewater collection and treatment, drinking water, storm sewers, utility extensions, site improvements and streets. Individual grant awards typically do not exceed \$350,000.

2010 Legislation \$1,500,000

Small Business Fund \$1,500,000

2010 Legislation amended subdivision b of Minn. Stat. 298.294 (the “Small Business Fund”) to add an additional \$500,000 in fiscal years 2010 and 2011, and expand the potential uses of the funds to include short-term operating expenses and purchase of equipment and materials by businesses under financial duress.

The amendment transfers \$1,500,000 of earnings from the Douglas J. Johnson Economic Protection Trust Fund to a special account in fiscal years 2010 and 2011. Funds in the special account are available for loans or grants to businesses, with priority given to businesses with 25 or fewer employees. Funds may be used for wage subsidies of up to \$5 per hour for up to 52 weeks or other activities that will create additional jobs in the taconite assistance area.

Projects Budget

Development Projects	FY 2010 Budget	FY 2010 Projected	FY 2011 Budget
Business Development	\$9,160,999 ¹³	\$9,160,999 ¹⁴	\$9,500,000
Public Works	0	0	4,000,000
Legislative Reallocation - Renewable Energy	5,998,597	4,600,000 ¹⁵	0
Legislative Appropriation - Windmill Blade Factory	10,000,000	1,500,000	0
Legislative Transfer - Small Business Fund	1,500,000 ¹⁶	1,500,000	1,500,000
Total Development Projects	\$26,659,596	\$16,760,999	\$15,000,000

¹³ In FY10, this line item was increased \$660,999 for the following projects: Virginia Regional Medical Center (\$650,000) to fund an \$850,000 grant for construction of an orthopedic surgery area, and City of Mountain Iron (\$10,999) to fund a \$191,000 grant to upgrade a rail yard road.

¹⁴ \$275,000 FY10 project dollars remain available in this line item for projects to be considered at the June 17, 2010, Board meeting. Project expenditures approved over this amount will be taken from the FY11 budget.

¹⁵ \$5,100,000 for a solar panel manufacturing facility approved at the June 17, 2010, Board meeting. Project participants: Mt. Iron Economic Development Authority (\$3,600,000) and Silicon Energy (\$1,500,000). FY10 budget line item funding: Renewable Energy (\$3,600,000) and Windmill Blade Appropriation (\$1,500,000). Note: 2010 Legislation modified existing Minnesota Minerals 21st Century Fund language to allow grants or loans to multiple recipients and expands the list of recipients to include renewable energy manufacturing or biomass projects.

¹⁶ In FY10, an increase of \$500,000 to this line item was authorized under the Laws of Minnesota 2010, Chapter 15 (enacted by the Legislature and signed into law by the Governor on April 1, 2010) which amended Minn. Stat. 298.294 (b).

Specially Designated Funds

2010 Legislation amended Minn. Stat. 298.217, subd. 2 to confer authority upon the Commissioner to offer an early separation incentive program, and extends the program sunset date to December 31, 2012.

In FY10, \$2,000,000 was approved as part of the budget to enable the agency to implement the early separation incentive program. These funds will be reserved and set aside for the program in FY11.

APPENDIX

Appendix A Organizational Chart

Iron Range Resources

