

Wednesday, February 23, 2011
5:30 p.m.
State Office Building, Room 5
St. Paul, Minnesota

1) Roll Call

Senator David Tomassoni, Chair, called the meeting to order at approximately 5:35 p.m. Present: 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, Mr. Joe Begich, Mr. Jack Ryan. Excused: Mr. David Chura. 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; Tom Micheletti, Co-President & CEO, Excelsior Energy, Inc.; John Fedo, Consultant for Iron Range Racing Complex, LLC.

2) Approval of the December 16, 2010, Minutes

Action required: Approval requires 7 votes

Motion by Citizen Joe Begich to approve the December 16, 2010, minutes. Seconded by Representative David Dill. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Mr. David Chura

5) Reorganization of the Board (2011-2012)

Action required: Approval requires a majority vote of the quorum present

a) Election of Chair and Vice Chair

Motion by Representative Tom Anzelc to elect Representative Tom Rukavina as Chair and Senator David Tomassoni as Vice Chair of the Iron Range Resources & Rehabilitation Board for 2011-2012. Seconded by Mr. Joe Begich. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Mr. David Chura

3) Taconite Area Environmental Protection Fund

Action required: Approval requires 7 votes

a) Franconia Minerals – Resolution No. 11-024

Motion by Representative David Dill to authorize the expenditure of up to \$1,000,000 of TEPF Funds for the Franconia Minerals Warrant Exercise Project as presented in Resolution No. 11-024. Seconded by Senator Tom Saxhaug. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Mr. David Chura

Franconia Minerals



IRRRB
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To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: February 23, 2011

Re: **FRANCONIA MINERALS WARRANTS**

Background

On June 15, 2006, the IRRR Board approved an expenditure of \$1.25 million from the Taconite Area Environmental Protection Fund (TEPF) for a direct loan to Franconia Minerals Corporation (Franconia) as part of a \$10 million project to allow Franconia to proceed with a phase of their project to develop a copper-nickel-platinum group minerals mining operation known as the Birch Lake Project near Babbitt. The Minnesota Department of Employment

and Economic Development (DEED) also agreed to lend \$1.25 million to Franconia (as a loan participant), with the remaining \$7.5 million for the phase to come from private equity sources. As partial consideration for the State's loan, Franconia agreed to issue 2,500,000 warrants to the State (divided equally between IRRRB and DEED) at a price indexed to the stock price at the time the loan agreement was executed.

Serving as the lead agency, IRRRB executed a loan agreement with Franconia effective September 29, 2006; however, Franconia did not draw funds on the original loan. Subsequently, DEED agreed to provide Franconia with a \$500,000 grant. The loan agreement was amended on December 15, 2008, reflecting a reduction in the loan amount to \$2 million and a reduction in DEED's participation in the loan to \$750,000. DEED maintained its interest in 50% of the warrants. Franconia drew the entire \$2 million of available loan funds, effectively locking in a warrant exercise price of Canadian (C) \$0.75 per share of common stock. The right to exercise the warrants expires on January 13, 2012.

Since the date Franconia drew the loan funds, its stock has been below the warrant exercise price. However, on December 20, 2010, it was announced that Franconia had entered into an arrangement agreement with Duluth Metals Limited (Duluth) pursuant to which Duluth will acquire 100% of the common stock of Franconia at a price of C\$0.90 per share, pending Franconia shareholder approval, which we expect will occur at a special shareholder meeting scheduled on March 3, 2011.

Options for Proceeding with Warrants

There are 3 primary options available for consideration:

Option 1 – Do Nothing Until After the Franconia-Duluth Arrangement is Approved.

Under the terms of the proposed transaction, if the State chooses to wait and exercise its warrants after the Franconia-Duluth arrangement is approved, for each warrant exercised after the transaction, the State would receive a warrant to purchase .164 shares of Duluth stock and receive additional cash consideration of C\$0.45. Assuming the transaction is consummated and given the current selling price of Duluth stock (\$2.80 as of market close on February 16th), each warrant would have a current cash value of C\$0.92.

However, by waiting and exercising the warrants in Duluth after March 3rd, a six month restriction would be imposed on selling the stock after it is acquired. This restriction would place an inherent risk on the State should the value of Duluth stock drop significantly during that waiting period.

Option 2 – Try to Market the Warrants Prior March 3rd. The State could attempt to market the warrants prior to March 3rd. We are uncertain about the logistics of such a transaction, but have been advised that we could expect a broker to ask for 15-20% of our potential gain as a transaction fee.

Option 3 – Exercise the Warrants Prior to March 3rd. The State could exercise its warrants in Franconia stock prior to March 3rd, thus becoming a shareholder of record before the likely approval of the Franconia-Duluth arrangement. By doing so, no restrictions on resale would be placed on the Duluth stock, which would be marketable immediately. Total cost to exercise the IRRRB's portion of the warrants would be C\$937,500 (0.75 X 1.25M), plus an additional amount for transaction costs. Funds for such an exercise could be taken from the TEPF. At this time it is assumed DEED would also commit an identical amount for transfer to the agency to exercise its portion of the warrants.

If the Franconia-Duluth transaction is approved, the State would have the right to receive cash (at C\$0.90 per Franconia share), Duluth shares (0.328 Duluth shares per Franconia share), or a combination of cash and Duluth shares, subject to proration. Attached is a table depicting the IRRRB's position and various scenarios assuming the IRRRB exercises its warrants in Franconia prior to March 3rd. The shares of Franconia obtained by the State as a result of exercising the warrants would be restricted for six months in the event the Franconia-Duluth transaction is not approved.

Scenario	Cash Proceeds	# Shares Duluth Metals Stock	Hypothetical Proceeds from Duluth Metals Stock Sale		Hypothetical Total Proceeds		Hypothetical Investment Gain	
			\$2	\$4	\$2	\$4	\$2	\$4
1	\$1,125,000	0	0	0	\$1,125,000	\$1,125,000	\$188,500	\$188,500
2	\$937,500	68,333	\$136,666	\$273,332	\$1,074,166	\$1,210,832	\$136,666	\$273,332
3	\$562,500	205,000	\$410,000	\$820,000	\$972,500	\$1,382,500	\$35,000	\$445,000
4	0	410,000	\$820,000	\$1,640,000	\$820,000	\$1,640,000	-\$117,500	\$702,500

I recommend Board approval of Option 3. As a hedge against exchange rate fluctuations and to cover any contingent costs attached to Option 3, such as brokerage fees, my recommendation is for the Board to approve the expenditure of up to \$1 million (U.S.) from the TEPF to allow the IRRRB to exercise the warrants.

Regardless of the decision made about the warrants, it appears that the underlying transaction between Franconia and Duluth will be positive for all parties, including the shareholders of Franconia. The new entity would likely be better positioned to go through the environmental review process and ultimately commercialize the deposits. The agency, by agreeing to allow the surviving entity to "assume" the debt with Franconia, would be demonstrating support of the proposed transaction and underlying mining project.

Franconia/Duluth Transaction

IRRRB Scenarios – Assuming action to exercise warrants prior to March 3, 2011
\$937,500 Investment (Canadian Dollars) Required

- Scenario 1 – Opt to take 100% cash consideration from transaction. This option may be subject to pro-ration.
- Scenario 2 – Opt to immediately recover our cash outlay and take stock for remaining consideration. This option would be subject to pro-ration.
- Scenario 3 – Take half consideration in cash and the other half in stock. This option would be guaranteed, and not subject to pro-ration.
- Scenario 4 – Opt to take 100% stock in Duluth Metals as consideration. This option would be subject to pro-ration.

* Note – All cash proceeds assume Canadian dollars. Exchange rate as of February 17th is \$1 Canadian = \$1.0175 American.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
FRANCONIA MINERALS CORPORATION PROJECT
STOCK WARRANT EXERCISE FUNDS**

Resolution No.: 11-024

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, Minnesota Statutes Section 298.22, Subd. 6, provides that the Commissioner may acquire an equity interest in any project for which the agency provides funding (the “**Equity Authority**”); and

WHEREAS, the Board on June 15, 2006, and the Governor subsequently approved the expenditure of up to \$2,500,000 of TEPF Funds for a loan (the “**IRRRB Loan**”) to Franconia Minerals Corporation (“**Franconia**”) to provide funds to further Franconia’s development of the Birch Lake copper-nickel-platinum group metals deposit project commonly known as the Birch Lake Project (“**Birch Lake Project**”) within the TAA; and

WHEREAS, the Minnesota Department of Employment and Economic Development (“**DEED**”) has funds made available to it under the provisions of Minnesota Statutes Section 116J.423 (“**Minerals 21st Century Funds**”) which it is authorized to use to make loans, equity investments, and grants under various circumstances to assist in the development of minerals processing facilities; and

WHEREAS, the agency over a period of time in 2009 loaned Franconia \$2,000,000 for its Birch Lake Project, \$1,250,000 of which IRRRB Loan proceeds came from TEPF Funds and \$750,000 of which IRRRB Loan proceeds came from the agency’s sale to DEED of a \$750,000 participation interest in the IRRRB Loan, for which purchase DEED used \$750,000 of Minerals 21st Century Fund monies. DEED also provided a grant of \$500,000 of Minerals 21st Century Funds to Franconia for its Birch Lake Project; and

WHEREAS, the terms of the IRRRB Loan as presented to the Board and Governor included Franconia’s offer to issue to the State warrants (“**Franconia Warrants**”) that would entitle the State to purchase one share of common stock of Franconia for each dollar advanced by the State (whether by DEED or by IRRRB) under the terms of the loan documents associated with the IRRRB Loan, at a price and on related terms as set forth in a Term Sheet that was presented to the Board; and

WHEREAS, Franconia, in consideration of the IRRRB Loan proceeds that were advanced to it, granted the State stock warrants that entitle the State to purchase up to 2,500,000 shares of Franconia stock (that total based upon the \$2 million IRRRB Loan and the \$500,000 DEED Grant) at a certain price and under certain circumstances as more specifically explained in the accompanying Board packet materials, and verbally presented to the Board on the record at the meeting by the Commissioner’s staff (collectively, the “**Board Packet Materials**”); and

WHEREAS, the Commissioner has requested the Board to authorize the expenditure of up to \$1,000,000 of TEPF Funds to enable the Commissioner to exercise the stock

warrants to purchase outright, or reimburse DEED for the purchase of, up to 1,250,000 shares of Franconia stock (the “**Warrant Exercise Project**”); and

WHEREAS, the Board met in open session at 5:30 p.m. on February 23, 2011, in Room 5 at the State Office Building in St. Paul, to consider, among other matters, the Commissioner’s request for approval for the expenditure of up to \$1,000,000 of TEPF Funds for the Warrant Exercise Project; and

WHEREAS, the Board has determined that it would be in the public interest to authorize the expenditure of up to \$1,000,000 of TEPF Funds for the Warrant Exercise Project.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$1,000,000 of TEPF Funds (the “Authorized TEPF Funds”) for either:

- the purchase by the Commissioner of up to 1,250,000 shares of stock in Franconia pursuant to the rights granted in the Franconia Warrants; or,
- to fund any commitment by the Commissioner to DEED to repay DEED for up to one-half of any losses sustained due to stock price or currency fluctuations, if DEED makes available to the Commissioner Minerals 21st Century Funds that are used instead of the Authorized TEPF Funds to purchase the shares of stock in Franconia pursuant to the rights granted in the Franconia Warrants.

BE IT FURTHER RESOLVED, that any such uses of the Authorized TEPF Funds shall be on the terms and subject to the conditions set forth in the Board Packet Materials and that the Authorized TEPF Funds also may be used by the Commissioner to pay any brokerage or other costs related to the purchase or sale of any shares of Franconia stock or of the Duluth Metals stock into which the Franconia stock may be converted.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 23RD DAY OF FEBRUARY 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	11	0	0	2

Signed: _____
 Representative Tom Rukavina, Chair

6) Board Account

Action required: Approval requires 7 votes

a) Bois Forte Band of Chippewa – Resolution No. 11-025

Motion by Representative David Dill to approve the Bois Forte Band of Chippewa request as presented in Resolution No. 11-025. Seconded by Senator David Tomassoni. Motion carried.

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

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Bakk, Mr. David Chura

Bois Forte Band of Chippewa



IRRRB
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(218) 735-3000 • 800-765-5043
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To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: October 18, 2011

**Re: BOIS FORTE BAND OF CHIPPEWA - \$100,000 GRANT TO
CONSTRUCT INFRASTRUCTURE FOR HOUSING IN THE VILLAGE
OF NETT LAKE**

The Bois Forte Band of Chippewa is requesting a \$100,000 grant to be applied toward the cost of streets and storm sewers for 12 units of new housing for low-income and homeless families in the Village of Nett Lake. IRRRB funding would fill the gap in the \$3.141 million project and allow construction to begin this summer, with completion and occupancy by December.

Plans call for six one-story, townhome-style duplexes (six 2-bedroom units and six 3-bedroom units) that would accommodate eight low-income families and four long-term

homeless families. The eight low-income units will provide affordable workforce housing with rents of \$450/month for 2-bedroom and \$550/month for 3-bedroom units. The four homeless family units will carry rents set at 30% of residents' incomes.

The units will incorporate “green” design elements, including energy efficient building envelope and windows, high efficiency heating & hot water and Energy Star® lights and appliances. The units will be ‘stick-built’ on-site, with a project labor agreement in force with the Iron Range Building Trades Council for the project, which will create 17 FTE construction jobs.

<u>SOURCES</u>		<u>USES</u>	
Minnesota Housing Finance Agency	\$1,414,750	Development Costs	\$1,998,350
Greater Minnesota Housing Fund	120,000	Infrastructure	673,500
Minnesota Chippewa Tribe Finance Corporation (Loan)	400,000	Architectural & Engineering/Legal/Other	292,000
Federal Home Loan Bank	240,000		
Native American Housing and Self Determination Act (Bois Forte)	200,000	Fixtures, Furnishings & Equipment	33,000
Bois Forte land	15,000	Land	15,000
Bois Forte cash	75,000	Contingency	135,400
Indian Health Services	332,500		
Taconite Property Tax Relief Fund (2010 distribution)	250,000		
IRRRB (Infrastructure)	100,000		
Totals	\$3,147,250		\$3,147,250

Funding Authorization

This project is authorized under the provisions of the Iron Range Resources and Rehabilitation Board Account, as codified under Minnesota Statutes Section 298.22 and 298.28, Subdivision 7, in that it supports economic development taking place within or for the benefit of the Taconite Assistance Area defined in section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
BOARD ACCOUNT
BOIS FORTE BAND OF CHIPPEWA INFRASTRUCTURE PROJECT
GRANT APPROVAL**

Resolution No.: 11-025

WHEREAS, the Commissioner is authorized to expend, upon approval of a majority vote of the members of the Iron Range Resources and Rehabilitation Board (“**Board**”), the monies made available under Minnesota Statutes Section 298.22 (“**Board Account 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 that either are located within or which benefit the TAA; and

WHEREAS, the agency’s approved FY 2011 Budget includes a projected Board Account Carry-Forward Balance of \$564,000 as of July 1, 2011 (the “**Carry-Forward Balance**”); and

WHEREAS, the Bois Forte Band of Chippewa (“**Bois Forte Band**”) has requested a grant in the amount of \$100,000 to assist it in constructing streets and storm sewers for 12 units of new housing for low-income and homeless families in the Village of Nett Lake (the “**Housing Infrastructure Project**”); and

WHEREAS, the Commissioner has requested the Board to approve an amendment of the approved FY 2011 Budget that would reallocate \$100,000 of the Carry-Forward Balance to the Business Development Projects account (the “**BDP Account**”) of the approved FY 2011 Budget, and to then approve the expenditure of up to \$100,000 of such additional BDP Account funds to provide a grant for the Housing Infrastructure Project; and

WHEREAS, the Board met in open session at 5:30 p.m. on February 23, 2011, in Room No. 5 of the State Office Building in St. Paul, to consider, among other matters, the proposed amendment of the approved FY 2011 Budget and the proposed expenditure of those additional BDP Account funds for a grant for the Bois Forte Band’s Housing Infrastructure Project and has determined that the expenditure of the requested Board Account Funds for that purpose would be in the public interest and promote economic development within or for the benefit of the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the proposed amendment of the approved FY 2011 Budget to reallocate \$100,000 of the Carry-Forward Balance to the BDP Account of the approved FY 2011 Budget, and further approves the expenditure of up to \$100,000 of such additional BDP Account funds to provide a grant \$100,000 to the Bois Forte Band for its Housing Infrastructure Project.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of the said funds for the said Housing Infrastructure 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 23rd DAY OF FEBRUARY 2011.

Member	Aye	Nay	Abstain	Excused
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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	11	0	0	2

Signed: _____
Representative Tom Rukavina, Chair

7) Other

Action required: Project approval requires 7 votes

a) Central Iron Range Development Land Options – Resolution No. 11-026

Motion by Senator Tom Saxhaug to approve the Central Iron Range Development Land Options proposal as presented in Resolution No. 11-026. Seconded by Senator David Tomassoni.

Motion by Representative Tom Anzelc to amend the Saxhaug motion by adding language on Page 2 of Resolution No. 11-026 (as underlined):

***NOW, THEREFORE, IT IS RESOLVED,** that the Board hereby approves the Commissioner’s proposed Option Project to grant, in his capacity as a municipal development authority under the provisions of Minnesota Statutes Sections 298.2211 and Sections 469.152-469.165, an option or options to Excelsior Energy Inc. and/or Iron Range Racing Complex, LLC, for a term not to exceed two years in whatever priority of rights the Commissioner may elect, to entitle such entity or entities to acquire all or portions of the Premises for the economic development projects described in the Board Packet Materials, subject to the further condition that the granting of such option(s) shall otherwise be in compliance with Minnesota Statutes Sections 16B.296, 298.2211 and 469.152-469.165, as the same may be amended from time to time, and the terms of sale of the Premises shall be for an amount or amounts collectively that are no less than the reasonable market value of such Premises lands.*

The Anzelc motion to amend the Saxhaug motion failed.

Senator Tom Saxhaug renewed his motion to approve the Central Iron Range Development Land Options proposal as presented in Resolution No. 11-026. Seconded by Senator David Tomassoni. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carolyn McElfrick, 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. Jack Ryan

Voting Against the Motion: None

Abstain: None

Excused: Mr. David Chura

Central Iron Range Development Land Options



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

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: October 18, 2011

Re: CENTRAL IRON RANGE DEVELOPMENT LAND OPTIONS

IRRRB owns approximately 840 acres of land within the boundaries of the city of Hibbing. The land was acquired to support commercial development along the Highway #169 corridor between Hibbing and Chisholm.

IRRRB has entered into negotiations with two organizations pursuing projects on the site:

Iron Range Racing Complex, LLC proposes to develop a facility that includes various motorsports for year-round motorplex operation, horse racing, a card room and a racino, subject to legislative approval. This project will require approximately 615 acres of the site.

Excelsior Energy, Inc. proposes to develop an electrical generation facility on the site. This site is included in Excelsior Energy's development plan as one of three possible project sites. This project will require approximately 225 acres of the site.

The two organizations have agreed that both projects could locate on the site and have requested purchase options for the real estate so their planning and development can proceed. The proposed terms are for 48-month options with a \$25,000 payment. Sale price, if the options are exercised, will be based on market value of the property to be purchased.

The IRRRB has a long history of involvement with both of these projects. The land was originally acquired as part of our participation in the original motorplex project. We are also involved with Excelsior Energy with loans funding a portion of their development costs. In support of the IRRRB's mission to create jobs and to enhance the economy of the region, I am requesting Board approval to enter into purchase options in continued support of these two projects. If approved, these options will be contingent on support of the city of Hibbing.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
CENTRAL IRON RANGE DEVELOPMENT LAND OPTIONS APPROVAL**

Resolution No.: 11-026

WHEREAS, the State of Minnesota acting by and through its Office of the Commissioner of Iron Range Resources and Rehabilitation (“**Commissioner**”) is the owner of certain real property located in the City of Hibbing, County of St. Louis, State of Minnesota; as more fully described in the attached Exhibit A, the contents of which are incorporated herein by reference (herein below described and defined as the “**Premises**”); which lie within the Taconite Assistance Area (“**TAA**”) defined in Minnesota Statutes Section 273.1341; and,

WHEREAS, Commissioner has been granted authority by Minnesota Statutes, Section 298.22, Subdivision 3 to acquire real property interests and by Minnesota Statutes Section 298.2211, subdivision 1 to act as a municipal industrial development authority for the purposes specified in Sections 469.152 to 469.165, and, in such capacities, for such purposes and under such authority, is authorized to acquire and convey interests in real property for economic development projects within the TAA; and,

WHEREAS, Excelsior Energy Inc., a Minnesota corporation and Iron Range Racing Complex, LLC, a Minnesota limited liability company, each has requested the Commissioner to grant it an option to acquire some or all portions of the Premises as the site for the construction and development of economic development projects as more specifically set forth in the Board informational packet materials that were distributed to the Board and in the statements made to the Board at its February 23, 2011, meeting (collectively, the “**Board Packet Materials**”) which each entity hopes to undertake within the TAA; and,

WHEREAS, the Commissioner has determined that the granting of the requested purchase option(s) to either or both of the potential optionee entities for the potential economic development of all or portions of the Premises in the manner, for the purposes, and on the terms set forth in the Board Packet Materials will promote and assist in the economic development of the TAA by: (i) increasing the local tax base and (ii) creating and maintaining productive, permanent and skilled employment;

WHEREAS, the Board met in open session at 5:30 p.m. on February 23, 2011, in Room No. 5 of the State Office Building in St. Paul, to consider, among other matters, the Commissioner's proposal to grant an option or options to Excelsior Energy Inc. and/or Iron Range Racing Complex, LLC, for their proposed development(s) of the Premises and has determined that the Commissioner's proposed Project to grant options to such entities to purchase all or certain portions of the Premises on the terms proposed in the

Board Packet Materials (the “**Option 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 Commissioner’s proposed Option Project to grant, in his capacity as a municipal development authority under the provisions of Minnesota Statutes Sections 298.2211 and Sections 469.152-469.165, an option or options to Excelsior Energy Inc. and/or Iron Range Racing Complex, LLC, in whatever priority of rights the Commissioner may elect, to entitle such entity or entities to acquire all or portions of the Premises for the economic development projects described in the Board Packet Materials, subject to the further condition that the granting of such option(s) shall otherwise be in compliance with Minnesota Statutes Sections 16B.296, 298.2211 and 469.152-469.165, as the same may be amended from time to time, and the terms of sale of the Premises shall be for an amount or amounts collectively that are no less than the reasonable market value of such Premises lands.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 23rd DAY OF FEBRUARY 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	0	1

Signed: _____
 Representative Tom Rukavina, Chair

8) Adjournment

The meeting adjourned at 6:50 p.m.