

Meeting of the Iron Range Resources Board

August 19, 2010

9:00 a.m.

**Iron Range Resources
Eveleth, Minnesota**

MEETING OF THE IRON RANGE RESOURCES BOARD
Iron Range Resources, Eveleth, Minnesota
Thursday, August 19, 2010
9:00 a.m.

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MEETING OF THE IRON RANGE RESOURCES BOARD
Iron Range Resources
Eveleth, Minnesota
Thursday, August 19, 2010 – 9:00 a.m.

Agenda

- 1) Roll Call
- 2) Approval of the June 17, 2010, Minutes
- 3) Commissioner's Comments
- 4) Iron Range Higher Education Fund
Action required: Project approval requires 7 votes
 - a) Arrowhead Institute of Technology Higher Education Programs – **Resolution No. 11-001**
- 5) Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 10 votes
 - a) Giants Ridge® Bonds – **Resolution No. 11-002**
- 6) Taconite Economic Development Fund
Action required: Project approval requires 7 votes
 - a) Northshore Mining (Production 2008, Pay 2009) – **Resolution No. 11-003**
 - b) Northshore Mining (Production 2009, Pay 2010) – **Resolution No. 11-004**
 - c) US Steel – Minntac (Production 2009, Pay 2010) – **Resolution No. 11-005**
 - d) US Steel – Keetac (Production 2009, Pay 2010) – **Resolution No. 11-006**
 - e) United Taconite (Production 2009, Pay 2010) – **Resolution No. 11-007**
- 7) Taconite Area Environmental Protection Fund
Action required: Project approval requires 7 votes
 - a) Public Works Grants
 - i) Grant Amendments – **Resolution No. 11-008**
 - ii) FY11 Public Works Projects – **Resolution No. 11-009**
 - b) Renewable Energy Grants – **Resolution No. 11-010**
- 8) Board Account/Taconite Area Environmental Protection Fund
Action required: Resolution approval requires a majority vote of the quorum present
 - a) Excelsior Energy, Inc. – **Resolution No. 11-011**
- 9) Adjournment

Approval of the June 17, 2010, Minutes

Thursday, June 17, 2010

10:00 a.m.

Iron Range Resources

Eveleth, Minnesota

I. Roll Call

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

II. Approval of the April 15, 2010, Minutes

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

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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

a) Iron Range Engineering: Minnesota State University, Mankato

Iron Range Resources Board Meeting

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i) Bachelors of Engineering Program

Representative Loren Solberg moved approval the Iron Range Engineering, Minnesota State University, Mankato, Bachelors of Engineering Program in an amount not to exceed \$800,000, as presented in Resolution No. 10-038. Seconded by Senator Yvonne Prettner Solon. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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

Resolution No.: 10-038

WHEREAS, Minnesota Statutes Section 298.28, subd. 9d allocates 5 cents per taxable ton of taconite taxes to the agency to be deposited in an Iron Range higher education account (“**Higher Education Account**”) to be used for higher education programs conducted at educational institutions in the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

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

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

WHEREAS, the Committee and Board previously approved an expenditure of up to \$1,144,700 of Higher Education Account funds to provide a grant to the Northeast Higher Education District (“**NHED**”) for use by the Arrowhead University Consortium (“**AUC**”) to develop and implement a higher education program that, in collaboration with private industry, will allow students to earn a bachelors of science in engineering degree from Minnesota State University at Mankato (hereafter referred to as the “**Engineering Degree Program**”); and,

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

WHEREAS, the Committee approved expenditure will cover the second year of costs for the Engineering Degree Program, for which it is projected that total costs for the development and implementation of the Program will be \$3,097,852 over the course of four years, and for which it is further anticipated that the Program will begin to generate revenues in excess of costs starting with the fifth year after it has been implemented; and

WHEREAS, in order to provide the aforementioned grant to the NHED, it is necessary for the Board to approve an expenditure of funds from the Higher Education Account; and

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota to consider, among other matters, the proposed expenditure of up to \$800,000 of Higher Education Account funds for the purpose of providing a grant to the NHED for use by the AUC to continue developing and implementing an Engineering Degree Program within the TAA and determined that the proposed expenditure would be in the public interest.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of up to \$800,000 of Higher Education Account funds for a grant to the NHED to be used by the AUC to continue developing and implementing an Engineering Degree Program that, in collaboration with private industry, will allow students to earn a bachelors of science in engineering degree from Minnesota State University at Mankato.

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
Senator Dave Tomassoni, Chair

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

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

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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

Resolution No.: 10-039

WHEREAS, Minnesota Statutes Section 298.28, subd. 9d allocates 5 cents per taxable ton of taconite taxes to the agency to be deposited in an Iron Range higher education account (“**Higher Education Account**”) to be used for higher education programs conducted at educational institutions in the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

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

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

WHEREAS, the Committee and Board previously approved an expenditure of up to \$250,000 of Higher Education Account funds to provide a grant to the Northeast Higher Education District (“NHED”) for use by the Arrowhead University Consortium (“AUC”) to develop and implement a higher education program that, in collaboration with private industry, will allow students to

earn a Masters of Engineering degree from the University of Minnesota Duluth (hereafter referred to as the “**Masters Degree Program**”); and,

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

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

WHEREAS, in order to provide the aforementioned grant to the NHED, it is necessary for the Board to approve an expenditure of funds from the Higher Education Account; and

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota to consider, among other matters, the proposed expenditure of up to \$400,000 of Higher Education Account funds for the purpose of providing a grant to the NHED for use by the AUC to continue developing and implementing a Masters Degree Program within the TAA and determined that the proposed expenditure would be in the public interest.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of up to \$400,000 of Higher Education Account funds for a grant to the NHED to be used by the AUC to continue developing and implementing a Masters Degree Program that, in collaboration with private industry, will allow students within the TAA to earn a Masters of Engineering degree from the University of Minnesota Duluth.

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

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			

Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
 Senator Dave Tomassoni, Chair

III. Douglas J. Johnson Economic Protection Trust Fund

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

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

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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

Resolution No.: 10-040

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

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

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

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

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

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

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

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota to consider, among other matters, the proposed loan expenditure for the Proposed Project and determined that the expenditure of up to \$486,250 of DJJ Funds for a direct agency loan to Disability Specialist, Inc. to maintain all previously approved financing for the Proposed Project for the purposes specified herein, would be an expenditure in support of a project designed to create employment, would be in the public interest, and would promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$486,250 of DJJ Business Development Funds to be used for a direct agency loan to Disability Specialist, Inc. in support of the Proposed Project as provided herein and more fully described in attachment Exhibit #2.

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

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
 Senator David Tomassoni, Chair

EXHIBIT #1

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 DISABILITY SPECIALISTS PARTICIPATION LOAN/ CITY OF COOK
 INFRASTRUCTURE GRANT
 DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND PROJECT**

Resolution No.: 10-033

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

WHEREAS, the agency’s approved FY10 Investment Plan, as amended, includes provision for the use of DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects; and

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

and is in need of \$675,000 in funding in the form of an agency participation loan to assist it with expanding its current facility so that it may continue to grow and hire additional employees (the “**Proposed Project**”) as more fully described in Exhibit A, which is attached hereto; and

WHEREAS, the City of Cook supports the expansion of Disability Specialist’s headquarters facility and has submitted a request for a grant of \$200,000 to fund a portion of the water, sewer, road, site preparation and infrastructure costs it anticipates incurring in connection with its financial participation, with other sources of private financing, in the Proposed Project as more fully described in Exhibit B, which is attached hereto; and

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

WHEREAS, the Board met in open session on April 15, 2010, at 5:30 p.m. in St. Paul, Minnesota, to consider, among other matters, final approval of the Proposed Project and determined that the expenditure of \$675,000 of FY 2010 DJJ Funds for an agency participation loan to help provide construction financing for Disability Specialist, Inc., and the expenditure of \$200,000 of FY 2010 DJJ Funds for a grant to the City of Cook for infrastructure costs, for the purposes specified herein, would be a project designed to create employment, would be in the public interest, and would promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$875,000 of FY 2010 DJJ Business Development Funds to be used for an agency loan participation interest of up to \$675,000 with a private bank, and to provide a grant of up to \$200,000 to the City of Cook for infrastructure site work costs, all of which shall be in support of the Proposed Project as provided herein and more fully described in the attachments Exhibit A and Exhibit B.

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

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc				X
Representative Dave Dill	X			

Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg				X
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
 Senator David Tomassoni, Chair

EXHIBIT A
Disability Specialist, Inc.
 Bank Participation Loan Program

APPLICANT:
 Disability Specialist, Inc.

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

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

PROJECT COST:
 \$2,700,000

PROJECT BREAKDOWN:

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

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

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

CONTINGENCIES:

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

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

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

FUNDING AUTHORIZATION:

Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

PROJECT DESCRIPTION:

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

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

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

MANAGEMENT TEAM:

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

MARKET OPPORTUNITY:

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

COLLATERAL REVIEW:

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

Total estimated value of real estate is calculated below:

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

PAST IRON RANGE RESOURCES HISTORY:

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

**EXHIBIT B
City of Cook**



Iron Range Resources
P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218) 735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources Board

From: Sandy Layman
Commissioner

Date: April 15, 2010

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

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

BACKGROUND:

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

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

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

PROJECT DETAIL:

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

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

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

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

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

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

FUNDING AUTHORIZATION:

Douglas J. Johnson Economic Protection Trust Fund: This proposed project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize the expenditure of such DJJEPTF monies to provide loans and other forms of financial participation with private sources of funding to assist private enterprises in projects that promote job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

EXHIBIT #2

**Disability Specialist, Inc.
Direct Loan Program**

APPLICANT:

Disability Specialist, Inc.

PRINCIPAL(S):

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

BRIEF PROJECT DESCRIPTION:

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

PROJECT COST:

\$2,515,750

PROJECT BREAKDOWN:

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

COLLATERAL:

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

JOBS:

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

CONTINGENCIES:

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

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Recommended approval at the June 9, 2010, meeting.

FUNDING AUTHORIZATION:

Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

PROJECT DESCRIPTION:

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

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

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

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

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

MANAGEMENT TEAM:

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

MARKET OPPORTUNITY:

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

COLLATERAL REVIEW:

Accounts receivable are due from the Social Security Administration and are generally collected within 90 days. With annual revenues exceeding \$2,000,000, the outstanding balance of accounts receivable is typically over \$500,000. The cash value of the life insurance policy is \$104,000.

PAST IRON RANGE RESOURCES HISTORY:

In April, 2010, Iron Range Resources approved a \$675,000 loan for the above project. The project is not complete and the loan has not been advanced. In 2005, Iron Range Resources

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

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

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

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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

Resolution No.: 10-041

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

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

WHEREAS, Borrower has requested the agency to subordinate its first priority security interests and liens in the Borrower’s Property to security interest and liens that JP Morgan Chase Bank is proposing to create in Borrower’s Property to secure the repayment of a new \$5,000,000 line of credit loan which the Borrower is seeking to obtain to reduce its accounts payable balances, refinance a short term loan from a local bank, fund expenses related to and in support of Borrower’s expansion for Plant 2 and fund minor improvements to maximize the utilization of Plant 1 (the “**New Loan**”);

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

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

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
 Senator David Tomassoni, Chair

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

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

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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

Resolution No.: 10-042

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

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

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

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota and determined that it would be in the public interest and in accordance with the 2010 Wage Subsidy Law: (i) to authorize \$1,500,000 of FY11 Wage Subsidy Funds for a grant to NEMOJT for the FY11 wage subsidy program; (ii) to authorize the payment of wage subsidy benefits under the program during FY10 and FY11 for up to 52 weeks for individual workers in eligible businesses; and (iii) to provide that employees formerly receiving benefits under the program who still are employed by the same employer are eligible to receive an additional 26 weeks of wage subsidy benefits.

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

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

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
 Senator Dave Tomassoni, Chair

IV. Taconite Area Environmental Protection Fund

Action required: Approval requires 7 votes

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

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

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

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

Voting Against the Motion: None

Abstain: None

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

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

Resolution No.: 10-043

WHEREAS, the Commissioner is authorized to expend, upon approval of seven members of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY 2010 Budget includes the allocation of \$4,150,000 of TEPF Funds for Business Development Projects (“**TEPF Business Development Funds**”); and

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

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota to consider, among other matters, the Proposed Project and has determined that the expenditure of up to \$175,000 of TEPF Funds for the purposes specified would be in the public interest and promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$175,000 of TEPF Business Development Funds to provide a grant to the City of Two Harbors for the Proposed Project for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of TEPF Funds for the Proposed Project is contingent upon the agency, in its grant contract, requiring the grantee entity to commit to the payment of prevailing wages for the funded project as indicated in, and to the extent required in, the Board’s Resolution 96-005.

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni				X
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	10	0	0	3

Signed: _____
 Representative Loren Solberg, Vice Chair

EXHIBIT A

PUBLIC WORKS GRANT

City of Two Harbors

Grant Amount: \$175,000

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

USES

SOURCES

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

FUNDING AUTHORIZATION:

Taconite Area Environmental Protection Fund: These proposed projects are authorized under the provisions of the Taconite Area Environmental Protection Fund Act (“**TEPF**”) (Minnesota Statutes Section 298.233) pertaining to expenditures of monies made available under the TEPF for local economic development projects and public works, including construction of sewer and water systems located within the taconite assistance area (“**TAA**”) as defined in Minnesota Statute Section 273.1341.

b. Hibbing EDA – Resolution No. 10-044

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

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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

Resolution No.: 10-044

WHEREAS, the Commissioner is authorized to expend, upon approval of seven members of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY 2010 Budget includes the allocation of \$4,150,000 of TEPF Funds for Business Development Projects (“**TEPF Business Development Funds**”); and

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

WHEREAS, the Board met in open session starting at 10:00 a.m. on June 17, 2010, in the Board Room located near Eveleth, Minnesota to consider, among other matters, the Proposed Project and has determined that the expenditure of up to \$100,000 of TEPF Funds for the purposes specified would be in the public interest and promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$100,000 of TEPF Business Development Funds to provide a grant to the HEDA for the Proposed Project for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of TEPF Funds for the Proposed Project is contingent upon the agency, in its grant contract, requiring the grantee entity to commit to the payment of prevailing wages for the funded project as indicated in, and to the extent required in, the Board’s Resolution 96-005.

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
 Senator David Tomassoni, Chair

EXHIBIT A

BUSINESS DEVELOPMENT PROJECT GRANT

Hibbing Economic Development Authority

Grant Amount: \$100,000

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

The current project being contemplated would require a capital investment of \$1.92 million and is expected to create a minimum of 10 new jobs, paying a minimum of \$13/hour including wages and benefits, within a two year period. HEDA is considering an investment of \$200,000 in the project, including this \$100,000 grant and \$100,000 in HEDA funds, with the balance of project financing being contributed by Daimler Trucks North America, the parent of Detroit Diesel Remanufacturing. The assets financed by HEDA, including the infrastructure financed by this grant, will remain in the ownership of HEDA until job creation goals have been met. Company officials have made representations that there is a good chance the Hibbing operation will lose sales, and corresponding employment, should this expansion not be undertaken.

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

FUNDING AUTHORIZATION:

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

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

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

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

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

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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

Resolution No.: 10-045

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

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

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

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

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

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

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

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

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan	X			
TOTAL	11	0	0	2

Signed: _____
 Senator Dave Tomassoni, Chair

V. FY11 Agency Investment Plan – Resolution No. 10-046

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

AMENDMENTS TO THE FY11 AGENCY INVESTMENT PLAN

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

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

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

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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Commissioner Program \$500,000

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

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

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

Seconded by Representative Tony Sertich. Motion carried.

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

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

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Rod Skoe

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<i>Business Development & Recruitment</i>	<i>FY 2010 Budget</i>	<i>FY 2010 Projected</i>	<i>FY 2011 Budget</i>
<i>Employee Costs</i>	<i>\$655,396</i>	<i>\$570,500²</i>	<i>\$660,134</i>
<i>Operational Costs</i>	<i>\$340,740</i>	<i>\$220,207</i>	<i>\$166,040</i>
<i> Training and travel</i>	<i>43,200</i>	<i>28,016</i>	<i>36,000</i>
<i> Professional services</i>	<i>192,000</i>	<i>140,951</i>	<i>70,500</i>
<i> Purchased services</i>	<i>53,400</i>	<i>17,862</i>	<i>21,600</i>
<i> Memberships</i>	<i>18,000</i>	<i>13,625</i>	<i>18,000</i>
<i> Supplies, telephone and equipment</i>	<i>12,700</i>	<i>11,773</i>	<i>18,500</i>
<i> Utilities and maintenance</i>	<i>21,440</i>	<i>7,980</i>	<i>1,440</i>
<i>Total</i>	<i>\$996,136</i>	<i>\$790,707</i>	<i>\$826,174</i>

FY11 Operations: Business Development & Recruitment budget

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

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

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

Abstain: None

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

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

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

FY11 Operations: Mining & Mineland Reclamation budget

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

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

Voting Against the Motion: None

Abstain: None

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

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

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

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

Voting Against the Motion: None

Abstain: None

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

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

Resolution No.: 10-047

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

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

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

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon				X
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			
Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan				X

TOTAL	9	0	0	4
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Signed: _____
 Senator David Tomassoni, Chair

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

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

Voting Against the Motion: None

Abstain: None

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

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

Resolution No.: 10-046

WHEREAS, the Commissioner pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11 has submitted to the Board for its consideration and approval a proposed FY11 Agency Investment Plan for the funding of operational expenditures, programs and projects of the agency during the State’s fiscal year 2011 (“**FY11**”) which covers the period of time from July 1, 2010, through June 30, 2011 (the “**Proposed Budget**”); and

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

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

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

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

1. Programs:
 - a. Community Readiness: The allocation of \$1,000,000 for the Community Redevelopment program is amended to restrict the authorized use of such funds to demolition and removal of structures consistent with the existing program guidelines and not for the rehabilitation of workforce housing; and,
 - b. Commissioner's Program: The proposed expenditure of \$500,000 is subject to the following conditions:
 - i. The Commissioner may expend the first \$250,000 portion of the budgeted amount without further Board approval;
 - ii. Expenditure of the remaining \$250,000 of the budgeted amount is subject to further Board approval; and,
 - iii. The Commissioner shall report quarterly to the Board the amounts and purposes for which the approved Commissioner projects funds were expended.
2. Operations:
 - a. Business Development:
 - i. Business Development & Recruitment: The proposed expenditure of \$107,000 for professional services is reduced to \$70,500; and,
 - ii. Mining & Mineland Reclamation: Up to an additional \$100,000 is provided for raising and planting trees.

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

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator Yvonne Prettner Solon				X
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Tom Rukavina	X			
Representative Tony Sertich	X			
Representative Loren Solberg	X			

Citizen Joe Begich	X			
Citizen Shelley Robinson	X			
Citizen Jack Ryan				X
TOTAL	9	0	0	4

Signed: _____
Senator David Tomassoni, Chair

VI. Adjournment

The meeting adjourned at 1:52 p.m.

Iron Range Higher Education Account
Action required: Project approval requires 7 votes

- a) Arrowhead Institute of Technology Higher Education Programs

Arrowhead Institute of Technology Higher Education Programs



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: August 10, 2010

Re: Iron Range Higher Education Committee: Arrowhead Institute of Technology

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 \$1,828,000 of 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, in collaboration with private industry, higher education programs in Industrial Technology, Process Automation, Industrial Lab Technician, Industrial Construction and Information Management.

This approved expenditure will cover the second year costs of the programs. Funding for ensuing years will be considered subject to required approval by the Iron Range Higher Education Committee and the Board of Iron Range Resources. Disbursement of these funds will be contingent on the submission to the IRHEC of a budget detailing the expenditure of Production Year 2007 & 2008 dollars and a projected budget for Production Year 2009 funds.

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 10 votes

- a) Giants Ridge® Bonds

Giants Ridge® Bonds



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To: Iron Range Resources Board

From: Sandy Layman
Commissioner

Date: August 19, 2010

Re: Iron Range Resources Gross Revenue Bonds: Up to \$8,808,269 Authorization for Redeeming the Giants Ridge Recreation Area Bonds

Project Overview

In November 2000, the agency issued \$16,000,000 of 25-year, serialized gross revenue bonds (Giants Ridge Recreation Area Series 2000) (the “Bonds”). The Bonds were issued to finance the construction of the second golf course, “The Quarry”, and to retire \$4,250,000 of the 15-year revenue bonds that had been issued in 1996 to finance a portion of the costs of the first golf course, “The Legend”.

Bonds in an aggregate amount of \$10,485,000 will be outstanding on November 1, 2010. Those Bonds carry interest rates (depending upon the series) ranging from 7.25% to 7.50%. The Bonds are callable (for the first time) on November 1, 2010, subject to a two percent call premium totaling \$209,700. After application of funds on deposit in a mandatory debt service reserve fund, the net cost to the agency to call the Bonds on November 1, 2010 would be \$8,758,269. If all of the Bonds are called on November 1, 2010, the agency would realize total interest savings of \$6,569,238 over the original term of the Bonds.

Financial Advisor Assessment

In July 2010, the agency contracted with Public Financial Management, Inc. (“PFM”) to evaluate the feasibility of refunding or redeeming the Bonds as well as various potential refunding strategies. Based on review of the Bond provisions, secondary market transactions and discussions with local investment banking firms, PFM provided the following conclusions and recommendations:

1. The market for unrated revenue bonds for non-essential facilities is not good at this time. High premiums are being demanded by investors in view of the perceived risk of bonds that finance such ventures.
2. There has not been numerous secondary trades of the Bonds and those trades have exhibited significant volatility; therefore, the general pattern does not indicate that the refunding bonds issue could be sold at a significant premium over the rate on the Bonds, i.e., at lower yields that would produce savings.
3. It is not feasible at this time to issue refunding bonds in view of the circumstances outlined above in numbers 1 and 2.
4. If agency funds could be used for the purpose of redeeming the Bonds, the Bonds to be called should be called on November 1, 2010, notwithstanding the 2% call premium. The effects of calling the Bonds on November 1, 2010, demonstrates that the value of eliminating interest payments more than offsets the cost of the call premium and the foregone investment earnings on the money used to redeem bonds in an environment like today's when investment rates are so low.

Funding Authorization

I am requesting that the Board authorize the expenditure of up to \$8,808,269 of the funds available in the corpus of the Douglas J Johnson Economic Protection Trust Fund ("DJJ Corpus Funds") to provide funds with which to redeem the Bonds on November 1, 2010, as well as some allowance for interest charges accrued during the redemption process.

Authorization for the expenditure of such funds for this purpose is contained in Minnesota Statutes Section 298.296, Subdivision 2 (c) which entitles the agency to expend, upon prior approval by the affirmative vote of at least ten members of the Board, up to 20% of the DJJ Corpus Funds, valued as of the date of May 18, 2002, plus certain additional accrual sums (the "20% Portion"), for projects and programs described in Minnesota Statutes Section 298.292, subdivision 1 that either (a) are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses; or (b) encourage diversification of the economy and promote the development of, among other sectors of the economy, tourism.

The current accrued value of that 20% Portion is \$27,027,522. The Board previously authorized the expenditure of \$6,488,000 (Mesabi Nugget purchase of former LTV site lands, February 2006) of that \$27,027,522, for other projects, leaving an available sum of \$20,539,522 that could be authorized for projects like this redemption project. If the Board authorizes the expenditure of the requested \$8,808,269 for the Bond redemption project, at least \$11,731,253 of the 20% Portion would remain available to fund future projects approved by the Board.

The following table illustrates the proposed funding plan:

Current Value - 20% Portion	\$27,027,522
Previous Expenditure - LTV Site Lands	<u>(6,488,000)</u>
Available Balance - 20% Portion	\$20,539,522
Proposed Expenditure - Bond Call	(\$8,758,269)
Potential Interim Accrued Interest	<u>(50,000)</u>
Remaining Balance - 20% Portion	<u>\$11,731,253</u>

The following table illustrates the net cost to call the Bonds:

Principal	\$11,310,000
Fee	1,000
Call Premium - 102%	209,700
Interest	415,469
Debt Service Reserve Fund Applied	(1,600,000)
FY11 Debt Service Payment Applied	<u>(1,577,900)</u>
Subtotal	\$8,758,269
Potential Interim Accrued Interest	<u>50,000</u>
Total	<u>\$8,808,269</u>

Commissioner Recommendation

On the basis of the information provided above, I am asking for your approval to expend up to \$8,808,269 of Douglas J. Johnson Economic Protection Trust Fund corpus monies to call and redeem all of the outstanding Bonds on November 1, 2010.

Taconite Economic Development Fund

Action required: Project approval requires 7 votes

- a) Northshore Mining (Pay 2009)
- b) Northshore Mining (Pay 2010)
- c) US Steel – Keetac (Pay 2010)
- d) US Steel – Minntac (Pay 2010)
- e) United Taconite (Pay 2010)

Northshore Mining Company (Production 2008, Pay 2009)



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 10, 2012

**Re: Northshore Mining Company Taconite Economic Development Fund Project
(Production 2008, Pay 2009) – \$90,251**

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

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

At the August 20, 2009, Board meeting, Northshore Mining received Board approval for their 2009 TEDF project proposal to dredge the harbor at Northshore’s Silver Bay pellet facility. The estimate and budget for this project was \$2,200,000. Northshore needed a total project cost minimum of \$1,984,482 to receive their TEDF rebate of \$1,610,981. The project was completed substantially below budget and below the Minimum Project Total required to receive 100% of their TEDF rebate.

Total Northshore Prod 2008 Pay 2009 TEDF rebate	\$1,610,981
Amount paid to date	\$1,520,730
Balance remaining	\$90,251
Need to spend to receive the rebate	\$111,200

Northshore is proposing to install a dust collector system on the feed end of both Furnace 5 and Furnace 6 for both the remaining 2009 balance as well as their Production 2009 Pay 2010 TEDF rebates.

Project 1 – Furnace 5 & 6 Feed End Dust Collector

Furnace lines 5 & 6 at Northshore Mining do not have dust collection installed at their feed ends. The equipment that feeds the unfired pellets into the furnace produces a significant amount of dust. The dust contributes to housekeeping costs, is a factor in machine component contamination, and is detrimental to the air quality around the furnaces and in the pellet plant building.

While installation of this dust collection equipment is not driven by a direct legal, environmental or compliance-related issue, Northshore’s environmental and safety departments support this additional pellet plant dust collection system as the project directly aligns with Northshore’s environmental goals of further reducing fugitive dust emissions. It also improves operating conditions from an industrial health perspective by reducing ambient dust within the pellet plant.

The recommendation is to install a new common dust collector system that services both furnace lines 5 & 6. The system is composed of a filter-media style collector, fan, safety filter, air handling ducts, dust collector hood and other minor components. The system will discharge filtered air inside the building. Adequate space inside the existing building has been identified where components will be located.

Reducing indoor ambient dust will decrease pellet plant housekeeping requirements, improve the pellet plant’s indoor air quality and work environment (potential industrial hygiene issue), reduce plant exterior fugitive emissions, and contribute to the maintenance goal of reducing equipment contamination.

TEDF Rebate	\$90,251
Estimated Project Total Budget	\$380,000*

- * \$111,200 will be allocated for their Production 2008, Pay 2009 rebate and the balance of \$268,800 will be allocated for their Production 2009, Pay 2010 rebate

Northshore Mining Company (Production 2009, Pay 2010)



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 10, 2012

**Re: Northshore Mining Company Taconite Economic Development Fund Project
(Production 2009, Pay 2010) – \$82,872**

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

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Minnesota Statutes 298.28 Subd. 9a states that no Taconite Economic Development Fund distribution shall be made in any year in which total industry pellet production falls below 30 million tons. Subd. 9b addresses the revenue and rebate for the sale of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets that shall be paid to the Taconite Economic Development Fund. The chips and fines tax rebate is not subject to the 30 million ton per year minimum that governs pellet production and sales. Therefore, the 2010 TEDF rebates are limited to only the chips and fines credits earned by each company. The chips and fines credit is part of the 15.4 cents per ton rebate, which does not require a company match for release.

Northshore Mining Company is eligible for a pay 2010, based on 2009 chips and fines production, Taconite Economic Development Fund rebate of \$82,872, provided the company completes a project that exceeds that amount.

The Northshore Mining Company TEDF Review Committee completed its review on July 21, 2010, and unanimously approved submitting the following project.

Project 1 – Furnace 5 & 6 Feed End Dust Collector

Furnace lines 5 & 6 at Northshore Mining do not have dust collection installed at their feed ends. The equipment that feeds the unfired pellets into the furnace produces a significant amount of dust. The dust contributes to housekeeping costs, is a factor in machine component contamination, and is detrimental to the air quality around the furnaces and in the pellet plant building.

While installation of this dust collection equipment is not driven by a direct legal, environmental or compliance-related issue, Northshore’s environmental and safety departments support this additional pellet plant dust collection system as the project directly aligns with Northshore’s environmental goals of further reducing fugitive dust emissions. It also improves operating conditions from an industrial health perspective by reducing ambient dust within the pellet plant.

The recommendation is to install a new common dust collector system that services both furnace lines 5 & 6. The system is composed of a filter-media style collector, fan, safety filter, air handling ducts, dust collector hood and other minor components. The system will discharge filtered air inside the building. Adequate space inside the existing building has been identified where components will be located.

Reducing indoor ambient dust will decrease pellet plant housekeeping requirements, improve the pellet plant’s indoor air quality and work environment (potential industrial hygiene issue), reduce plant exterior fugitive emissions, and contribute to the maintenance goal of reducing equipment contamination.

TEDF Rebate	\$82,872
Estimated Project Total Budget	\$380,000*

- * \$111,200 will be allocated for their Production 2008, Pay 2009 rebate and the balance of \$268,800 will be allocated for their Production 2009, Pay 2010 rebate

United States Steel – Minntac (Production 2009, Pay 2010)



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 10, 2012

**Re: United States Steel - Minntac Taconite Economic Development Fund Projects
(Production 2009, Pay 2010) – \$9,360**

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

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Minnesota Statutes 298.28 Subd. 9a states that no Taconite Economic Development Fund distribution shall be made in any year in which total industry pellet production falls below 30 million tons. Subd. 9b addresses the revenue and rebate for the sale of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets that shall be paid to the Taconite Economic Development Fund. The chips and fines tax rebate is not subject to the 30 million ton per year minimum that governs pellet production and sales. Therefore, the 2010 TEDF rebates are limited to only the chips and fines credits earned by each company. The chips and fines credit is part of the 15.4 cents per ton rebate, which does not require a company match for release.

US Steel – Minntac is eligible for a pay 2010, based on 2009 chips and fines production, Taconite Economic Development Fund rebate of \$9,360, provided the company completes a project that exceeds that amount.

The US Steel Minntac TEDF Review Committee completed its review on March 31, 2010, and unanimously approved submitting the following project.

Project 1 – Line 4 Grate Cleaner

During the first stages of induration, soft pellets are conveyed with a steel horizontal grate through the drying and pre-heating processes. Hot air flows vertically from the underside of the traveling grate and through the pellet bed. Slots in the traveling grate frequently are plugged by the soft pellets which in turn negatively affect the heat flow transfer to the pellets. The current remedy to correct this is to have operators direct a hose with high water pressure to the underside of the grate to blast the slots clear. This technique for cleaning the grate causes stress and breakage to the traveling grate.

The grate cleaner will clean the grate air slots mechanically rather than with water. The benefits are increased life of the grates and improved efficiency of operating the horizontal grates.

TEDF Rebate	\$9,360
Estimated Project Total Budget	\$90,000

United States Steel – Keetac (Production 2009, Pay 2010)



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: October 10, 2012

**Re: United States Steel - Keetac Taconite Economic Development Fund Projects
(Production 2009, Pay 2010) – \$56,923**

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

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Minnesota Statutes 298.28 Subd. 9a states that no Taconite Economic Development Fund distribution shall be made in any year in which total industry pellet production falls below 30 million tons. Subd. 9b addresses the revenue and rebate for the sale of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets that shall be paid to the Taconite Economic Development Fund. The chips and fines tax rebate is not subject to the 30 million ton per year minimum that governs pellet production and sales. Therefore, the 2010 TEDF rebates are limited to only the chips and fines credits earned by each company. The chips and fines credit is part of the 15.4 cents per ton rebate, which does not require a company match for release.

US Steel – Keetac is eligible for a pay 2010, based on 2009 chips and fines production, Taconite Economic Development Fund rebate of \$56,923, provided the company completes a project that exceeds that amount.

The US Steel Keetac TEDF Review Committee completed its review on April 12, 2010, and unanimously approved submitting the following project.

Project 1 - Tailings Basin Reclamation & Dust Control

Keetac’s active tailings pond is 2,500 acres in size and has a perimeter of 44,000 feet. Each year, 12,000 linear feet of this perimeter is increased by 6 feet in height through the use of tailing deposition and dozer manipulation. The newly formed tailing beaches in these new cells can vary in width from 600 to 2,000 feet. Tailing deposition forms large, variable tailing basin beaches that consist of a gradient from coarse (deposited first) to fine material (deposited last). The water carries the medium and fine tailings flow towards the interior of the basin, where they finally settle out in the interior water reservoir.

Keetac is required to establish and execute an annual reclamation activity plan by the MDNR and control dust to levels established by the MPCA. The annual vegetation and tree planting activity on the tailing basin is used to satisfy the requirements of both these agencies.

Seed and fertilizer are applied to bare areas of tailing on inactive areas of the basin by using specialized low ground pressure equipment. Various seed mixtures are matched to a specific site’s needs. Temporary vegetated areas are seeded during March and April, while the ground is still frozen. Permanent seeding activities on the outer slopes are generally completed in May. The tailing’s nutrient levels are very low so significant amount of fertilizer is required to sustain plant growth. In lieu of chemical fertilizer, bio solids have been a successful alternative.

Hay mulch is also an effective method of controlling dust on the tailings basin. Mulch is spread by either bale busters which are pulled by low ground pressure tractors, when the ground is frozen, or, as research has shown, effectively by helicopter. Helicopters are used to mulch in areas where the ground is wet and equipment would become stuck.

Native trees are used to secure and enhance the perimeter of the tailings basin. The trees provide an effective windbreak that decreases windblown dust as well as a buffer for the operation. More than 15,000 trees are planted annually.

TEDF Rebate	\$56,923
Estimated Project Total Budget	\$70,625

United Taconite LLC (Production 2009, Pay 2010)



Iron Range Resources
P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(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: United Taconite LLC Taconite Economic Development Fund Project (Production 2009, Pay 2010) – \$105,186

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

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

Minnesota Statutes 298.28 Subd. 9a states that no Taconite Economic Development Fund distribution shall be made in any year in which total industry pellet production falls below 30 million tons. Subd. 9b addresses the revenue and rebate for the sale of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets that shall be paid to the Taconite Economic Development Fund. The chips and fines tax rebate is not subject to the 30 million ton per year minimum that governs pellet production and sales. Therefore, the 2010 TEDF rebates are limited to only the chips and fines credits earned by each company. The chips and fines credit is part of the 15.4 cents per ton rebate which does not require a company match for release.

United Taconite LLC is eligible for a pay 2010, based on 2009 chips and fines production, Taconite Economic Development Fund rebate of \$105,186, provided the company completes a project that exceeds that amount.

The United Taconite TEDF Review Committee completed its review on August 9, 2010, and unanimously approved submitting the following project.

Project 1 – Waste Water Treatment Plant

The Fairlane Plant owns and operates its own Waste Water Treatment Plant for handling wastewater and sewage. The existing plant is more than 40 years old and is in need of replacement. The current structure consists of underground tanks which house the settling basin, floatation chambers, pumps, aerators and weirs. Structural evaluations have identified deterioration of grating and support beams that have made the area unsafe to enter. The treatment system is functioning properly but staff no longer has safe access and routine maintenance cannot be performed. The current system will be replaced with a pre-engineered system that is designed for cold-weather climates and meets all environmental permitting requirements.

TEDF Rebate	\$105,186
Estimated Project Total Budget	\$550,000

Taconite Area Environmental Protection Fund

Action required: Project approval requires 7 votes

- a) Public Works Grants
 - i) Grant Amendments
 - (1) City of Calumet
 - (2) City of Hibbing
 - (3) City of Virginia
 - ii) FY11 Public Works Projects
- b) Renewable Energy Grants

Public Works Grants: Grant Amendments



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

To: Iron Range Resources Board Members
Enter Title

From: Sandy Layman
Commissioner

Date: August 19, 2010

Re: City of Calumet Amendment to Reallocate the Entire \$200,000 of its FY09 \$200,000 Public Works Grant (Housing Infrastructure) for Infrastructure and Depot Repair

At the September 23, 2008, IRR Board meeting, a \$200,000 FY09 Public Works grant was awarded to the city of Calumet to construct infrastructure for a 20-unit, single-family housing project. The award was made just prior to the major downturn in the economy, which rendered the project economically infeasible.

The city is requesting that the agency reallocate the \$200,000 FY09 Public Works grant as follows: \$75,000 for water and sewer line replacement in the 6th Avenue area for two new Habitat for Humanity homes; \$30,000 for site work in the 9th Avenue area; \$25,000 for repairs to the Railroad Depot; and the remaining funds for construction of a new pump house, and/or 3rd, 4th and Mesabi Avenue water line replacement.

I recommend that the \$200,000 FY09 grant be reallocated for use for the projects referenced above and that the expiration date of the contract be extended until December 31, 2011, to allow completion of the projects.



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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: August 19, 2010

Re: City of Hibbing Amendment to Reallocate \$300,000 of its \$350,000 FY10 Public Works Grant (Hotel & Other Development Infrastructure) for a FY11 Public Works Project (Marshview Meadows)

At the September 8, 2009, IRR Board meeting, a \$350,000 FY10 Public Works grant was awarded to the city of Hibbing to construct infrastructure for three developments: a major hotel, a restaurant and a dental office on Newberg road. The slow recovering economy has made it infeasible to secure financing for a hotel and the developer no longer is considering Hibbing as a location for a new hotel.

The city is requesting that the agency reallocate \$300,000 of the FY10 grant for use in a FY11 Public Works project, infrastructure associated with Phase I construction of a 30-unit, affordable multi-family apartment complex known as Marshview Meadows. Details of the Marshview Meadows project are included in the FY11 Public Works memo on Page 63.

I recommend that \$300,000 of the \$350,000 FY10 Public Works grant be reallocated for use on the Marshview Meadows Housing project and that the expiration date of the contract be extended to December 31, 2012, to allow completion of the project. The remaining \$50,000 of the FY10 Public Works grant will be used for the infrastructure for the dental office as originally planned.



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To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: August 19, 2010

Re: City of Virginia - Amendment to Reallocate \$150,000 of its FY08 \$300,000 Public Works Grant (Fairview Infrastructure) for a FY11 Public Works Project (Highway 53 Business District Infrastructure)

At the December 31, 2007, IRR Board meeting, a \$300,000 FY08 Public Works grant was awarded to the city of Virginia to construct infrastructure for a housing development in the Fairview area. Bids for the project came in lower than expected and the city has reduced the number of lots it plans to develop, which makes \$150,000 of the \$300,000 originally awarded available for other uses.

The city is requesting that the agency reallocate \$150,000 of the FY08 grant for use in a FY11 Public Works project, infrastructure associated with two new developments and the expansion of an existing business located adjacent to Highway 53. Details of the Highway 53 project are included in the FY11 Public Works memo on Page 65.

I recommend that \$150,000 of the \$300,000 FY08 grant be reallocated for use on the Highway 53 project and that the expiration date of the contract be extended to December 31, 2012, to allow completion of the project.

Public Works Grants: FY11 Public Works Projects



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

To: Iron Range Resources Board

From: Sandy Layman
Commissioner

Date: August 19, 2010

Re: Twenty-three FY11 Public Works Grants Totaling \$4,000,000

PURPOSE

The Public Works Grants program provides funds for cities and townships that can be used for infrastructure, site work, or healthcare capital projects that support community and economic development.

CRITERIA

- A. Economic Impact – Priority #1
- B. Jobs Created – Priority #2
- C. Leverage – Priority #3
- D. Project Readiness – Priority #4
- E. Need – Priority #5

Project costs total \$70 million dollars, which represents a 14.75 to 1 leverage ratio. These projects are expected to create 425 FTE construction jobs and 71 FTE permanent jobs.

FY11 PUBLIC WORKS INFRASTRUCTURE GRANTS

City of Aurora

Grant amount: \$100,000

The project is comprised of replacing water, sewer and sanitary sewer lines and asphalt removal/restoration in two alleys on the North side of town, which will correct a serious health/safety issue caused by the deterioration of the water and sewer lines in the area. The project is expected to create 3 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
3 rd Ave NW Infrastructure	\$131,700	Iron Range Resources	\$100,000
3 rd Ave NE Infrastructure	151,000	Applicant	127,510
Engineering, Contingency	84,810	St. Louis Cty CDBG Grant	140,000
TOTAL	\$367,510	TOTAL	\$367,510

City of Babbitt

Grant Amount: \$100,000

The project is comprised of Phase 1 of replacing and relining sanitary sewer lines and replacing the water main on Dogwood Street. The project is expected to create 8.3 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Sewer, Water Lines	\$160,000	Iron Range Resources	\$100,000
Engineering, Contingency	40,000	Applicant	100,000
TOTAL	\$200,000	TOTAL	\$200,000

Bigfork Valley Hospital

Grant Amount: \$220,000

The project is comprised of relocation of the sewer main, new access road, water, sewer and site work for: the construction of a new chemotherapy treatment space, conference room and wellness area; expansion of the pharmacy, dining, kitchen and gift shop areas, and restrooms. The project is designed to accommodate the future expansion of an assisted living complex and senior townhomes at the hospital, and is expected to create 33 FTE construction jobs and 4 new permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Renovation, Expansion	\$4,156,353	Iron Range Resources	\$220,000
Infrastructure, Site Work	726,587	Applicant/USDA Loan	3,922,940
		USDA-REDLG Loan	740,000
TOTAL	\$4,882,940	TOTAL	\$4,882,940

City of Biwabik

Grant Amount: \$100,000

The project is comprised of Phase 1 of rehabilitating and replacing the sanitary sewer lines in the southeast section of the city along 6th Avenue South, which leads to the city's business park. The city has recently located one tenant which employs 12 people in their industrial park. Completion of this project will help open up additional lots. The project also will help to reduce inflow and infiltration problems and is expected to create 3 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Sanitary Sewer Lines	\$290,000	Iron Range Resources	\$100,000
Engineering, Contingency	60,000	Applicant	49,912
		Taconite Tax	200,088
TOTAL	\$350,000	TOTAL	\$350,000

Bois Forte Reservation

Grant Amount: \$250,000

The project is comprised of water, sewer, road and site work for the construction of 20 units of housing for the homeless, and is expected to create 28 FTE construction jobs and 2 new permanent jobs. The Bois Forte Band has extensive experience in housing development, having built over 93 new homes.

<u>USES</u>		<u>SOURCES</u>	
Housing	\$2,940,615	Iron Range Resources	\$250,000
Water, Sewer, Roads	498,070	Applicant	206,766
Engineering, Contingency	557,081	MN Housing Finance Loan	3,500,000
		Greater MN Housing Fund Grant	14,000
		Center for Support Housing Grant	25,000
<hr/>		<hr/>	
TOTAL	\$3,995,766	TOTAL	\$3,995,766

City of Buhl

Grant Amount: \$200,000

The project is comprised of water main replacement and road reconstruction on Sharon and Jones Streets. The city has invested over \$1.8 million in infrastructure improvements in 2008 and 2009. The project is expected to create 1.5 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Water Main Replacement	\$528,000	Iron Range Resources	\$200,000
Road Reconstruction		Applicant	328,000
Engineering			
<hr/>		<hr/>	
TOTAL	\$528,000	TOTAL	\$528,000

City of Chisholm

Grant Amount: \$250,000

The project is comprised of replacing water, sewer and roads on 6th Street SW from 4th Avenue to the industrial/business park to aid in the construction of a new \$3 million dollar commercial building. The project is expected to create 31 FTE construction jobs and 15 new permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Commercial Building	\$3,000,000	Iron Range Resources	\$250,000
Infrastructure	672,057	Applicant	250,050
Engineering, Contingency	252,022	Private	3,000,000
		US Army Corp 569 Grant	224,029
		St. Louis Cty CDBG Grant	200,000
<hr/>		<hr/>	
TOTAL	\$3,924,079	TOTAL	\$3,924,079

Chisholm-Hibbing Airport Authority**Grant Amount: \$300,000**

The project is comprised of remodeling and restoring the 12,000 sq. ft. Arrowhead Hanger building, as well as a road access/apron for a new business, including: replacement of the hanger floor, in-floor heating, sprinkler system, new wiring and outlets, air handling equipment, floor drain, water piping, insulation of exterior walls, new windows and doors, and installation of a new ceiling. The project is expected to create 7 FTE construction jobs and 10 new permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Building Renovation	\$582,000	Iron Range Resources	\$300,000
Infrastructure	116,000	Applicant	200,000
A & E	147,000	Private	2,000,000
Equipment	2,000,000	DEED Grant	250,000
		MNDOT Aeronautic Grant	95,000
TOTAL	\$2,845,000	TOTAL	\$2,845,000

City of Coleraine**Grant Amount: \$150,000**

The project is comprised of construction of a sludge storage building and the installation of Bioset processing equipment at the Coleraine/Bovey/Taconite waste treatment plant. Upon completion, the improvements will increase capacity for future development in the three cities. The project is expected to create 6 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Bioset Processing Equip	\$730,500	Iron Range Resources	\$150,000
Sludge Storage Building	347,000	Applicant/Cities	125,800
Engineering	25,800	Army Corp 569 Grant	827,500
TOTAL	\$1,103,300	TOTAL	\$1,103,300

City of Crosby**Grant Amount: \$140,000**

The project is comprised of the purchase and installation of an automatic-read radio transmission and receiver system for the city's water system and major upgrades to the system. The upgrades include: two new wells, one rehabilitated well, a new treatment plant, a new 200,000 gallon storage tower and a new 4000 ft. water line from well to treatment plant. The project is expected to create 20-35 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Water Plant Upgrades	\$4,700,000	Iron Range Resources	\$140,000
Equipment	143,107	Applicant	3,107
		Public Facility Authority	4,700,000
		Loan	
TOTAL	\$4,843,107	TOTAL	\$4,843,107

City of Eveleth**Grant Amount: \$250,000**

The project is comprised of replacement of water, sewer and roads on Grant/Park Avenue and an infrastructure extension to the northeast part of the city; thereby reducing inflow and infiltration problems, which increase the operating cost of the waste treatment plant and cause sewage backups into home. The project is expected to create 25 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Street Reconstruction	\$2,141,496	Iron Range Resources	\$250,000
Storm Sewer Replacement	417,859	Applicant	189,044
Water System Replacement	243,018	Minnesota Street Aid Grant	2,371,318
Sewer Replacement	209,027	St. Louis Cty CDBG Grant	275,000
N.E. Infrastructure Extension	314,937	Taconite Tax	329,917
Engineering	88,942		
TOTAL	\$3,415,279	TOTAL	\$3,415,279

City of Gilbert**Grant Amount: \$200,000**

The project is comprised of water treatment facility improvements to include: aerator, electrical controls, valves, doors and windows, as well as the replacement of sanitary sewer lines on Wisconsin, Indiana and Iowa avenues. The project is expected to create 8 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Water Plant Improvements	\$200,000	Iron Range Resources	\$200,000
Sanitary Sewer Lines	110,000	Applicant	200,000
Iowa Ave Reconstruction	90,000		
TOTAL	\$400,000	TOTAL	\$400,000

City of Grand Rapids**Grant Amount: \$300,000**

The project is comprised of water, sewer and roads to the Forest Hills housing project and an adjunct area for the construction of a new \$4 million dollar elementary school. The project will serve 38 lots and 18 existing single-family homes. The project also will address water delivery issues, providing a looping system that will improve water flow, fire safety/suppression and allow the school to be built. It is estimated that the development of the residential area will add \$5.7 million in new tax base. The project is expected to create 10 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
School Development	\$4,000,000	Iron Range Resources	\$300,000
Infrastructure	723,477	Applicant	423,477
		Private	4,000,000
TOTAL	\$4,723,477	TOTAL	\$4,723,477

City of Hibbing**Grant Amount: \$200,000**

The project is comprised of water, sewer, road and site work for the Phase 1 construction of a 30-unit, affordable multi-family apartment complex. Phase 1 also includes infrastructure for eight single-family homes for which IRR monies will not be used. Phase 2 will include the construction of two additional 30-unit complexes and other single-family homes for a total of 150 new housing units on the 39 acre site. The developer is very experienced and has previously worked with the agency. Phase 1 will add \$3.85 million dollars in new tax base and create 15 FTE and 20 part-time construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Housing	\$3,850,000	Iron Range Resources	\$200,000
Infrastructure, Site Work	721,000	Applicant	200,000
Land	175,000	IRR FY10 Grant Amended	300,000
		Private Housing	4,046,000
TOTAL	\$4,746,000	TOTAL	\$4,746,000

City of Hoyt Lakes**Grant Amount: \$91,500**

This project is comprised of storm sewer replacement and reconstruction of the road at the intersection of Westover Road and Kensington Drive. The proposed project serves two businesses and the public works facility and is expected to create 1 FTE construction job.

<u>USES</u>		<u>SOURCES</u>	
Storm Sewer, Street	\$94,366	Iron Range Resources	\$91,500
Engineering, Contingency	23,591	Applicant	26,457
TOTAL	\$117,957	TOTAL	\$117,957

City of Ironton**Grant Amount: \$50,000**

The project is comprised of replacement of sewer lines that serve three businesses on Highway 210 and west of city hall along Third Street, and a water line replacement along Irene Avenue and 6th Street. The project is expected to create 2.3 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Sewer Line Replacement	\$93,000	Iron Range Resources	\$50,000
Engineering, Contingency	28,300	Applicant	71,300
TOTAL	\$121,300	TOTAL	\$121,300

City of McKinley**Grant Amount: \$28,500**

The project is comprised of short-term improvements to the city's water plant to address a violation notice from the MPCA and a long-term feasibility study to connect to adjacent city. Short-term equipment includes: a turbidity meter and chart recorder, laptop computer for

recording data, media filter installation and existing media removal and installation. Eligible expenses include those incurred since October 1, 2009.

<u>USES</u>		<u>SOURCES</u>	
Equipment	16,500	Iron Range Resources	\$28,500
Engineering, Tech Support	21,000	St. Louis Cty CDBG Grant	16,500
Feasibility Study	7,500		
TOTAL	\$45,000	TOTAL	\$45,000

City of Meadowlands

Grant Amount: \$10,000

The project is comprised of sanitary sewer replacements on Spruce Street, which would relieve health and safety concerns regarding sewage backups into local businesses, homes and the community center.

<u>USES</u>		<u>SOURCES</u>	
Sewer Replacement	\$24,000	Iron Range Resources	\$10,000
		Applicant	14,000
TOTAL	\$24,000	TOTAL	\$24,000

City of Mountain Iron

Grant Amount: \$150,000

This project is comprised of replacing and upgrading the aeration system at the waste water treatment plant, which will address MPCA sewer violations and allow the city to move forward with future expansions. The project is expected to create 5 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Wastewater Treatment	\$300,000	Iron Range Resources	\$150,000
Plant Improvements		Applicant	150,000
TOTAL	\$300,000	TOTAL	\$300,000

City of Orr

Grant Amount: \$300,000

The project is comprised of water, sewer, road and site work for the construction of 20 units of assisted living on a 17.5 acre site. The developer has built 21 similar facilities in the state. The project is expected to create 37 FTE construction jobs, 12 FTE permanent and 10 part-time jobs.

<u>USES</u>		<u>SOURCES</u>	
Construction, Start-up	\$1,770,493	Iron Range Resources	\$300,000
Infrastructure	436,800	Applicant/Developer	320,800
Land, Site Work	376,000	Private Loan	1,962,493
TOTAL	\$2,583,293	TOTAL	\$2,583,293

City of Riverton**Grant Amount: \$60,000**

The project is comprised of water system improvements including: new water lines, hydro pneumatic tank and building, portable generator, demolition of water tower and well rehabilitation and is expected to create one FTE construction job.

<u>USES</u>		<u>SOURCES</u>	
Water System Improvements	622,500	Iron Range Resources Applicant	\$60,000
		Army Corp 569 Grant	75,000
		DEED Grant	360,000
			127,500
TOTAL	\$622,500	TOTAL	\$622,500

Riverwood Healthcare Center**Grant Amount: \$250,000**

The project is comprised of expansion to the radiology department, patient rooms, expansion and renovation of the emergency department, remodeling of the surgical service department and consolidation of administration/clinical activities into one campus. The project will add 70,115 new sq. ft. to the hospital and is expected to create 130 FTE construction jobs and 18 FTE permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Remodeling, Expansion Infrastructure	\$9,151,801	Iron Range Resources Applicant/AgStar Loan	\$250,000
Site Work	2,970,572	USDA Loan	4,100,000
Furniture, Equipment	1,078,040	Electric Co-op Loan	16,000,000
Architect, Engineering	5,520,446		740,000
Debt Service	2,369,141		
TOTAL	\$21,090,000	TOTAL	\$21,090,000

City of Virginia**Grant Amount: \$300,000**

The project is comprised of upgrading, replacing and extending water, sewer, road and site work for two new developments and the expansion of an existing business near Highway 53. The project is expected to create 70 FTE construction jobs and a number of permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Private Development Infrastructure	\$7,500,000	Iron Range Resources Applicant	\$300,000
Engineering, Site Work	764,000	IRR FY08 Grant Amended	225,000
	588,200	Army Corp 569 Grant	150,000
		Private	377,200
			7,800,000
TOTAL	\$8,852,200	TOTAL	\$8,852,200

TOTAL FY11 GRANT AMOUNT	\$4,000,000
AMENDED IRR GRANTS	\$450,000
TOTAL PROJECT COST	\$70,080,708
LEVERAGE	14.75 to 1
CONSTRUCTION JOBS	425
PERMANENT JOBS	71

Renewable Energy Grants



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: August 19, 2010

Re: Nine Renewable Energy Grants – Totaling \$1,398,597

PURPOSE

Renewable Energy Grants provide financial resources to communities for renewable energy projects and promote innovative renewable energy technology.

FUNDING AUTHORIZATION

The Minnesota Legislature allocated funds to Iron Range Resources for “*cooperative projects between Iron Range Resources and Rehabilitation Board and local governments for renewable energy initiatives*” pursuant to Minnesota Statute, Section 298.2961, Subdivision 6. Of the total funding made available, \$1,398,597 is recommended as Renewable Energy Grant awards to communities.

CRITERIA

Criteria used to evaluate and determine grant awards includes:

- A. Project Planning And Management – Priority #1
- B. Community Benefit – Priority #2
- C. Project Readiness – Priority #3
- D. Impacts – Priority #4

RENEWABLE ENERGY GRANTS FY11

Crystal Bay Township
Grant Amount: \$56,000

The Township of Crystal Bay will install pole-mounted solar photovoltaic (PV) panels at the \$1.5 million Clair Nelson Intermodal Center and the Finland Fire Hall. Several components of sustainable design have been incorporated into the Clair Nelson Intermodal Center, including a high performance building envelope and a geothermal heating system. The Township Comprehensive Community Land Use plan calls on the community government to "...explore ways to reduce their energy consumption and to promote alternative energy production..." This project is the latest step in that process.

Both solar PV arrays will be in locations that will maximize exposure to the public and provide an educational benefit to the community.

<u>USES</u>		<u>SOURCES</u>	
Solar PV Equipment	\$97,000	Iron Range Resources	\$56,000
Installation	10,000	Applicant	46,000
Site Preparation	5,000	Contractor Contribution	10,000
TOTAL	\$112,000	TOTAL	\$112,000

City of Ely
Grant Amount: \$30,200

The City of Ely will install solar air heating panels on the south walls of the Hidden Valley Ski Chalet and the Ely Senior Center, which will reduce their operating costs and dependence on fossil fuels. Significant energy efficiency improvements have been made to the chalet, including new windows and insulation, which have reduced heating requirements by over 40%.

The Ski Chalet and the Senior Center facilities are used for a wide variety of public purposes. Interpretive signage will be installed at both project sites to educate the public about the benefits of these renewable energy projects.

<u>USES</u>		<u>SOURCES</u>	
Solar Air Heating Panels	\$45,800	Iron Range Resources	\$30,200
Energy Efficiency	97,100	Applicant	70,000
		DNR Legacy Grant	39,700
		Lake Country Power	1,000
		Volunteer Labor	2,000
TOTAL	\$142,900	TOTAL	142,900

City of Grand Marais
Grant Amount: \$57,636

The City of Grand Marais is collaborating with the Cook County Local Energy Project (CCLEP) to install a 10.56 kilowatt, pole-mounted, grid-tied solar photovoltaic electrical system at the municipal golf course just outside of Grand Marais. This location was chosen for this solar energy project, at a higher elevation up the Gunflint Trail, to avoid the Lake Superior fog which often settles into the downtown area where other public buildings are located.

The installation will be visible to the public and will have informational signage for educational purposes. The project will be planned and installed with volunteer labor.

<u>USES</u>		<u>SOURCES</u>	
Equipment	\$78,636	Iron Range Resources	\$57,636
Site Preparation	5,000	Applicant	13,000
Educational Signage	1,000	Plan, Engineer, Install	36,050
Engineering, Installation	22,050		
TOTAL	\$106,686	TOTAL	\$106,686

City of Grand Rapids
Grant Amount: \$200,000

The City of Grand Rapids is working with the Blandin Foundation and UPM-Kymmene to develop an innovative renewable energy project which will divert hot effluent that is discharged by the Blandin paper mill to provide heat to the Public Library. The City of Grand Rapids has been working to increase the energy efficiency of the library and reduce associated utility costs. A heat transfer building will be constructed to house the heat exchange system for the Library and will be sized to allow for future connection to the Blandin Foundation.

The Itasca Community College Engineering Program is a partner interested in the project as an educational tool and will explore further renewable energy technologies at the library, foundation and/or other nearby buildings. Independent School District #318 has stated interest in using the potential “energy district” for educational opportunities about energy efficiency and renewable energy technologies.

<u>USES</u>		<u>SOURCES</u>	
Heat Transfer Building	\$150,000	Iron Range Resources	\$200,000
Heat Exchanger/Electric	97,635	Applicant	118,835
Piping/Line Connections	57,200	Blandin Foundation	50,000
Engineering	54,000		
Landscaping/Walks	10,000		
TOTAL	\$368,835	TOTAL	\$368,835

City of Hibbing

Grant Amount: \$250,000

The City of Hibbing will install roof-mounted, grid-tied solar photovoltaic panels at the Hibbing Public Library, and a ground-mounted system at the Hibbing Recycling Center. The Library windows will be replaced and improvements made to the HVAC system with funds received from the Office of Energy Security.

Hibbing Community College Solar Technology program will be a partner in the project involved in all aspects of planning, design, installation and monitoring, and there will be future onsite workforce training opportunities. Plans include an interpretive display to educate the public on the benefits of the project.

<u>USES</u>		<u>SOURCES</u>	
Solar PV Equipment	\$160,000	Iron Range Resources	\$250,000
Plan, Engineer, Install	115,000	Applicant	89,000
Library Energy Efficiency	179,000	Office of Energy Security	100,000
Monitoring, Interpretation	5,000	In-Kind	20,000
TOTAL	\$459,000	TOTAL	\$459,000

City of Orr

Grant Amount: \$184,761

The City of Orr will install biomass boilers at seven city-owned properties (city hall/visitor center, old city hall/wellness center, airport administration building/hangar, municipal liquor store, new fire station and wastewater treatment plant), and two roof-mounted, grid-tied solar photovoltaic systems, at the airport and the municipal liquor store. This renewable energy project is one component of an overall city-owned facility reorganization.

The project will provide a market demand for locally produced renewable energy biomass products, and increase public awareness about the new generation of high efficiency biomass burners.

<u>USES</u>		<u>SOURCES</u>	
Biomass Boilers	\$132,615	Iron Range Resources	\$184,761
Solar PV Systems	67,920	Applicant	\$9,274
		Applicant In-Kind	\$6,500
TOTAL	\$200,535	TOTAL	\$200,535

City of Silver Bay

Grant Amount: \$250,000

The City of Silver Bay will develop and operate a bio-energy facility in its Eco-Industrial Park. Otherwise known as the Wind, Algae, Rain and Food (WARF) Greenhouse Project, the facility will produce energy from wind, biodiesel from algae, and fish and produce while using multiple renewable and sustainable energy sources.

This project will use greenhouse building design and site orientation to funnel winds through turbines. The interior greenhouse space will be used to grow biofuel, agricultural produce and aquacultural produce. Wind, solar and biodiesel will provide renewable energy to the facility and a zero waste/zero emissions operation. Biodiesel, produce and fish will provide revenue streams to support a viable business model for the project.

UMD has been involved with this project since its inception, participating on the Design Team, and will remain a principal partner as operations begin. UMD departments involved in the project include Environmental Studies, the Center for Sustainable Community Development, Biology, Chemistry and Engineering. The Natural Resources Research Institute also will participate.

<u>USES</u>		<u>SOURCES</u>	
Bio-energy Greenhouse	\$1,156,329	Iron Range Resources	\$250,000
		Applicant	298,870
		USDA (pending)	450,000
		Silver Bay Bonding	101,329
		In-Kind	56,130
TOTAL	\$1,156,329	TOTAL	\$1,156,329

City of Tower

Grant Amount: \$120,000

The City of Tower will partner with the Tower-Soudan Historical Society to install 8-10 kilowatt grid-tied, solar photovoltaic (PV) panels on the roof of the canopy over the historic train at the city-owned Depot Museum, which is adjacent to the \$7 million city harbor. The primary purpose of the system will be to power a fleet of small electric vehicles including a small utility truck that will be utilized by city maintenance staff for work at the harbor and around the city. The vehicles will provide transportation for visitors to access shopping and dining and then return to their boats in the harbor. The Army Corps of Engineers estimates the renovated harbor will attract approximately 50,000 boats per year from Lake Vermilion into the city of Tower. The PV panels also will be utilized as the source of power at the Depot Museum.

With increased visitation to Tower as a result of development of the harbor and the new Lake Vermilion State Park, this project will be highly visible to the public and will demonstrate the region’s commitment to innovative renewable energy projects. Minnesota Power has expressed interest in partnering with the City of Tower on this project.

<u>USES</u>		<u>SOURCES</u>	
Two Electric Vehicles	\$40,000	Iron Range Resources	\$120,000
Solar PV System	85,000	Applicant	20,500
Charging Station	15,500		
TOTAL	\$140,500	TOTAL	\$140,500

City of Virginia
Grant Amount: \$250,000

The City of Virginia will implement energy conservation, efficiency and renewable energy improvements as well as structural improvements to the Virginia Greenhouse at Olcott Park. The City Council has unanimously passed a resolution in support of operating the Greenhouse for the long term.

The planned improvements to the existing facility include completing the installation of double wall glazing, sealing drafts and cracks, insulating the foundation, and installation of solar photovoltaic (PV) panels and a geothermal heating system. Hibbing Community College students will assist with the solar PV installation; their instructor's time is included as an in-kind contribution. The committee also is exploring options to create gathering space in the greenhouse for small meetings or events, staffing with volunteer hosts to increase the hours of operation, and the production of locally-grown foods as a source of revenue.

Upon further discussion, the committee will explore additional possibilities for the Greenhouse facility:

- New, expanded structure, to create more space for the plantings
- Heating with an in-floor system with energy provided by LEA and/or solar
- Construct the north wing (not of glass), for meetings and gatherings
- The south wing could be used by staff to do their work and for community garden space
- Natural Harvest Food Coop and the schools may be interested in locally-grown produce
- Reduce the proposed large geothermal system and incorporate additional solar options

The Renewable Energy Grant will be funded when plans are finalized, contingent upon the creation of a sustainable operating plan.

<u>USES</u>		<u>SOURCES</u>	
New Construction/Repairs and Geothermal/Solar	\$635,000	Iron Range Resources	\$250,000
		Applicant	365,000
		Hibbing CC In-Kind	10,000
		Friends of Greenhouse	5,000
		Lake Country Power	3,000
		Virginia Foundation	2,000
TOTAL	\$635,000	TOTAL	\$635,000

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

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

- a) Excelsior Energy, Inc.

Excelsior Energy, Inc.



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

To: Iron Range Resources Board Members

From: Sandy Layman
Commissioner

Date: August 16, 2010

Re: Proposed Excelsior Energy, Inc. Extension/Repayment Modification

The principal balance owed by Excelsior Energy, Inc. to Iron Range Resources under the existing loan documents is \$9,454,962. Development plans originally contemplated that the project would have been under construction prior to 2010 and repayment would have begun. The project is progressing; however, sufficient funds are not available to meet repayment requirements under the existing loan terms at this time. To provide some repayment to this agency now, and to allow the project to proceed and attract additional funding, the following repayment modification is recommended.

ANNUAL PAYMENTS / INTEREST RATE REDUCTION:

The debenture agreements will be amended to require annual principal payments of \$100,000, with the first such payment due December 31, 2010 and continuing on each December 31st thereafter until December 31, 2017, at which time all remaining sums due under the debentures will be due and payable. If such payments are made when due, interest on the debentures will be calculated at the reduced rate of 5% for the twelve month period preceding each such timely installment payment.

At any time prior to December 31, 2017, Iron Range Resources agrees to accept payment of all principal outstanding plus interest re-calculated over the entire term of the debenture loans at 3% per annum in satisfaction of the debt.

In consideration of the above, Excelsior shall pay to Iron Range Resources 5% of the proceeds it receives from the sale of equity in the Mesaba Energy project in excess of the total book liabilities of Excelsior related to the project and the costs incurred in connection with such sale.

To allow this project the additional time necessary to achieve success and to create employment opportunities in the Taconite Assistance Area, and to ultimately provide for repayment to Iron Range Resources, I recommend approval of the above modification.