

**Meeting
of the
Iron Range Resources
and
Rehabilitation Board**

**Thursday, June 16, 2011
9:00 a.m.
IRRRB
Eveleth, Minnesota**

MEETING OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD
IRRRB, Eveleth, Minnesota
Thursday, June 16, 2011
9:00 a.m.

TABLE OF CONTENTS

| | |
|--|-----------|
| AGENDA | 3 |
| APPROVAL OF THE APRIL 15, 2011, MINUTES | 4 |
| DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND | 31 |
| SURE-FAB, LLC | 32 |
| ARROWHEAD PROMOTION & FULFILLMENT COMPANY, INC. | 35 |
| TACONITE AREA ENVIRONMENTAL PROTECTION FUND | 38 |
| CITY OF TWO HARBORS..... | 39 |
| CITY OF VIRGINIA..... | 41 |
| EMBRO CORPORATION..... | 43 |
| OCCUPATIONAL DEVELOPMENT CENTER, INC..... | 45 |
| IRON RANGE HIGHER EDUCATION ACCOUNT | 48 |
| IRON RANGE HIGHER EDUCATION PROGRAMS | 49 |
| INTERIM FY12 BUDGET | 50 |
| INTERIM FY12 BUDGET MEMO | 51 |
| RESOLUTION NO. 11-033..... | 52 |
| INTERIM FY12 EXPENDITURE BUDGET REQUEST | 53 |

MEETING OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD
IRRRB
Eveleth, Minnesota
Thursday, June 16, 2011 – 9:00 a.m.

Agenda

- 1) Roll Call
- 2) Approval of the April 15, 2011, Minutes
- 3) Commissioner's Comments
- 4) Douglas J. Johnson Economic Protection Trust Fund
Action required: Project approval requires 8 votes
 - a) Sure-Fab, LLC
 - b) Arrowhead Promotion and Fulfillment Company
- 5) Taconite Area Environmental Protection Fund
Action required: Project approval requires 7 votes
 - a) City of Two Harbors
 - b) City of Virginia
 - c) Embro Corporation
 - d) Occupational Development Center, Inc.
- 6) Iron Range Higher Education Account
Action required: Project approval requires 7 votes
 - a) Iron Range Higher Education Programs
- 7) Interim FY12 Budget
Action required: Project approval requires 8 votes
 - a) Interim FY12 Budget Memo
 - b) Resolution No. 11-033
 - c) Interim FY12 Expenditure Budget Request
- 8) Adjournment

Approval of the April 15, 2011, Minutes

Friday, April 15, 2011

1:30 p.m.

Iron Range Resources & Rehabilitation Board

Eveleth, Minnesota

I. Roll Call

Representative Tom Rukavina, Chair, called the meeting to order at approximately 1:30 p.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator David Tomassoni, Senator Tom Saxhaug, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Doug Gregor, Assistant Attorney General; Matt Sjoberg, Development Strategies Director; Dave Hart, Loan Officer Sr., Al Becicka, Loan Officer; Brian Hiti, Community Development Director; Richard Walsh, Community Development Representative; Jim Plummer, Community Development Representative; Dan Jordan, Mining & Mineland Reclamation Supervisor; Jean Dolensek, Chief Financial Officer, Janette Paul, Executive Assistant; Joe Scipioni, CEO, PolyMet Mining, Inc.; Rick Cannata, Mayor, City of Hibbing; Stephen Abrahamson, Mayor, City of Tower;

II. Approval of the February 23, 2011, Minutes

Action required: Approval requires 7 votes

Motion by Senator David Tomassoni to approve the February 23, 2011, minutes. Seconded by Senator Paul Gazelka. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill

5) Douglas J. Johnson Economic Protection Trust Fund

Action required: Approval requires 10 votes

a. PolyMet Mining, Inc. – Resolution No. 11-027

Iron Range Resources & Rehabilitation Board Meeting

Thursday, June 16, 2011

Page 4

Motion by Mr. Joe Begich to approve the PolyMet Mining, Inc. loan request in an amount not to exceed \$4 million, as presented in Resolution No. 11-027. Seconded by Senator David Tomassoni. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: None

PolyMet Mining, Inc.
Direct Loan

APPLICANT:

Poly Met Mining, Inc. (PolyMet), a wholly owned Minnesota subsidiary of PolyMet Mining Corp., which is incorporated in Canada.

PRINCIPALS:

Mr. Joe Scipioni, President and CEO
Mr. Douglas Newby, CFO

BRIEF PROJECT DESCRIPTION:

Ongoing project development costs including purchase of land, which PolyMet will exchange with the U.S. Forest Service for lands at its proposed mining site.

PROJECT COST:

\$34,000,000

PROJECT BREAKDOWN:

| | |
|--|---------------------|
| Glencore AG, equity investment | \$30,000,000 |
| Iron Range Resources Direct Loan, 5 yrs @ 5% | <u>\$ 4,000,000</u> |
| Total | \$34,000,000 |

COLLATERAL:

Iron Range Resources loan will be secured with a first-priority mortgage on the land. PolyMet will be obligated to transfer title to the parcels to the IRRRB should it fail to exchange the land with the U.S. Forest Service on or before June 30, 2016. PolyMet Mining Corp. will provide a corporate guarantee for the full amount of debt. The agency will also receive warrants allowing it to purchase 400,000 shares of PolyMet Mining Corp. common stock traded on the New York Stock Exchange at an exercise price of \$2.50 per share.

JOBS:

360 full-time positions when in production, plus 1.25 million hours of pre-operations construction work.

CONTINGENCIES:

Independent appraisal of collateral must be sufficient to support the loan. New York Stock Exchange must authorize the issuance and terms of the warrants.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Recommended approval of the project at the Committee's Monday, April 11, 2011, meeting.

FUNDING AUTHORIZATION

DJJ: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund ("DJJ"), as codified under Minnesota Statutes Sections 298.291-298.298, by providing funds to participate with private sources in financing for a project located within the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 ("TAA") which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1. Funding is sought from the DJJ corpus under the authority of 298.296, subd. 2(c).

PROJECT DESCRIPTION:

PolyMet intends to develop the first non-ferrous mine within the Taconite Assistance Area (TAA) as defined in Minn. Stat. Sec. 273.1341. PolyMet plans to mine copper, nickel and other precious metals near Babbitt and ship the materials along an already existing rail line to the former LTV Steel plant in Hoyt Lakes (collectively, the "NorthMet" project) for processing and refining into shippable product. PolyMet began the environmental review process in 2005 and expects to receive all regulatory approvals necessary to begin operations in 2013. To date PolyMet has invested over \$110 million in pre-operation activities. In addition, in November 2010, Glencore AG committed to provide up to \$30 million in equity for this phase of the project.

PolyMet has purchased options to acquire land, which it would exchange with the U.S. Forest Service for lands at the NorthMet site. One tract is 5,272 acres near Biwabik, with a purchase price of \$3,250,000. The other tract consists of 32 acres near McFarland Lake in Cook County, with a purchase price of \$750,000. PolyMet is seeking financing from the agency to enable it to exercise the land purchase options. Agency funds will be released in tranches as PolyMet executes each transaction.

MANAGEMENT TEAM:

Mr. Joe Scipioni, President and CEO, is a native of the Iron Range and has over 30 years of management experience in the local mining industry. Mr. Scipioni began working for PolyMet in July, 2006.

Mr. Douglas Newby, CFO, has 30 years of experience in mining finance and has worked for companies and in positions throughout the world. Mr. Newby began working for PolyMet in November, 2005.

Ms. LaTisha Gietzen, Vice President, is a native of the Iron Range and has over 10-years experience in environmental and government affairs. She is responsible for all regulatory affairs and interactions with permitting agencies. Ms. Gietzen began working for PolyMet in August, 2007.

COLLATERAL REVIEW:

Market value of collateral pledged to loan appears to be sufficient.

PAST IRON RANGE RESOURCES FUNDING HISTORY

The IRRRB approved financing for the land purchase at its December 16, 2010 meeting. However, prior to receiving Governor’s Approval as required under Minnesota Statute Section 298.296, subd. 1, a lawsuit was filed against the IRRRB to stop the agency from financing the loan, claiming the agency’s action violated Minnesota Statutes Section 116D.04. On March 3, 2011, Governor Dayton signed 2011 Minnesota Laws Chapter 4, which, in part, amended 116D.04 by clarifying that as an economic development agency without a regulatory role, the IRRRB may invest in projects in which environmental permitting applications had been initiated but not yet approved. In anticipation of IRRRB action under the provisions of the new law, the lawsuit was withdrawn on March 24, 2011.

**POLY MET MINING, INC.
NORTHMET DEVELOPMENT PROJECT
DRAFT TERM SHEET**

This draft term sheet is meant solely to facilitate continued discussions between the parties for a proposed loan from the Iron Range Resources and Rehabilitation Board to Poly Met Mining, Inc. and is not intended to constitute any type of offer from one party to the other. No investment will be made until both parties complete due diligence, obtain any and all necessary approvals, and enter into a formal loan agreement. All aspects of the transaction and credit documents will be in a form and substance acceptable to the Iron Range Resources and Rehabilitation Board and Poly Met Mining, Inc.

- Lender: Iron Range Resources and Rehabilitation Board (“IRRRB” or “Lender”).
- Borrower: Poly Met Mining, Inc. (“PolyMet” or “Borrower”), a Minnesota corporation that is a wholly owned subsidiary of PolyMet Mining Corp (“Parent”).
- Guarantor: The Loan will be guaranteed by the Parent.
- Amount: Up to \$4,000,000 (the “Loan”).

Project: PolyMet is seeking permits to commence production of copper, nickel, cobalt and precious metals at its NorthMet project near Hoyt Lakes, MN. PolyMet projects the project will employ approximately 360 full-time professional, skilled and semi-skilled people for a minimum of 20 years. Construction will require approximately an additional 1.25 million construction labor hours over a two year period.

Closing Date: Closing will take place in one or more tranches on or before June 30, 2011.

Due Date: All outstanding amounts of principal and accrued interest will be due on the earlier of June 30, 2016, or when the Loan is accelerated per the terms of the Loan Agreement.

Use of Proceeds: Borrower may use the proceeds of the Loan as follows: Tranche 1 – up to \$3,250,000 to purchase the “Hay Lake Parcel” as further described in Exhibit A of this agreement; Tranche 2 – up to \$750,000 to purchase the “McFarland Lake Parcel” as further described in Exhibit B of this agreement, (together the “Parcels”). Borrower plans to use these Parcels to exchange with the U.S. Forest Service (“USFS”) for lands located at the site of Borrower’s mining project (the “Land Exchange”). Upon receiving necessary approvals, Borrower shall complete the Land Exchange. In the event Borrower fails to complete the Land Exchange on or before June 30, 2016, Lender shall have the option to require Borrower to transfer title to the Parcels to Lender in lieu of repayment of the Loan.

Loan Funds Disbursement: The proceeds of the Loan will be disbursed upon closing of the purchase of the respective parcels of land with respect to Tranche 1 and Tranche 2. Proceeds will be disbursed at request of Borrower in the event that either parcel of land is purchased by the Borrower with other funds subsequent to the execution of this term sheet.

Loan Repayment And Interest Rate: Interest will accrue on any outstanding principal balance of the Loan at a rate of five percent (5.00%) per annum until the Due Date. Interest will accrue on any outstanding sums after the Due Date at a rate of 10-year obligations of the US Treasury plus five percent (5.00%) per annum, adjusted annually. All accrued interest will be capitalized and added to the principal balance on January 1 of every year in which any principal is outstanding.

- Loan Prepayment: There will be no penalties or restrictions for early repayment of the Loan after such time as Borrower obtains all approvals necessary to complete the Land Exchange.
- Loan Default: The Loan Agreement will provide for conditions of default, notice of default, reasonable cure opportunity and remedies.
- Security: Borrower agrees to grant to Lender a first priority lien position in the real property purchased with the proceeds of the Loan, including the Hay Lake Parcel and the McFarland Lake Parcel. The Borrower will be obligated to transfer title to the parcels to Lender should Borrower fail to obtain all necessary approvals to complete the Land Exchange on or before June 30, 2016.
- Warrant Coverage: Upon execution of the Loan Agreement, Parent shall issue to the IRRRB warrants to purchase 400,000 shares of common stock of Parent at a price not to exceed \$2.50 (US) per share. These warrants are to carry a cashless exercise option, standard anti-dilution language, and shall not expire prior to the earlier of the one year anniversary of issuance of all permits needed to commence construction of the Project or June 30, 2016.
- Confidentiality: Lender will maintain the confidentiality of all data obtained from Borrower to the fullest extent permitted under the Laws of the State of Minnesota.
- Representations, Covenants and Warranties: The Loan agreement will contain representations, covenants and warranties mutually agreed to by Lender and Borrower.
- Information Rights: Lender shall receive annual audited financial statements of Parent, internally prepared quarterly financial reports of Borrower, and any other information reasonably requested. Lender will also receive standard inspection and visitation rights.
- Fees: Each party shall be responsible for its own legal and other fees related to the closing of the transaction.

This term sheet shall expire June 30, 2011.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
POLYMET MINING, INC. DIRECT LOAN FOR NORTHMET PROJECT**

Resolution No.: 11-027

WHEREAS, the Commissioner is authorized to expend, upon approval of ten members of the Board, portions of the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.296, Subdivision 2(c) (“**DJJ Corpus 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, clause (1) or (2); and,

WHEREAS, the Commissioner is authorized under the provisions of Minnesota Statutes Sections 298.22, Subd. 5a and 298.2211 to acquire, and under such provisions as well as the provisions of Minnesota Statutes Section 298.296, Subdivision 2(g) to use certain agency funds, to finance, upon proper approval, the purchase of lands in the TAA (“**TAA Land Acquisition Authority**”); and,

WHEREAS, PolyMet Mining, Inc. (“**PolyMet**”) is proposing to construct and operate a non-ferrous mine and processing facility at a refurbished and modified taconite processing facility located at the former LTV Steel Mining Company site near Hoyt Lakes in an area that lies within the TAA (the “**NorthMet Project**”); and,

WHEREAS, adjacent to the site of the NorthMet Project are certain lands owned by the United States Forest Service (the “**Available USFS Lands**”) the title to which lands the USFS is willing to transfer to PolyMet in exchange for acquiring title to the more desirable Exchange Lands described below; and,

WHEREAS, in furtherance of the NorthMet Project PolyMet has negotiated options to acquire approximately 5,300 acres of lands (referenced as the Hay Lake Parcels and the McFarland Lake Parcels, and collectively as the “**Exchange Lands**”) which the USFS has identified as lands to which it is willing to accept title in exchange for granting PolyMet title to the Available USFS Lands; and,

WHEREAS, PolyMet has made application to the Commissioner for a loan of up to \$4 million (the “**Loan**”) to enable it to exercise its options to acquire title to the Exchange Lands so that it can, when necessary and appropriate, transfer its title interests in such lands to the Forest Service in exchange for receiving title to the Available USFS Lands; and,

WHEREAS, PolyMet has offered as collateral for the Loan a first priority security interest in the Exchange Lands it acquires, and, as an additional incentive for making the Loan, has offered to have PolyMet Mining Corp., a Canadian business corporation (the “**Parent Corporation**”), provide a corporate guaranty and grant the agency stock warrants for the purchase of up to 400,000 shares of Parent Corporation common stock; and,

WHEREAS, PolyMet, in further consideration for granting the requested Loan, has offered to grant the Commissioner the right (but not the obligation) to acquire under the Commissioner’s

TAA Land Acquisition Authority, all of PolyMet’s rights, title and interests in the Exchange Lands if the Exchange Lands are not transferred by PolyMet to the Forest Service within the term of the Loan; and,

WHEREAS, the Board met in open session at 1:30 p.m. on April 15, 2011, in the Board Room at the Joe Begich Building located near Eveleth, Minnesota, to consider, among other matters, PolyMet’s request for the Loan; and

WHEREAS, the Board has determined that it would be in the public interest to make the requested Loan of DJJ Funds to PolyMet on the terms proposed in the informational materials presented to the Board (the “**Board Packet Materials**”), and that the granting of the Loan on such terms would promote economic development in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$4 million of DJJ Corpus Funds for the requested Loan to PolyMet to enable it to acquire the Exchange Lands for its proposed NorthMet Project, substantially on the terms set forth in the Board Packet Materials.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 15th DAY OF APRIL 2011.

| Member | Aye | Nay | Abstain | Excused |
|------------------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator John Carlson | X | | | |
| Senator Paul Gazelka | X | | | |
| Senator Tom Saxhaug | X | | | |
| Senator Dave Tomassoni | X | | | |
| Representative Tom Anzelc | X | | | |
| Representative Dave Dill | X | | | |
| Representative Carolyn McElpatrick | X | | | |
| Representative Carly Melin | X | | | |
| Representative Tom Rukavina | X | | | |
| Citizen Joe Begich | X | | | |
| Citizen David Chura | X | | | |
| Citizen Jack Ryan | X | | | |
| TOTAL | 13 | 0 | 0 | 0 |

Signed: _____
Tom Rukavina, Chair

3) Taconite Area Environmental Protection Fund
Action required: Approval requires 7 votes

a) Chisholm Hibbing Airport Authority – Resolution No. 11-028

Motion by Representative Carly Melin to approve the Chisholm Hibbing Airport Authority project, as presented in Resolution No. 11-028, in an amount not to exceed \$100,000. Seconded by Senator David Tomassoni. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura

Voting Against the Motion: None

Abstain: Mr. Jack Ryan

Excused: None

Representative Tom Anzelc moved to reconsider the motion by Representative Carly Melin regarding Resolution No. 11-028. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura

Voting Against the Motion: None

Abstain: Mr. Jack Ryan

Excused: None

Senator Tom Anzelc moved to amend the Melin motion to approve the Chisholm Hibbing Airport Authority project by incorporating the prevailing wage language from Resolution No. 96-005 into Resolution No. 11-028. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura

Voting Against the Motion: None

Abstain: None

Excused: Mr. Jack Ryan

Representative Tom Anzelc moved to approve Resolution No. 11-028, as amended. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfattrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura

Voting Against the Motion: None

Abstain: Mr. Jack Ryan

Excused: None

Chisholm Hibbing Airport Authority



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 and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: April 15, 2011

Re: \$100,000 GRANT TO THE CHISHOLM-HIBBING AIRPORT AUTHORITY

The Chisholm-Hibbing Airport Authority (CHAA) is requesting \$100,000 to be used for the replacement or major rehabilitation of the 100 foot x 20 foot door for the Arrowhead hanger building, which will house Life Link III, a medical transport business that operates out of the Chisholm-Hibbing Airport. This money is in addition to funding previously provided by the agency for the project last summer.

Background

On August 19, 2010, the IRRR Board approved a \$300,000 Public Works grant for the remodeling and restoration of the 12,000 square foot Arrowhead hanger building and road

access/apron to accommodate Life Link III. The project includes replacement of the hanger floor, insulation of exterior walls, as well as installation of in-floor heating, a sprinkler system, new wiring and outlets, air handling equipment, floor drain, water piping, new windows and doors and a new ceiling. In addition to the building renovation, a new access road, parking lot and aircraft apron will be constructed. Since the August 2010 Board meeting, CHAA was informed that it would need to replace or completely rehabilitate the 100 foot x 20 foot hanger door, increasing the cost of the project. CHAA also has secured an additional \$150,000 grant from the Department of Employment and Economic Development (DEED) Business Infrastructure grant program to help fund additional infrastructure costs associated with the project.

Life Link III

Life Link III is a national leader in ground and air medical transportation, providing critical care, advanced life support and basic life support transportation for patients in northeastern Minnesota and throughout the nation. They operate out of eight locations and employ 25 people in the Midwest region, and their Chisholm-Hibbing Airport operation is their busiest Midwest facility. Life Link currently is housed in a temporary facility at the airport but seeks to expand into the renovated space in the Arrowhead hangar building, where they will house one or two helicopters and a jet. Their Chisholm-Hibbing base serves a 50 mile radius from the airport and backs up other bases in Wisconsin, western and central Minnesota and eastern North Dakota. The expansion at the Chisholm-Hibbing Airport is expected to create seven FTE construction jobs and 10 new permanent jobs.

| <u>USES</u> | | <u>SOURCES</u> | |
|---------------------|--------------------|----------------|--------------------|
| Building renovation | \$409,800 | IRRRB 2011 | \$100,000 |
| Infrastructure | 301,000 | IRRRB 2010 | 300,000 |
| A & E | 234,200 | Private | 2,025,000 |
| Equipment | 2,000,000 | DEED grants | 400,000 |
| Hanger Door | 175,000 | MN DOT Grant | 95,000 |
| | | Applicant | 200,000 |
| TOTAL | \$3,120,000 | TOTAL | \$3,120,000 |

Funding Authorization

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
CHISHOLM-HIBBING AIRPORT AUTHORITY PROJECT APPROVAL**

Resolution No.: 11-028

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

WHEREAS, the agency’s approved FY 2011 Budget includes the allocation of \$8,000,000 of TEPF Funds for Business Development Projects (“**TEPF Business Development Funds**”); and

WHEREAS, the Commissioner has received a request from the Chisholm-Hibbing Airport Authority (“**CHAA**”) for a grant in the amount of \$100,000 that CHAA, as part of its on-going hangar improvement project, will use for the replacement or major rehabilitation of the 100 foot x 20 foot door of the Arrowhead hanger building at the Range Regional Airport which will house Life Link III, a medical transport business that operates out of the Airport facility, the purpose and terms of which proposed grant are more specifically described in the Board meeting information packet materials (the “**Hangar Door Project**”); and

WHEREAS, the Board met in open session at 1:30 p.m. on April 15, 2011, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the proposed Hangar Door Project, and has determined that the expenditure of up to \$100,000 of TEPF Business Development Funds for the proposed Hangar Door Project would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$100,000 of TEPF Business Development Funds to provide a grant to the Chisholm-Hibbing Airport Authority for the proposed Hangar Door Project.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of the said funds for the said Hangar Door Project is further 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 15th DAY OF APRIL 2011.

| Member | Aye | Nay | Abstain | Excused |
|---------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator John Carlson | X | | | |
| Senator Paul Gazelka | X | | | |
| Senator Tom Saxhaug | X | | | |
| Senator Dave Tomassoni | X | | | |
| Representative Tom Anzelc | X | | | |
| Representative Dave Dill | X | | | |

| | | | | |
|------------------------------------|-----------|----------|----------|----------|
| Representative Carolyn McElfatrick | X | | | |
| Representative Carly Melin | X | | | |
| Representative Tom Rukavina | X | | | |
| Citizen Joe Begich | X | | | |
| Citizen David Chura | X | | | |
| Citizen Jack Ryan | | | X | |
| TOTAL | 12 | 0 | 1 | 0 |

Signed: _____
Tom Rukavina, Chair

b) City of Hibbing – Resolution No. 11-029

Motion by Senator David Tomassoni to approve the city of Hibbing storm water drainage project, as presented in Resolution No. 11-029, in an amount not to exceed \$99,200. Seconded by Mr. Jack Ryan. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: None

City of Hibbing



IRRRB
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 and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: June 20, 2012

Re: A \$99,200 GRANT TO THE CITY OF HIBBING TO REPAIR STORM SEWER INFRASTRUCTURE

Background

The City of Hibbing is requesting a \$99,200 grant to correct stormwater infrastructure problems affecting the Davich Building and the recently acquired Center for Independent Living in Northeast Minnesota property (Center for Independent Living), which was formerly known as UBC Lumber. The subject properties are contiguous and are located at the junction of Highways 169 and 37 in Hibbing. The IRRRB grant will result in repairing long-standing stormwater problems in this area of the city.

The Davich Building houses several businesses including the Minnesota Workforce Center, Global Minerals, Kiddy Karousel and Advantage Billing Concepts; and a total of 77 full-time employees work in this office complex.

The Center for Independent Living has outgrown their existing office near downtown Hibbing, and will be moving to their new and expanded facility after the ongoing building renovation and stormwater projects are complete. The new Center for Independent Living office will house 25 full-time employees.

Project Details

Site-elevation problems are causing water to flow into the new Center for Independent Living building from the parking lot and adjacent streets and properties. Before the extensive remodeling of the building interior may begin, the water infiltration problem must be resolved.

A plan has been developed to remove, lower and re-grade the entire parking lot and area surrounding the building. A drainage swale will be constructed and stormwater will be directed to a collection point located between the Center for Independent Living and Davich properties.

On the Davich site, part of the storm sewer and catch basin have collapsed, and a storm-sewer pipe that runs through the parking lot is protruding above grade, causing a safety hazard which obstructs access to building patrons. Improvements include removing and relocating the storm sewer 25 feet to the west, which will allow the pipe to be buried at a deeper elevation. In addition to the stormwater repairs, the building owner is repaving the entire parking lot. Upon completion of the project, the City of Hibbing will be granted an easement through the Davich property, and the storm sewer will become public infrastructure.

USES

| | |
|--------------------------|----------|
| Stormwater Improvements | |
| - Davich | \$49,200 |
| Parking lot Improvements | |
| - Davich | \$63,585 |

SOURCES

| | |
|-------------|----------|
| Davich | |
| Property | \$63,585 |
| Center for | |
| Independent | |
| Living | \$64,600 |

| | | | |
|--|------------------|----------------------|------------------|
| Stormwater and Site Improvements - Center for Independent Living | \$114,600 | Hibbing (In Kind) | \$15,000 |
| Professional Services – Hibbing | \$15,000 | IRRRB | \$99,200 |
| TOTAL | \$242,385 | TOTAL | \$242,385 |

Funding Authorization

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes Section 298.223, by supporting local economic projects, including construction of sewer and water systems located within the Taconite Assistance Area defined in section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
HIBBING STORM WATER DRAINAGE PROJECT APPROVAL**

Resolution No.: 11-029

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

WHEREAS, the agency’s approved FY 2011 Budget includes the allocation of \$8,000,000 of TEPF Funds for Business Development Projects (“**TEPF Business Development Funds**”); and

WHEREAS, the Commissioner has received a request from the City of Hibbing (“Hibbing”) for a grant in the amount of \$99,200 to pay a portion of the costs associated with a project to correct a storm water drainage problem affecting the privately-owned and contiguous Davich Building and Center for Independent Living properties at the junction of Highways 169 and 37 in Hibbing, in regard to which project the City will act as the fiscal agent for the privately-contracted project work and then own and have an easement for the drainage lines as installed, the purpose and terms of which proposed project and grant are more specifically described in the Board meeting information packet materials (the “**Stormwater Drainage Project**”); and

WHEREAS, the Board met in open session at 1:30 p.m. on April 15, 2011, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the proposed Stormwater Drainage Project, and has determined that the expenditure of up to \$99,200 of TEPF Business Development Funds for the proposed Stormwater Drainage Project would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$99,200 of TEPF Business Development Funds to provide a grant to the City of Hibbing for the proposed Stormwater Drainage Project.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of the said funds for the said Stormwater Drainage Project is further 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 15th DAY OF APRIL 2011.

| Member | Aye | Nay | Abstain | Excused |
|------------------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator John Carlson | X | | | |
| Senator Paul Gazelka | X | | | |
| Senator Tom Saxhaug | X | | | |
| Senator Dave Tomassoni | X | | | |
| Representative Tom Anzelc | X | | | |
| Representative Dave Dill | X | | | |
| Representative Carolyn McElpatrick | X | | | |
| Representative Carly Melin | X | | | |
| Representative Tom Rukavina | X | | | |
| Citizen Joe Begich | X | | | |
| Citizen David Chura | X | | | |
| Citizen Jack Ryan | X | | | |
| TOTAL | 13 | 0 | 0 | 0 |

Signed: _____
Tom Rukavina, Chair

c) City of Tower – Resolution No. 11-030

Representative David Dill moved approval to amend the City of Tower’s \$120,000 FY11 East Two Rivers Project grant to replace matching funds from the St. Louis County with Department of Employment and Economic Development matching funds, as presented in Resolution No. 11-030. Seconded by Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElpatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: None

City of Tower



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 and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: April 15, 2011

Re: AMENDMENT OF THE CITY OF TOWER'S \$120,000 FY11 EAST TWO RIVERS PROJECT GRANT TO REPLACE MATCHING FUNDS FROM ST. LOUIS COUNTY WITH DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT (DEED) MATCHING FUNDS

Background

At the December 16, 2010, IRRR Board meeting, a \$120,000 FY11 grant was awarded to the city of Tower for the construction of Phase 1 of a \$5.7 million East Two Rivers harbor development project, including the new Highway #169 bridge and the rerouting of Highway #135. Phase 2 is approximately a \$2 million project that will complete the 2.3 acre riverfront development, including a marina with a docking facility for approximately 100 boats as well as the dredging of the river channel. It is projected that the completion of Phases 1 & 2 will lever another \$40 million in private investment. The project also includes 90 units of housing, a refurbished riverfront park with a performance pavilion, 2,500 feet of new trails and 95,000 square feet of commercial space, including 45,000 square feet on Main Street. **IRRRB's grant was approved contingent on the City receiving matching funds of at least \$250,000 from St. Louis County.**

The sources and uses for the project break out as follows:

USES

SOURCES

| | | | |
|-----------------------|-------------|----------------------|-----------|
| Hwy #169 & new bridge | \$4,121,328 | Iron Range Resources | \$120,000 |
| Hwy #135 reroute | | | |

| | | | |
|---------------------------|--------------------|---|--------------------|
| A&E and professional fees | 1,588,395 | Applicant | 8,676 |
| | | Federal Hwy Admin/MN DOT | 1,538,249 |
| | | Taconite tax – Nickel funds | 3,177,818 |
| | | City – IRR release of CD* | 130,000 |
| | | DEED - 2006 Redevelopment | 400,000 |
| | | DEED – Business Development Public Infrastructure | 249,980 |
| | | Interest earned | 85,000 |
| TOTAL | \$5,709,723 | TOTAL | \$5,709,723 |

Amendment

The City of Tower is requesting that the IRRRB allow the City to replace the \$400,000 of St. Louis County matching monies with \$400,000 in matching funds from the DEED Redevelopment Program.

I recommend that the City be allowed to replace the County matching funds with DEED funding.

Funding Authorization

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
CITY OF TOWER EAST TWO RIVERS HARBOR DEVELOPMENT PROJECT**

Resolution No.: 11-030

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

WHEREAS, the Board at its December 16, 2010, meeting adopted its Resolution 11-018 approving the expenditure of up to \$120,000 of FY11 TEPF Funds budgeted as Business Development funds for a grant to the City of Tower (the “**City**”) to help the City pay costs

associated with Phase I of its East Two Rivers harbor development project (the “East Two Rivers Project”); and

WHEREAS, the Board’s approval of funding for the grant was contingent on the City receiving matching funds of at least \$250,000 from St. Louis County, but the City now is requesting that it be allowed to replace the anticipated St. Louis County matching funds with \$400,000 in matching funds for the Project from the Redevelopment Program of the Minnesota Department of Employment and Economic Development;

WHEREAS, the Board met in open session at 1:30 p.m. on April 15, 2011, in the Board Room at the Joe Begich Building located near Eveleth, Minnesota, to consider, among other matters, the City’s request to allow the substitution of the matching fund source for the East Two Rivers Project and determined that the substitution of the source of the required matching funds would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the grantee City’s request to allow \$400,000 from the Redevelopment Program of the Minnesota Department of Employment and Economic Development to be used as matching funds for the East Two Rivers Project in lieu of the \$250,000 of matching funds from St. Louis County that originally had been required in the Board’s previous Resolution No. 11-018 as a precondition to the agency providing grant funding for Phase I of the East Two Rivers Project.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 15th DAY OF APRIL 2011.

| Member | Aye | Nay | Abstain | Excused |
|----------------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator John Carlson | X | | | |
| Senator Paul Gazelka | X | | | |
| Senator Tom Saxhaug | X | | | |
| Senator Dave Tomassoni | X | | | |
| Representative Tom Anzelc | X | | | |
| Representative Dave Dill | X | | | |
| Representative Carolyn McElfrick | X | | | |
| Representative Carly Melin | X | | | |
| Representative Tom Rukavina | X | | | |
| Citizen Joe Begich | X | | | |
| Citizen David Chura | X | | | |
| Citizen Jack Ryan | X | | | |
| TOTAL | 13 | 0 | 0 | 0 |

Signed: _____
Tom Rukavina, Chair

d) City of Gilbert – Resolution No. 11-032

Representative Tom Rukavina introduced Resolution No. 11-032 and a memo regarding the City of Gilbert’s Lake Ore-Be-Gone Shoreland Improvement project.

Senator David Tomassoni moved to approve an amendment of the City of Gilbert’s \$80,000 FY09 Lake Ore-Be-Gone mine pit wall slope stability analysis project grant to use \$50,000 of the \$54,132 remaining balance to repair and modify the Sherwood Forest Campground’s boat access and swimming area, as presented in Resolution No. 11-032. Seconded by Mr. Joe Begich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElpatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: None

City of Gilbert



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 and Rehabilitation Board

From: Representative Tom Rukavina

Date: April 15, 2011

Re: AMENDMENT OF THE CITY OF GILBERT'S \$80,000 FY09 LAKE ORE-BE-GONE MINE PIT WALL SLOPE STABILITY ANALYSIS PROJECT GRANT TO USE \$50,000 OF THE \$54,132 REMAINING BALANCE O REPAIR AND MODIFY THE SHERWOOD FOREST CAMPGROUND'S BOAT ACCESS AND SWIMMING AREA

Background

At the August 28, 2008, Iron Range Resources Board meeting, the Fiscal Year 2009 Budget was approved. As part of the approved Mineland Reclamation portion of the budget, the City of Gilbert received an \$80,000 grant to complete a Mine Pit Wall Slope Stability Analysis Project at Lake Ore-Be-Gone. The City of Gilbert was proposing to extend Minnesota Avenue to the end of the peninsula that extends out into Lake Ore-Be-Gone, to facilitate a housing development. However, there was concern regarding how stable the existing soils were, how steep the banks could be and whether the area was generally safe for building housing. The IRRRB funds were provided to conduct a study to 1) answer the above questions; and 2) use the remaining funds to begin developing the area. The results of the study concluded that considerable work would be required before the peninsula is suitable and safe for a housing development.

Lake Ore-Be-Gone Water Level

A more pressing issue for Lake Ore-Be-Gone is the loss of water in the mine pit due to pumping of the ArcelorMittal Laurentian Mine Pit to facilitate mining. The water elevation of Lake Ore-Be-Gone has dropped from 1404' (May 2002) to 1394' (May 2009). Since May 2009, the elevation of Lake-Ore-Be-Gone has remained stable around 1394'. This 10' drop in water elevation has rendered the boat launch unusable and resulted in the closure of the swimming beach. Since the boat launch and swimming area are critical amenities of the Sherwood Forest Campground, allowing them to remain in an unusable status has a significant impact on the City's ability to keep the campground full of campers and other recreational guests.

The City of Gilbert has verbally requested that the IRRR Board allow them to redirect \$50,000 of the \$54,132 remaining funds in the FY09 Slope Stability project toward the repair of the boat launch prior to the 2011 fishing opener. ArcelorMittal will also participate in the repair and reconstruction of the boat launch. If any IRRRB funds remain after the boat launch is repaired, then the swimming area will be evaluated for any improvements that can be made to improve the safety of this amenity.

Amendment

The request before the IRRR Board is to authorize \$50,000 of the remaining balance of \$54,132 in the FY09 Mine pit Wall Slope Stability Analysis grant to be used to improve the Sherwood Forest Campground's boat launch and swimming beach area. Please note that this is would be a reallocation of previously budgeted funds for use by the same community to carry out an activity that is closely related to the original project. This authorization is contingent upon the financial participation of ArcelorMittal in the repair and reconstruction activities, as well as the City of Gilbert assuming responsibility for the engineering fees.

The sources and uses for the project break out as follows:

| <u>USES</u> | | <u>SOURCES</u> | |
|----------------|-----------------|-----------------|----------------------------|
| Development | \$50,000 | IRRRB | \$50,000 |
| Infrastructure | \$10,000 | ArcelorMittal | \$30,000 |
| Site Work | <u>\$20,000</u> | City of Gilbert | <u>In-kind Engineering</u> |
| TOTAL | \$80,000 | TOTAL | \$80,000 |

Funding Authorization

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, whereby the State is empowered to fund projects for the purpose of reclaiming, restoring, or reforesting minelands within the Taconite Assistance Area defined in M.S. 273.1341 that have been adversely affected by mining operations and of promoting economic development within such areas.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
FUNDING APPROVAL
LAKE ORE-BE-GONE SHORELAND IMPROVEMENT PROJECT**

Resolution No.: 11-032

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

WHEREAS, the agency’s approved FY 2009 Budget included in the Mineland Reclamation and Restoration Projects portion of that Budget’s Program funding allocations, an authorization for a grant of up to \$80,000 of TEPF Funds to the City of Gilbert for a Mine Pit Wall Slope Stability Analysis Project at Lake Ore-Be-Gone (“**FY09 TEPF Gilbert Project Funds**”); and

WHEREAS, the City of Gilbert has requested authorization to use \$50,000 of the remaining balance of \$54,132 of the FY09 TEPF Gilbert Project Funds to fund a portion of the costs associated with improving the Sherwood Forest Campground’s boat launch and swimming beach areas that are located on the shores of Lake Ore-Be-Gone in the City of Gilbert, the purpose and financing sources of which proposed new project and grant fund re-allocation proposal were more specifically described in the materials and comments provided to the Board at its meeting (the “**Lake Ore-Be-Gone Shoreline Improvement Project**”); and

WHEREAS, the Board met in open session at 1:30 p.m. on April 15, 2011, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the proposed Lake Ore-Be-Gone Shoreline Improvement Project, and has determined that the proposed re-allocation of \$50,000 of the remaining \$54,132 of FY09 TEPF Gilbert Project Funds for the new Lake Ore-Be-Gone Shoreline Improvement Project would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the re-allocation of \$50,000 of the remaining \$54,132 of FY09 TEPF Gilbert Project Funds for the proposed Lake Ore-Be-Gone Shoreline Improvement Project.

PASSED AND ADOPTED BY VOTE OF THE IRRRB LOCAL BUSINESS LOAN GUARANTY PROGRAM AND REHABILITATION BOARD THIS 15th DAY OF APRIL 2011.

| Member | Aye | Nay | Abstain | Excused |
|----------------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator John Carlson | X | | | |
| Senator Paul Gazelka | X | | | |
| Senator Tom Saxhaug | X | | | |
| Senator Dave Tomassoni | X | | | |
| Representative Tom Anzelc | X | | | |
| Representative Dave Dill | X | | | |
| Representative Carolyn McElfrick | X | | | |
| Representative Carly Melin | X | | | |
| Representative Tom Rukavina | X | | | |
| Citizen Joe Begich | X | | | |
| Citizen David Chura | X | | | |
| Citizen Jack Ryan | X | | | |
| TOTAL | 13 | 0 | 0 | 0 |

Signed: _____
Tom Rukavina, Chair

e) IRRRB Local Business Loan Guaranty Program – Resolution No. 11-031

Senator Tom Saxhaug moved approval of the IRRRB Local Business Loan Guaranty Program, as presented in Resolution No. 11-031. Seconded by Representative Carolyn McElfrick.

Senator Tom Bakk moved to amend the Saxhaug motion by adding the words operating capital (underlined) to the draft guidelines, as follows:

Refinancing of existing bank debt, operating capital and costs associated with the acquisition of another business will not be allowable uses of loan proceeds.

Motion failed.

Voting in Favor of the Motion: Senator Tom Bakk, Senator John Carlson

Voting Against the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfrick, Representative Carly Melin, Representative Tom Rukavina, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Abstain: None

Excused: None

Senator Saxhaug renewed his motion to approve the IRRRB Local Business Loan Guaranty Program, as presented in Resolution No. 11-031. Seconded by Representative Carolyn McElpatrick. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElpatrick, Representative Carly Melin, Representative Tom Rukavina, Senator Tom Bakk, Senator John Carlson, Senator Paul Gazelka, Senator Tom Saxhaug, Senator David Tomassoni, Mr. Joe Begich, Mr. David Chura, Mr. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: None

IRRRB Local Business Loan Guaranty Program



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 and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: April 12, 2011

Re: LOCAL BUSINESS LOAN GUARANTY PROGRAM

The inability of many local businesses to access capital has been identified as a serious obstacle to economic growth in our region. This situation has been exacerbated in recent years with the recession and tightening of credit markets. I propose the implementation of an IRRRB Local Business Loan Guaranty Program to address this issue.

Guidelines for the loan guaranty program were developed with the assistance of many of our financial partners and other stakeholders. Under this program, the IRRRB will guaranty up to

\$75,000 of a new \$100,000 loan to an eligible business. The program will assist a minimum of 13 businesses by providing access to in excess of \$1.3 million in bank financing, assuming it is fully subscribed.

I recommend approval of the program with an initial capitalization of \$1 million out of FY 11 Business Development Project budget funds in the TEPF.

IRRRB LOCAL BUSINESS LOAN GUARANTY PROGRAM

April 15, 2011

IRRRB will guaranty 75% of a new bank loan, up to a \$75,000 maximum guaranty.

Eligible businesses will include manufacturing/assembly, technologically innovative businesses, and businesses that primarily attract expenditures from outside the TAA as well as other businesses that are headquartered and have been operating in the TAA, under the same management, for a minimum of two years.

Refinancing of existing bank debt and costs associated with the acquisition of another business will not be allowable uses of loan proceeds.

The loan may be term debt, revolving debt, or a single-payment note.

The maximum term of the loan will be five years, with up to two years of interest only payments.

The guaranty fee will be 1% annually, paid at the loan origination and at each anniversary date.

In the case of a liquidation, payments may be applied to any other debt at the originating bank (with the same collateral) prior to being applied to the guaranteed loan.

The guaranty will be structured as a shortfall guaranty, all collection options must be pursued prior to drawing on the guaranty.

The loan will be assigned to the IRRRB upon payment of the guaranty.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
LOCAL BUSINESS LOAN GUARANTY PROGRAM FUNDING APPROVAL**

Resolution No.: 11-031

WHEREAS, the Commissioner is authorized to expend, upon approval of seven members of the members of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic

development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“TAA”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY 2011 Budget includes the allocation of \$8,000,000 of TEPF Funds for Business Development Projects (“**TEPF Business Development Funds**”); and

WHEREAS, the Commissioner has proposed the expenditure of \$1,000,000 of the TEPF Business Development Funds to initially capitalize an IRRRB local business loan guaranty program, under the guidelines of which program IRRRB will guaranty up to \$75,000 of a new \$100,000 loan to an eligible business on the terms and subject the conditions as more specifically presented to the Board at its April 15, 2011, meeting (the “**Local Business Loan Guaranty Program**”); and

WHEREAS, the Board met in open session at 1:30 p.m. on April 15, 2011, in the Board Room located near Eveleth, Minnesota, to consider, among other matters, the initial capitalization of the proposed Local Business Loan Guaranty Program, and has determined that the expenditure of \$1,000,000 of TEPF Business Development Funds to capitalize the proposed Local Business Loan Guaranty Program would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of \$1,000,000 of TEPF Business Development Funds to capitalize the proposed Local Business Loan Guaranty Program, subject to the understanding that the Commissioner may provide loan guaranties to eligible businesses under and pursuant to the Local Business Loan Guaranty Program guidelines as presented to the Board at the April 15, 2011, meeting, up to a maximum of \$75,000 per eligible business and without further Board or Governor approval of each loan guaranty made thereunder.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 15th DAY OF APRIL 2011.

| Member | Aye | Nay | Abstain | Excused |
|------------------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | X | | | |
| Senator John Carlson | X | | | |
| Senator Paul Gazelka | X | | | |
| Senator Tom Saxhaug | X | | | |
| Senator Dave Tomassoni | X | | | |
| Representative Tom Anzelc | X | | | |
| Representative Dave Dill | X | | | |
| Representative Carolyn McElfatrick | X | | | |
| Representative Carly Melin | X | | | |
| Representative Tom Rukavina | X | | | |
| Citizen Joe Begich | X | | | |
| Citizen David Chura | X | | | |

| | | | | |
|-------------------|-----------|----------|----------|----------|
| Citizen Jack Ryan | X | | | |
| TOTAL | 13 | 0 | 0 | 0 |

Signed: _____
Tom Rukavina, Chair

6) Adjournment

The meeting adjourned at 3:16 p.m.

Douglas J. Johnson Economic Protection Trust Fund

Action required: Project approval requires 8 votes

- a) SureFab, LLC
- b) Arrowhead Promotion & Fulfillment Company, Inc.

Sure-Fab, LLC
Bank Participation Loan

APPLICANT:

Sure-Fab, LLC, a Minnesota Limited Liability Company located in Two Harbors.

PRINCIPAL:

Joe Hraban, President

BRIEF PROJECT DESCRIPTION:

Sure-Fab, LLC began operations in 2002 with one welding machine and one employee. The business now owns nine welding machines and employs 30 people full-time.

The proposed financing will allow Sure-Fab to expand its operations with the acquisition of additional equipment. There is sufficient floor space at Sure-Fab's operating facility to accommodate the equipment.

PROJECT COST: \$850,000

PROJECT BREAKDOWN:

| | |
|---|-------------------|
| Northland Found. Bank Participation Loan (rate and terms to be negotiated) ¹ | \$ 250,000 |
| ARDC Bank Participation Loan (rate and terms to be negotiated) ¹ | \$ 250,000 |
| IRRRB Bank Participation Loan (7 year term, formula rate) ¹ | \$ 250,000 |
| Equity | <u>\$ 100,000</u> |
| Total | \$ 850,000 |

¹ Represents participation in a \$750,000 loan through The Lake Bank (Two Harbors). Collateral will consist of the \$850,000 in equipment purchased and a personal guaranty from Joe Hraban. IRRRB will take a first position in all equipment collateral over the other lenders.

COLLATERAL:

Horizontal boring mill and crane with bridge (approx. cost including installation = \$450,000)
Oxygen burn system & plasma cutter with bridge (approx. cost including installation = \$200,000)
Two robotic welding arms and ferris wheel positioner (approx. cost including installation = \$200,000)

Total asset value after installation and delivery is \$680,000. IRRRB will take a first position in all equipment financed through this loan. ARDC and Northland Foundation will share a 2nd position.

The loan will be personally guaranteed by Joe Hraban.

JOBS:

Sure-Fab currently has 30 employees earning between \$12 and \$28 per hour, with an average blended wage of \$20.50 per hour plus benefits. The proposed additional equipment will result in up to 15 full-time equivalent new employees with hourly wages ranging from \$16 to \$22 per hour, plus benefits.

CONTINGENCIES:

Prior to closing, Sure-Fab will provide an appraisal of the equipment to be acquired with loan proceeds.

Beginning with its financial statements for fiscal year 2011, Sure-Fab will provide CPA reviewed balance sheets, income statements and cash flow statements within 120 days of year-end.

Within 120 days of closing, or at an agreed upon time thereafter, Sure-Fab will provide documentation evidencing that all of the proposed equity input into the project has been invested into equipment at its Two Harbors facility.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

The project was recommended for approval at the June 13, 2011, Technical Advisory Committee 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:

Joe Hraban founded Sure-Fab and began operations in 2002 with one employee. At the time, Mr. Hraban had a combined ten years of experience in operations and project management with LaBounty and Two Harbors Machine.

Since founding the business, Sure-Fab has operated successfully and has grown the employee base to approximately 30 full-time employees. In 2008, Mr. Hraban bought out the interests of his business partners through a debt transaction. Shortly thereafter, the economic downturn hit the business hard, resulting in a drop of revenues from \$4.3 million in 2008 to \$966,000 in 2009. The business weathered the storm without laying off any employees, with revenues rebounding to \$2.0 million in 2010. Through the 1st quarter of 2011, Sure-Fab is on pace to exceed \$2.75 million in revenues. The proposed equipment (horizontal boring mill, two additional robotic welding cells and a burn center) will enable Sure-Fab to accept larger jobs (bigger fabricating projects) with better margins, and enter new business markets, resulting in a more profitable

operation along with the addition of up to 15 new full-time employees. The manufacturing facility has the space available to accommodate the new equipment.

MANAGEMENT TEAM:

The management team consists of Joe Hraban, owner and president of Sure-Fab. Mr. Hraban started and has worked at Sure-Fab for nine years. Previous employment has been in various management positions at fabricating companies in the Two Harbors region. In addition, Ken Smith assumes some management responsibilities and is responsible for information technology, human resources and financial reporting. Mr. Smith has been employed at Sure-Fab for approximately three years.

MARKET OPPORTUNITY:

Sure-Fab currently receives the bulk of its business from OEMs – LaBounty is its largest single customer. Most of Sure-Fab’s work is concentrated in contract manufacturing for heavy equipment components used in scrap steel, transportation, logging, long-reach booms, mining and equipment towing industries. However, an increasing number of jobs require Sure-Fab to subcontract with other fabricators that have capacity to handle larger fabricating processes. Beside losing the profit margin on the bigger fabrication processes that it must subcontract, too often it has been Sure-Fab’s experience that the work it subs-out is inferior, requiring Sure-Fab to expend additional resources on bringing those parts of the project into compliance with job specifications.

The proposed project and additional equipment will allow Sure-Fab to bid and work on bigger jobs, keeping higher margin work in-house. Further, Sure-Fab has been exploring additional industries where it could perform work for OEMs, and with the additional equipment it believes it will become capable of producing components or sub-weldments for renewable energy companies. Another business market it anticipates entering is military manufacturing. With the OEM marketplace demanding that its suppliers provide a full range of fabricating capacity, Sure-Fab views the equipment expansion as a strategic move that will ensure its longevity in the market.

COLLATERAL REVIEW:

Collateral coverage on the proposed loans to Sure-Fab by the IRRRB is as follows:

- \$250,000 Bank Participation Loan will be secured by a sole first position interest on all collateral purchased under this proposed project. The collateral will secure a total of up to \$750,000 of debt issued by Lake Bank; Northland Foundation and ARDC will share a second position on the collateral.
- Mr. Hraban will provide a personal guaranty. The personal guaranty may be of marginal value, since Mr. Hraban has provided a personal guaranty on his term loan and revolving loan from the Lake Bank.

PAST IRON RANGE RESOURCES HISTORY:

IRRRB funded a \$150,000 bank participation loan in 2002. That loan has been paid in full.

Arrowhead Promotion & Fulfillment Company, Inc.
Bank Participation Loan

APPLICANT:

Arrowhead Promotion & Fulfillment Company, Inc.

PRINCIPAL(S):

Katherine Prokop-Christmas, CEO
Tim Flood, President

BRIEF PROJECT DESCRIPTION:

Increased working capital, to allow large increase in clients.

PROJECT COST:

\$1,550,000

PROJECT BREAKDOWN:

| | |
|---|-------------|
| American Bank – real estate loan, 11-year term at market rate | \$1,300,000 |
| IRRRB – Bank Participation Loan, 11-year term at formula rate | 250,000 |

COLLATERAL:

Second mortgage on the commercial facility (first mortgage is held by American Bank) and personal guaranties of Tim Flood, Katherine Prokop-Christmas and Meg Naugle.

JOBS:

This expansion is anticipated to add 63 full-time and 13 part-time employees to the current compliment of 129 full-time and 135 part-time employees.

CONTINGENCIES:

None

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

The project was recommended for approval at the June 13, 2011, Technical Advisory Committee 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:

Arrowhead Promotion & Fulfillment Company, Inc. (Arrowhead) was founded in 1982 by Keith Arnold and is now one of the largest fulfillment operations in the country. They process consumer refunds and rebates; provide premium fulfillment; process coupons for manufacturers and specific stores; administer contests, games and sweepstakes; and they provide various teleservices to their clients. Other services offered include: internet applications, e-commerce, data entry, database management, direct marketing and product samples/distribution.

Arrowhead's customer list includes: Campbell Soup Company, GlaxoSmithKline, 3M, Costco and several others.

Arrowhead has an opportunity to acquire the client base of a former competitor that is now focusing on other markets. Under an arrangement with that company, clients will be transitioned to Arrowhead for a fee. Servicing these additional clients requires arrowhead to increase its workforce by approximately 70 employees. This will also place a large demand on cash flow during the growth period.

The bank has previously increased Arrowhead's operating line-of-credit loan to \$1,000,000. In addition, the bank has approved a \$1,550,000 term loan, secured with real estate, which is the loan IRRRB is being asked to participate in with \$250,000.

MANAGEMENT TEAM:

Katherine Prokop-Christmas, CEO, has been with Arrowhead since 1989. In addition to her CEO duties, Katherine manages the procurement division and works with suppliers on client's promotional needs.

Tim Flood, President, has been with Arrowhead since 1989. Prior to assuming his role as president, he was responsible for sales and marketing at Arrowhead.

Other members of the management team include:

Deb Young, V.P. Human Resources.

Tim McDonald, V.P. Operations.

Nancy Saxhaug, V.P. Contact Center.

Danica Salisbury, V.P. Finance.

Dan Pallin, V.P. Business Development.

Bud Schneider, V.P. Account Support.

Jane Garske, V.P. Information Services.

Meg Naugle, Account V.P. /Secretary/Treasurer.

MARKET OPPORTUNITY:

A former competitor company is exiting the fulfillment market and has entered into an agreement to transfer its clients to Arrowhead. This will allow Arrowhead to greatly expand its customer base and increase employment in Grand Rapids.

COLLATERAL REVIEW:

Collateral for the loan will consist of a mortgage on the commercial property that houses Arrowhead Promotion & Fulfillment Company, Inc. The property, valued at \$7,750,000, also secures other debts at the bank, totaling \$3,252,000. Including the proposed loan of \$1,550,000, the collateral coverage ratio is 161%.

In addition, the loan is secured with all equipment, inventory and receivables, as well as the personal guaranties of Tim Flood, Meg Naugle and Katherine Prokop-Christmas.

PAST IRON RANGE RESOURCES HISTORY:

Over the past 15 years, IRRRB has assisted Arrowhead with three bank participation loans totaling \$680,000. All have been fully paid.

Taconite Area Environmental Protection Fund

Action required: Project approval requires 7 votes

- a) City of Two Harbors
- b) City of Virginia
- c) Embro Corporation
- d) Occupational Development Center, Inc.

City of Two Harbors



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 and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: June 10, 2011

Re: \$300,000 GRANT TO THE CITY OF TWO HARBORS

The City of Two Harbors is requesting a \$300,000 grant to extend and improve CSAH 26 where it crosses Highway 61. IRRRB and other funding will be used for property acquisition, a new access road, elimination of uncontrolled access areas and upgrades and extensions of water and sewer. These improvements will facilitate Northshore Manufacturing's expansion and benefit several other businesses in the area.

The project also includes new signal lights and turning lanes on Highway 61, which will help alleviate traffic congestion, improve safety, and accommodate new growth. This is especially important due to the tourist traffic handled by Highway 61, which reaches 20,000 vehicles per day during peak season.

Other Funders

Two Harbors has secured \$840,000 from MNDOT and \$162,400 from the Department of Employment and Economic Development (DEED) under DEED's Transportation Economic Development (TED) Grant program. (Two Harbors is the only city in northeastern Minnesota which was awarded funds under this program this year.) Matching funds must be secured by June 30, 2011, which is the primary reason the City is seeking funds before the agency officially opens its 2011 Public Works grants cycle.

Background

Northshore Manufacturing, which manufactures custom, knuckle-boom material handlers and attachments for use in the waste reduction and recycling industries, was founded in 1989. The company currently employs 75 people and plans to increase its complement to 125 in the next five years. Annual wages average more than \$50,000 per position. Completion of this project will help the business streamline its shipping and receiving, as well as benefit several other

businesses, including professional offices that will be relocated to the old Sonju building, Country Inn Suites, McDonald's and the Lake County Recycling Center.

| <u>USES</u> | | <u>SOURCES</u> | |
|-----------------------------|--------------------|------------------|--------------------|
| Access Road | \$780,000 | IRRRB 2011 | \$300,000 |
| Infrastructure | 210,000 | City/Assessments | 287,600 |
| Traffic Signal Modification | 130,000 | DEED grant | 162,400 |
| Property Acquisition | 400,000 | MN DOT grant | 840,000 |
| A&E | 170,000 | Lake County | 100,000 |
| <hr/> | | <hr/> | |
| TOTAL | \$1,690,000 | TOTAL | \$1,690,000 |

Funding Authorization

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.

City of Virginia



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 and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: June 10, 2011

Re: \$350,000 GRANT TO THE CITY OF VIRGINIA

The City of Virginia is requesting a \$350,000 grant to complete upgrades and extensions of water, sewer, gas, electric, roads and site improvements on 9th Avenue Northwest. These infrastructural improvements will support the expansion of IDEA Drilling as well as serve Seppi Concrete, Kirscher Trucking or other companies interested in expanding or relocating to this part of the city. The project consists of two phases. Phase 1 is the completion of the basic infrastructural improvements which extend to the IDEA Drilling site, as well as the other businesses mentioned. \$250,000 of the IRRRB grant will be spent to complete Phase 1. Phase 2 of the project is the IDEA Drilling expansion. The remaining \$100,000 of the IRRRB grant will be reserved for infrastructure and other site improvements directly associated with Phase 2, the IDEA expansion.

Because Virginia is somewhat “landlocked” by mining activity or other municipalities, upgrading the 9th Avenue Northwest area is an important part of the city’s overall economic development strategy.

Other Funders

Virginia has secured \$300,000 in Department of Employment and Economic Development (DEED) Business Infrastructure funds and \$309,000 in Federal Economic Development (EDA) Public Works funds for this project, contingent upon the project starting this summer, which is the primary reason the city is seeking funds before the agency officially opens its 2011 Public Works grant cycle.

Background

IDEA Drilling is a growing operation that provides exploration and delineation drilling services for a number of mining companies on the Iron Range and in Michigan. They have done work for

many of the large scale mining projects under development, including PolyMet, Franconia Minerals and Duluth Metals. IDEA currently employs about 85 people and plans to increase its complement to 120 full-time equivalents. Operator and Shop Labor wages annually average \$40,000 - \$60,000. The company plans to renovate its existing facility, adding additional space and purchasing equipment at a total cost of \$2 million.

| <u>USES</u> | | <u>SOURCES</u> | |
|----------------------|--------------------|----------------|--------------------|
| Building/Equipment | \$2,000,000 | IRRRB 2011 | \$350,000 |
| Infrastructure/Roads | 859,000 | DEED grant | 300,000 |
| Site improvements | 100,000 | EDA grant | 309,000 |
| | | Private | 2,000,000 |
| <hr/> | | <hr/> | |
| TOTAL | \$2,959,000 | TOTAL | \$2,959,000 |

Funding Authorization

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.

Embryo Corporation



IRRRB
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 & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: June 20, 2012

**Re: \$125,000 GRANT TO EMBRO CORPORATION FOR A FEASIBILITY STUDY
ON THE USE OF A NATIVE MINNESOTA SPHAGNUM MOSS**

Introduction & Overview

Embryo Corporation of St. Louis Park, Minnesota is requesting a \$125,000 grant to undertake a \$326,690 project to determine if a native Minnesota species of sphagnum moss, *Sphagnum papillosum* (hereafter S.P.), possesses the same unique characteristics as *Sphagnum cristatum* (hereafter S.C.), a native New Zealand sphagnum moss which exhibits anti-microbial effects on bacteria, algae, mold, yeast and fungus. S.C. also inhibits the growth of bacteria, suppresses biofilm growth, and can remove and inhibit scale formation. If it is proven that the Minnesota moss is an acceptable alternative for the New Zealand moss, then Embryo Corporation plans to establish a harvesting, processing and packaging facility within the Taconite Assistance Area (TAA) to support its commercial pool and spa products company, which could result in the creation of 10 full-time and 12 seasonal part-time jobs in the TAA.

Background & History

Embryo Corporation is a privately held research and development S corporation incorporated in 1993 by its principals, David R. Knighton, M.D. and Vance D. Fiegel. In 2002, Embryo Corporation began researching the role of Sphagnum moss to act as an antimicrobial. Their initial R&D was done on Minnesota moss with the assistance of the Natural Resources Research Institute. When the decision was made to commercialize the Sphagnum moss technology, Embryo licensed the technology to Creative Water Solutions, LLC (CWS), another company owned by Knighton and Fiegel. The early research on Sphagnum moss was done using the S.P. species obtained from northern Minnesota but ultimately the product development work switched to the S.C. species of moss, which was obtained from New Zealand. The reason for the switch to the New Zealand moss was driven by two factors: one was the green color given off when the Minnesota moss was exposed to water in a spa/hot tub application and the other factor

was the commercial availability of the New Zealand moss, as New Zealand has a mature moss harvesting industry and Sphagnum moss is easily obtained. CWS established a relationship with a New Zealand moss supplier and has developed its commercial products using the New Zealand moss source. CWS has developed the following commercial pool and spa products (SpaNaturally®, SpaNaturally® Plus, Pool Naturally®, Pool Naturally® Plus, Breakaway® and Breakaway® Plus) for residential and commercial pools and spas. CWS currently uses moss from New Zealand for all of these products but for obvious reasons would like to have a source closer to their Twin Cities headquarters. Utilizing new drying and processing methods, Embro is addressing the green color issue. The color issue will only impact spa and hot tub uses.

Project Description

This feasibility analysis will be divided into 5 tasks that include: identifying 5 different sites for collecting S.P.; extensive lab testing; field testing the efficacy in pools, spas, cooling towers, ponds and mining company effluent; and identifying large tracts of S.P. that would be available for harvesting. The analytical data, along with the moss performance, will be closely monitored and if the results prove that the Minnesota moss is not equal to or superior to the New Zealand moss, then the remainder of the project will be cancelled and no additional funds will be expended. If S.P.’s performance is as expected and the data support a positive conclusion, then Embro has committed to pursuing the development of a harvesting, processing and packaging operation in the TAA.

USES

SOURCES

| | | | |
|-------------------------------|----------|------------------------|-----------|
| Collect S.P. samples | \$13,003 | IRRRB 2011 | \$125,000 |
| Lab testing of S.P. samples | 103,820 | NRRI | 40,640 |
| Field testing of S.P. samples | 59,631 | Embro (cash) | 43,252 |
| Collect & dry moss from site | 17,884 | Embro (in-kind) | 48,844 |
| Estimate S.P. resource in MN | 14,553 | CWS (in-kind) | 68,954 |
| CWS & Embro | 117,798 | | |
| TOTAL \$326,690 | | TOTAL \$326,690 | |

Establishment of a Facility and Jobs in the TAA

If the Minnesota moss proves to be a suitable alternative to the New Zealand moss, Embro agrees to establish a moss processing facility, including warehouse, within the TAA. Embro agrees to establish this harvesting operation and facility within two (2) years from the completion of this feasibility study. If they do not proceed within the 2-year window, Embro will repay the grant with interest over a 12-month period. The harvesting and processing facility is expected to employ 10 full-time equivalent positions and 12 part-time seasonal harvesters.

Funding Authorization

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.

Occupational Development Center, Inc.

Direct Loan Program

APPLICANT:

Occupational Development Center, Inc.

PRINCIPAL(S):

Peter Levalier, President/CEO

BRIEF PROJECT DESCRIPTION:

Construction of a storage facility, purchase of equipment and related site preparation and installation costs to allow an expansion of the manufacturing operation in Buhl.

PROJECT COST:

\$165,000

PROJECT BREAKDOWN:

| | |
|---|----------|
| IRRRB - Direct Loan, 7 years at 0% interest | \$75,000 |
| Northland Foundation – Direct Loan | 75,000 |
| Owner’s equity | 15,000 |

COLLATERAL:

Collateral for the IRRRB loan will consist of the new equipment being purchased, including a CNC router and a wood chipper.

JOBS:

The expansion project is anticipated to require the addition of 16 full-time employees in Buhl at wages of \$7.25 to \$10.00 per hour plus a full benefit package.

CONTINGENCIES:

Funding must be approved by the other lender.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

The project was recommended for approval at the June 13, 2011, Technical Advisory Committee meeting.

FUNDING AUTHORIZATION:

This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development projects located within the Taconite Assistance Area defined in Section 273.1341.

PROJECT DESCRIPTION:

Formed in 1967, the Occupational Development Center, Inc. (ODC) is a 501(c)(3) non-profit corporation that provides job opportunities for individuals with disabilities and other employment barriers. The majority of their clients are referred from the State of Minnesota, Department of Employment and Economic Development, and from the various county social services offices.

Their services include job coaching, advocacy, safety training, career guidance and disabilities training to employers. Last year, ODC served 805 clients throughout northern Minnesota.

Through their various programs, they have placed many people with disabilities in various working environments from cleaning and janitorial work to receptionist, office, retail sales, recycling, product sorting, general labor and restaurant work. Employees also have the opportunity to work in custom product manufacturing and subcontracting within one of the ODC facilities. The products they produce include: wood or metal crating, stake and lathe, bird toys and fire starters. There also are many assembly jobs. A few of their key customers are: Arctic Cat, Electrolux, Menards, Marvin Windows and Polaris.

At the beginning of 2011, ODC employed 20 staff and 79 employees on the east range. Of these 79 individuals, 63 work mainly in their facility in Buhl, but may work in the community as well. The other 16 individuals work solely at various local businesses. Since the beginning of the year, ODC has added 18 staff to their Buhl facility due to increased business from Electrolux.

Since 2005, ODC has been providing product to Electrolux. This April, one of Electrolux's suppliers went out of business and ODC was asked to increase production. In order to meet this increased demand, ODC must construct a storage facility for raw materials and finished goods and they need to purchase manufacturing equipment, including a CNC router and a wood chipper.

The increased production will require the addition of 16 employees. This expansion project is critical to maintaining the additional business.

MANAGEMENT TEAM:

ODC, Inc. is governed by an independent Board of Directors. The President/CEO oversees all of programs and production facilities through key members of their Leadership team.

Peter Lavalier – President/CEO
J. Michael White – Vice President of Operations
Clayton Liend – Vice President Program Services
Ron Reiersen – Director of Accounting

MARKET OPPORTUNITY:

In 2005, ODC acquired a small company that was making shipping bases for the Freezer Division of Electrolux Major Appliances NA. They moved the production of these shipping bases to Buhl and have been producing them there since. Electrolux had two suppliers of

Iron Range Resources & Rehabilitation Board Meeting

Thursday, June 16, 2011

Page 46

shipping bases during this time. In April of this year, the other supplier went out of business and Electrolux has given ODC all of their business.

Last year, ODC sold in excess of \$1,100,000 of shipping bases to Electrolux. With the increased production, sales are expected to double. In addition to the shipping bases, Electrolux has recently given ODC a “full frame base” to produce.

COLLATERAL REVIEW:

The new equipment being purchased has an installed cost of \$70,000.

PAST IRON RANGE RESOURCES HISTORY:

A previous loan of \$100,000 has been paid-in-full.

Iron Range Higher Education Account

Action Required: Approval requires 7 votes

- a) Iron Range Higher Education Programs

Iron Range Higher Education Programs



IRRRB
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 & Rehabilitation Board

From: Iron Range Higher Education Committee

Date: June 20, 2012

Re: Iron Range Higher Education Programs

The Iron Range Higher Education Committee (IRHEC) has approved an expenditure of up to \$1,000,000 of the Higher Education Account funds to provide a grant to the Northeast Higher Education District (NHED) for use by the Arrowhead University Consortium (AUC) for the continued development of a higher education program that, in collaboration with private industry, will allow students to earn a Bachelor's of Science degree in engineering from Minnesota State University Mankato. In addition, the IRHEC approved expenditure of up to \$620,000 for the continued development of the Arrowhead Institute of Technology, and higher education programs in Industrial Systems Technology, Process Automation Systems, Chemical Technology, Executive Office Management and Industrial Construction.

This IRHEC FY12 allocation of \$1,620,000 is contingent upon the Agency's receipt of the second half of production year 2010 taconite taxes in the projected amount of \$760,942.

Funding Authorization:

This expenditure is authorized under the provisions of the Iron Range Higher Education Committee and the Iron Range Higher Education Account as codified under Minnesota Statutes, Section 298.2214 and 298.28, subdivision 9d, respectively.

Interim FY12 Budget

Action Required: Approval requires 8 votes

- a) Interim FY12 Budget Memo
- b) Resolution No. 11-033
- c) Interim FY12 Expenditure Budget Request

Interim FY12 Budget Memo



IRRRB
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 & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: June 20, 2012

Re: Fiscal Year 2012 Interim Budget

I am presenting you with an Interim Budget for the first quarter of Fiscal Year 2012. There are three main reasons I am seeking your approval of an interim budget:

1. With the lack of agreement on an overall budget for state government, I feel it is premature to develop our IRRRB budget. Decisions on the state budget may have a direct, or indirect, impact on our agency's budget. I feel that it is prudent to wait until there is resolution to the overall state budget before we finalize our budget to better assess any funding impacts that we would have to address.
2. After input from our stakeholders, I am in the final steps of a process of a complete assessment of the personnel and financial resources of our agency. In the coming month, I will be making changes to better align our resources to the goals and mission of our agency. I would hope that a final FY2012 budget would include these improvements.
3. Given the length of the past legislative session and considering that the work is not yet complete, I feel it is important to provide adequate time for board members to provide input for a final agency budget. This is especially true given almost 40% of our board are new members.

The proposal before you funds our core agency functions for the first quarter of Fiscal Year 2012. They include any grant or programmatic payments that are normally due during the first quarter.

It is my intention to adopt a final FY2012 budget soon after there is overall agreement of the state budget.

Resolution No. 11-033

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
INTERIM FY12 OPERATIONAL EXPENDITURE FUNDING APPROVAL**

Resolution No.: 11-033

IT IS HEREBY RESOLVED, that the Board approves the expenditure of agency funds for those operations and programs of the Office of the Commissioner of Iron Range Resources and Rehabilitation, with such approval to remain effective until the earlier of the date of September 30, 2011, or the date the Board formally approves a FY12 budget for the agency’s operations, programs and projects at a subsequent meeting of the Board and with such approved sums to be expended at rates and for purposes substantially similar to the manner in which such operational and program funds were expended during comparable periods of FY11.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 16th DAY OF JUNE 2011.

| Member | Aye | Nay | Abstain | Excused |
|------------------------------------|------------|------------|----------------|----------------|
| Senator Tom Bakk | | | | |
| Senator John Carlson | | | | |
| Senator Paul Gazelka | | | | |
| Senator Tom Saxhaug | | | | |
| Senator Dave Tomassoni | | | | |
| Representative Tom Anzelc | | | | |
| Representative Dave Dill | | | | |
| Representative Carolyn McElfatrick | | | | |
| Representative Carly Melin | | | | |
| Representative Tom Rukavina | | | | |
| Mr. Joe Begich | | | | |
| Mr. David Chura | | | | |
| Mr. Jack Ryan | | | | |
| TOTAL | | | | |

Signed: _____
Tom Rukavina, Chair

**IRON RANGE RESOURCES AND REHABILITATION BOARD
Interim FY12 Expenditure Budget Request**

| | Interim FY12 Budget Request |
|---|--|
| Expenditures | |
| Operations: | |
| Administrative Services | \$425,532 |
| Human Resources & Strategic Results | 216,880 |
| Attorney General | 96,156 |
| Marketing & Communications | 134,680 |
| Giants Ridge Golf & Ski Resort | 1,998,024 |
| Community Development | 225,047 |
| Business Development | 172,545 |
| Workforce | 11,496 |
| Programs | |
| Workforce Development | \$100,000 |
| Commissioner | 125,000 |
| Culture & Tourism: Minnesota Discovery Center | 1,123,000 |
| Total | \$4,628,360 |