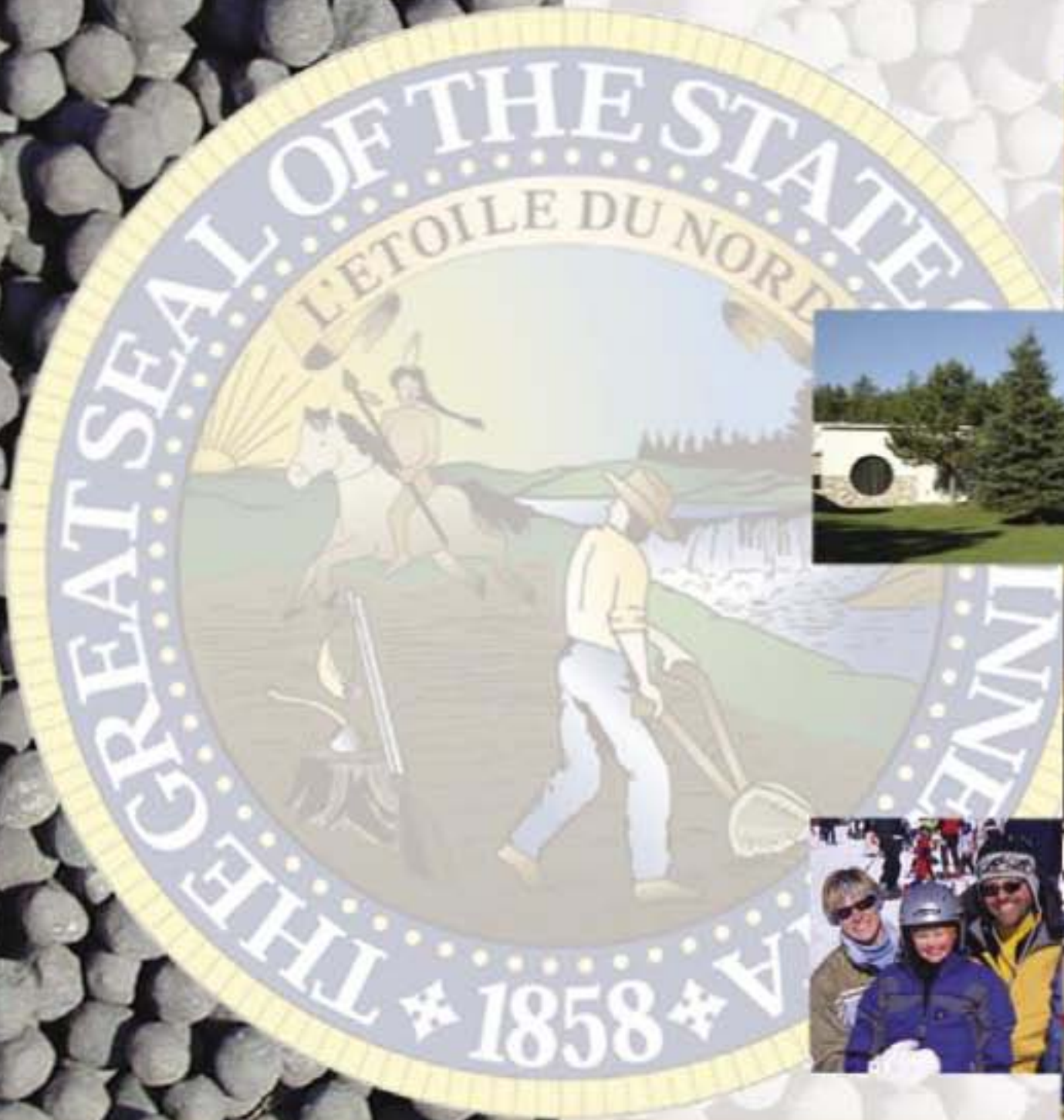
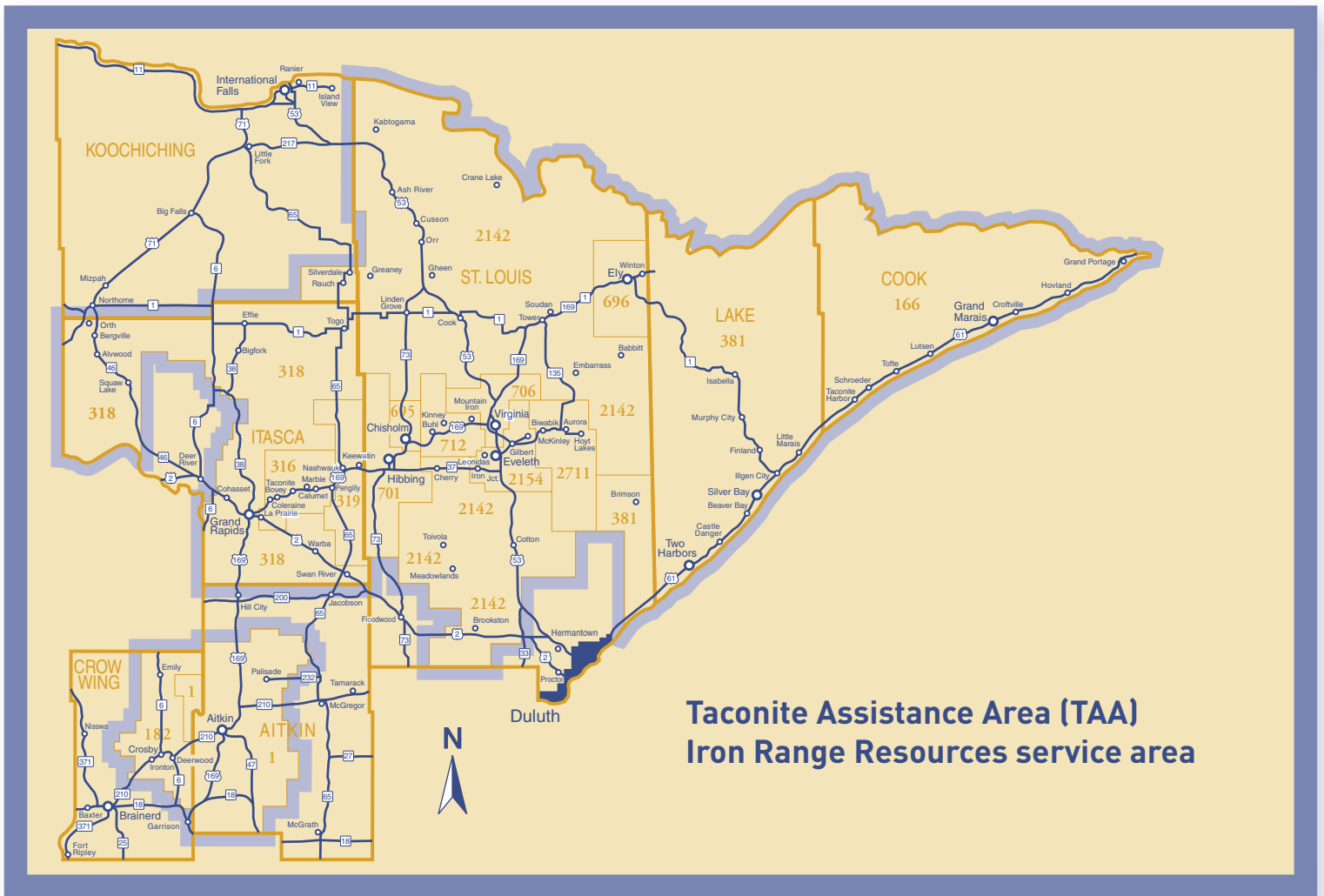


Biennial Report • Fiscal Years 2003-2004





**Taconite Assistance Area (TAA)
Iron Range Resources service area**

**Iron Range Resources
Contact Information**

Agency Administrative Office
4261 Highway 53 South
P.O. Box 441
Eveleth, MN 55734-0441
Phone: (218) 744-7400
Fax (218) 744-7401
www.IronRangeResources.org

Giants Ridge Golf & Ski Resort
P.O. Box 190
Biwabik, MN 55708
Phone: (218) 865-3000
Fax: (218) 865-3025
www.giantsridge.com

Ironworld Discovery Center
801 SW Highway 169, Suite 1
Chisholm, MN 55719
Phone: (218) 254-7959
Fax: (218) 254-7971
www.ironworld.com

Iron Range Research Center
801 SW Highway 169, Suite 1
Chisholm, MN 55719
Phone: (218) 254-7959
Fax: (218) 254-7971
www.ironrangeresearchcenter.org

Mineland Reclamation
801 SW Highway 169, Suite 2
Chisholm, MN 55719
Phone: (218) 254-7967
Fax: (218) 254-7973
www.IronRangeResources.org

St. Paul Capitol Office
B46 State Capitol
75 Rev. Dr. Martin
Luther King Jr. Blvd.
St. Paul, MN 55155
Phone: (651) 205-4062
Fax: (651) 205-4053
www.IronRangeResources.org



To the Governor and Legislature of the State of Minnesota:

I am pleased to submit to the Honorable Tim Pawlenty, Governor of the State of Minnesota, and to the Minnesota State Legislature, this thirty-first Biennial Report from Iron Range Resources.

The 2003-2004 biennium can best be described as one of monumental change and ultimately positive developments for Iron Range Resources and the region it serves.

Starting with the agency itself, we have successfully moved through a significant budget-driven reorganization which allowed us to focus more clearly on our core mission and the goals we intend to pursue. These initiatives have resulted in a flattened, more nimble organization that has a more defined customer emphasis. In addition, special task forces have assisted us in identifying strategies for enhancing the long-term sustainability of both Giants Ridge Golf & Ski Resort and Ironworld Discovery Center.

On the economic front, the region stemmed the backslide that started with the 2001 closure of LTV Steel Mining Company's taconite facility in Hoyt Lakes and has succeeded in reversing the closure of the EVTAC mine through its reincarnation as United Taconite under joint American and Chinese ownership.

It has been an incredible two years. The Iron Range is rapidly moving from a position once focused on protectionism to one that is highly interconnected by every measure to the world economy. Whether it is partial Chinese ownership of an Iron Range taconite plant, Japanese technology producing iron nuggets, or growing foreign ownership of the region's paper and board mills, it is clearly evident that the economy of northeastern Minnesota is truly global in nature.

Significant developments in value-added iron products, like that produced by Mesabi Nugget, hold tremendous long-term potential for the region. In addition, growth in service sector employment and small manufacturing continues to occur in communities across our entire service area. Together, these prospects hold great promise for a bright and successful future.

There is an old saying that states, "If you always do what you always did, you will always get what you always got." At Iron Range Resources that is not good enough. We accept the challenge of change and are committed to manage it for the benefit of the region as we fulfill our mission of advancing regional growth.

Sincerely,

Sandy Layman, Commissioner



An Equal Opportunity Employer

Iron Range Resources
4261 Highway 53 South
P.O. Box 441
Eveleth, MN 55734-0441
(218) 744-7400

www.IronRangeResources.org



Representative
Tom Rukavina—Chair



Senator
Tom Bakk



Citizen
Joe Begich



Representative
David Dill



Citizen
Bill Henning



Senator
Becky Lourey



Citizen
Matt Matasich



Representative
Maxine Penas



Senator
Tom Saxhaug



Representative
Tony Sertich



Representative
Loren Solberg



Senator
Yvonne Prettner Solon



Senator
David Tomassoni

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About the Agency



Iron Range Resources is a Minnesota state agency created by the Legislature in 1941 to diversify the economy of the iron mining areas of northeastern Minnesota (See *Minnesota Statutes Section 298.22.*) The agency's service area, known as the Taconite Assistance Area (TAA), encompasses approximately 13,000 square miles, an area comparable in size to the state of West Virginia. Besides accomplishing its core mission of economic development, Iron Range Resources undertakes extensive mineland reclamation initiatives and owns and operates two facilities, Ironworld Discovery Center and Giants Ridge Golf & Ski Resort.

A full-time commissioner is appointed by the Governor of Minnesota to manage the day-to-day operations of the agency. The commissioner serves as a member of the Governor's cabinet. The agency's annual budget and most economic development proposals are subject to review and approval



Iron Range Resources, a Minnesota state agency created in 1941 to diversify the economy of northeastern Minnesota, is headquartered in Eveleth, Minnesota.

by a 13-person Iron Range Resources Board. Actions by the Board to initiate spending require approval by the governor. (See *Iron Range Resources and Rehabilitation Board, Minnesota Statutes Section 298.22.*)

Iron Range Resources is funded by a portion of the taconite production taxes paid by mining companies on each ton of taconite produced. These taxes are paid in lieu of property taxes. As a State of Minnesota agency, Iron Range Resources acts as a fiscal agent for this money. Unlike other state agencies, the agency receives no direct operational funding from the State's general fund.

Taconite production taxes are based on the level of taconite produced each calendar year and are paid by the mining companies in two installments during the following calendar year. Taxable tonnage is calculated on the basis of a three-year average. School districts, cities, townships and counties are the primary recipients of the taconite tax dollars. Once the funds are distributed according to a formula designated in Minnesota Statute 298.28, Iron Range Resources receives the remaining funds. (See *page 23 for details.*)

Operational Accounts

Taconite production taxes are the primary source of funding for the Iron Range Resources Board Account and the Taconite Area Environmental Protection Fund (TEPF). Other revenue sources include interest earned on invested cash, admission fees from the agency's tourism facilities, loan repayments, and other miscellaneous revenues. Interest earnings on invested cash and loan repayments are the primary sources of funding for the Douglas J. Johnson Economic Protection Fund (DJJEPF) operating account. The agency also administers funds in the Supplemental Tax Account for Koochiching and Carlton Counties, from occupation taxes according to Minnesota Statutes Section 298.17. Except for a small administrative charge, these funds are disbursed for economic and environmental development projects at the discretion of each county.

Advancing Regional Growth

The agency's activities are guided by an overall mission and four principle goals. To assist Iron Range Resources in fulfilling its mission of "Advancing Regional Growth," the four goals serve as broad boundaries within which all divisional, operational and individual employee goals are developed and managed.

Goal #1 – *Position the agency to be a leader in developing and implementing a strategy for the long-term economic viability of the northeastern Minnesota region.*

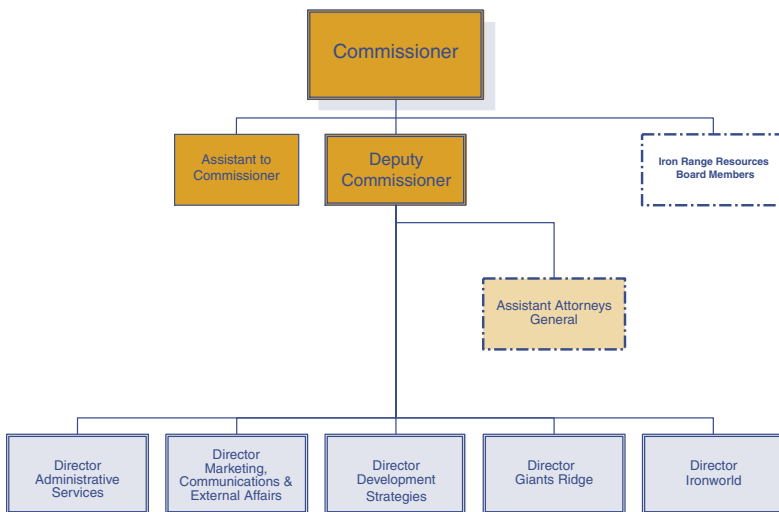
Goal #2 – *Sustain the region's economic base by working with existing businesses to retain existing jobs and expand to create new jobs.*

Goal #3 – *Diversify the region’s economy by growing new businesses and recruiting expanding businesses from outside of the area.*

Goal #4 – *Reclaim mining impacted lands to create a diverse regional economic development resource.*

The agency’s efforts focus on promoting the region’s resources, including:

- Agency resources that are structured to advance the region’s economic growth;
- Business resources such as grants, loans and equity investments;
- Human resources with a high level of existing skills and knowledge, plus available training from a variety of programs in support of business development;
- Regional resources, including a large number of business locations that offer exemptions from state and local taxes;
- Natural resources, including timber, taconite and value-added opportunities; and,
- Tourism resources that highlight the rugged beauty of the region and the pre-eminent facilities that contribute to an excellent quality of life.



An Agency Transformed

Upon taking office, Commissioner Sandy Layman immediately began a process of change that resulted in a more focused, streamlined organization. Obsolete programs were phased out or eliminated, and a series of special task forces and issue-driven committees were established to address specific challenges or critical needs facing the agency. Operating budgets were balanced to make fixed costs conform to anticipated income. Also, the agency’s reporting structure was flattened by decreasing the number of managers reporting to the commissioner from ten to five, and by reducing the agency’s permanent FTE complement from 84.5 to 72.5.

Additionally, Iron Range Resources has developed an agency-wide work plan – a cohesive set of goals and objectives for each of the agency’s five divisions. All tie into the same set of overall goals and objectives developed by the commissioner as part of her commitment to achieve results for the Pawlenty administration. Not only are all facets of the agency focused on achieving results that support an overall vision, but concise timelines have been established, responsible people identified and progress tracked and reported on a regular basis.

Agency Image

A new identity and logo were developed to more clearly identify the agency’s mission, enhance its image and help it attain its goals. A concerted effort is being made to reach out and become a more inclusive organization that learns from and partners with the region’s people, communities and other stakeholders.



Iron Range Resources’ logo and signage reflects its mission to advance regional growth.

Task Forces Recommend Improvements for Ironworld and Giants Ridge

Commissioner Layman appointed two special task forces to make thorough assessments of the two agency owned and operated facilities – Giants Ridge Golf & Ski Resort in Biwabik and Ironworld Discovery Center in Chisholm. While the task force recommendations for Giants Ridge primarily focused on improving operations, the Ironworld task force unanimously agreed that the facility’s long-term stability can best be sustained under a new governance structure. The recommendations from each task force will serve as a guide to the commissioner as she implements changes during the coming biennium.

Development Strategies

The Development Strategies Division is responsible for the agency's economic development activities, including initiatives in minerals, energy, forest products, technology and mineland reclamation. It is responsible for new development initiatives undertaken by the agency. The division deploys the agency's human and financial resources in concert with private and public sector partners. Its aim is to retain and create jobs, diversify the economy and enhance the physical landscape within the Taconite Assistance Area (TAA).

Business and Community Development

Business and Community Development's primary focus and project dollars assist businesses and communities in creating quality employment opportunities within the TAA. Grants which support such development are available to area communities, and may be requested on an as-needed basis. Business retention and expansion is achieved through carefully and diligently analyzing the needs of existing businesses, and being responsive to those needs.

Business and Community Development contributes data and analysis to the state of Minnesota's comprehensive "Department Results" website. The key components of this website measure regional employment

growth, increases in average wage earned per week, total investment dollars leveraged for growth of regional businesses, and jobs enhanced or retained as a result of Iron Range Resources' assistance.

Business and Community Development contributes data and analysis to the state of Minnesota's comprehensive "Department Results" website. The key components of this website measure regional employment

Business Recruitment Program

The Business Recruitment Program is committed to promoting the TAA to prospective businesses from outside the region in hopes of attracting new jobs to northeastern Minnesota.

The agency's recruitment strategy identifies and targets nine industry sectors including technology, electronics and small manufacturing, industrial machinery, value-added forest products, medical devices, energy, building products and aeronautics. In order to be proactive in its business recruitment efforts, agency staff undertake a variety of activities to generate business recruitment prospects. These efforts include networking, following up on leads, participating in special conferences, direct mail campaigns and trade shows.

Partners

Iron Range Resources' business recruitment efforts are accomplished in conjunction with other partners, such as the Iron Range Economic Alliance, community and educational leaders, bankers, businesses such as Minnesota Power, and regional organizations such as the Arrowhead Regional Development Commission, the Arrowhead Business Connection, the Northspan Group, the University of Minnesota Duluth Center for Economic Development, the Northland Foundation, the Natural Resources Research Institute, Northeast Ventures, Iron Range Ventures and many others.

Trade Shows

To promote the area to targeted industries, Iron Range Resources has increased its presence at a variety of industry trade shows both here in Minnesota and nationwide. The Iron Range Economic Alliance, a regional grass roots economic development organization consisting of community officials and economic development professionals from across the TAA, has partnered with the agency in this effort. During this biennium, booths were staffed by the agency and its partners at the following trade shows: MedEdge (a Medical Alley sponsored trade show), AmCon (American Contract Manufacturers), MDM (Medical Design & Manufacturing), and the Strictly Business Technology Expo, all in Minneapolis, plus FABTECH International (Fabricators & Manufacturers Association, International) in Chicago, Illinois and Cleveland, Ohio.

Job Opportunity Building Zones (JOBZ)

The agency played a key role in developing and submitting northeastern Minnesota's JOBZ application in 2003. More than 3,200 acres across the region were awarded JOBZ designation. Businesses locating in these zones will receive local and state tax exemption for 12 years starting January 2004. A regional JOBZ marketing team has been formed to leverage regional assets and resources and effectively market the JOBZ program.



Entronix International is an example of the agency's success in attracting targeted industries to the region.

Rural Health Care Initiative

Iron Range Resources recognizes the importance of the health care industry to northeastern Minnesota. As the largest employer in the region, it currently employs more than 19,000 area workers, and is expected to add as many



The agency aggressively markets the 3,200 acres designated in northeastern Minnesota as JOBZ sites.

as 4,500 new jobs by 2010. The Iron Range Resources Rural Health Care Task Force, established in 2002, was formed to encourage workforce development in the health care industry. The task force's 140 members include local health care providers, educators, economic development professionals and state and local officials.

Financing Programs

Through its Business Development Financing Program, Iron Range Resources facilitates business expansion and recruitment by providing direct loans, employment incentive grants, training grants and venture capital investments. Nearly \$18 million in agency loans and equity investments leveraged a total of \$111.6 million in new investments for area projects in this biennium. Nearly 1,500 jobs were created, retained or enhanced as a result of these investments. The current loan portfolio consists of 106 loans totaling more than \$35 million serviced by three loan officers.

Through its Bank Participation Loan Program, the agency, in partnership with various lending institutions, provides low interest financing to eligible borrowers. The types of businesses eligible are manufacturing/assembly, tourism projects which attract tourism expenditures from outside the region, and technologically innovative industries.



During this biennium, Iron Range Resources' efforts resulted in creating, retaining or enhancing nearly 1,500 jobs in its service area.

During the past biennium, the agency also made a number of loans that are convertible to equity. Other financing tools include direct loans, loan guarantees, stock warrants and grants to eligible businesses.

Recent Business Expansions In Northeastern Minnesota – New Jobs Created/Retained

- Aitkin County Growth** (for Telephone Answering Center), Aitkin
5 new jobs
- Advantage Billing Concepts, Inc.**, Hibbing
15 new jobs, retained 8
- Andrej's European Pastry, Inc.**, Chisholm
4 new jobs, retained 2
- Blue Cross and Blue Shield of Minnesota, Virginia & Aurora**
185 new jobs, retained 200
- City of Aurora** (for Krog Industries), Aurora
12 new jobs, retained 6
- Excelsior Energy, Inc.**, Hoyt Lakes
150 new jobs (upon completion)
- Fingerhut Direct Marketing, Inc.**, Eveleth
60 new jobs
- Hedstrom Lumber Company, Inc.**, Grand Marais
40 jobs retained
- Kasson Mfg./Arbor Point Partners, Babbitt**
37 new jobs, retained 23
- MLNA, Inc.**, (d/b/a Motherlode North America Grand Rapids)
2 new jobs, retained 4
- Northern Lights Timber & Lumber, Orr**
6 jobs retained
- Premier Plastics, Inc.**, Hoyt Lakes
7 new jobs, retained 21
- Pro Form Manufacturing, Virginia**
4 new jobs, retained 12
- Ryan's Rustic Railings, Orr**
5 new jobs
- Spectrum Housing With Services, LLC, Eveleth/Virginia**
50 new jobs (over the next 5 years), retained 16
- Spinal Designs, Grand Rapids**
17 new jobs
- Stern Rubber, Aitkin**
12 new jobs, retained 17
- Superior Edge, LLC, Grand Rapids**
100 new jobs (over the next 8 years)
- Town of White** (for Aurora Building Systems), Aurora
15 new jobs
- Tuffloats, Hibbing**
16 new jobs
- United Taconite, Eveleth and Forbes**
435 new jobs created
- WindLogics, Grand Rapids**
8 new jobs, retained 2
- Woodline Manufacturing, Inc.**, Eveleth
45 new jobs, retained 81

Mining, Energy & Minerals Development

Mining

The iron mining industry is northeastern Minnesota's economic engine. Area taconite companies provide the region with nearly 4,000 high-paying jobs. Spin-off industries affiliated with the taconite producers are responsible for approximately 12,000 additional jobs. Annually, the iron mining industry contributes \$1.3 billion in direct benefit to the state's economy and purchases goods and services in nearly 200 communities across the state.

Taconite companies pay production taxes levied in lieu of property taxes. The money is used to support counties, cities, townships and school districts within the TAA and provides funding for economic development and property tax relief. In 2004, Iron Range Resources received approximately \$11.6 million, or 15% of the total \$73.1 million in taconite production taxes paid.

Besides helping to diversify the economy by encouraging the development of other industries, Iron Range Resources vigorously supports a strong and healthy iron mining industry. Its objectives in the minerals sector include recapitalization of Minnesota's taconite industry; development of value-added iron and steel products from Minnesota iron ore; development of non-ferrous minerals (copper, nickel and precious metals); and minerals research that encourages and supports both current and future mining activities.

Iron Range Resources played an integral role in facilitating the December 2003 reopening of the former EVTAC mine as United Taconite, now owned by Cleveland-Cliffs Inc and Laiwu Steel Group of China.

Taconite Assistance Program

During the biennium, agency mining initiatives included the Taconite Economic Development Fund, Producer Grant Program, Drilling Incentive Grant Program, the Governor's Committee on Minnesota's Mining Future and ferrous and non-ferrous initiatives.

Two taconite production tax rebate programs were administered by the agency during the past biennium: the Taconite Economic Development Fund (TEDF) and the Producer Grant Program, which was terminated at the end of fiscal year 2003. Because the industry had access to both funds in FY03, the rebate programs provided a total of \$10.9 million for research and development, new equipment, facility improvements and innovative mineland reclamation projects. In FY04, even with the termination of the Producer Grant Program, rebates totaled \$9.7 million.

Through these programs, Iron Range Resources has invested approximately \$137 million in Minnesota's taconite industry since 1993. These dollars have leveraged more than \$144 million from the producers to undertake projects exceeding \$281 million.

Taconite Economic Development Fund

In 1992, the Minnesota Legislature established the Taconite Economic Development Fund (TEDF) to further encourage additional capital investments in area taconite plants. Under current law, 30.1 cents of the \$2.103 tax paid per ton of pellets produced is allocated to an account administered by Iron Range Resources. It is reallocated to taconite companies for projects reviewed by the management/labor committee of each plant. Since 1993, \$90.6 million has been made available through the TEDF. The fund, commonly referred to as the investment tax credit, was made permanent by the 2001 Legislature.



Senator Tom Bakke, Representative David Dill, Commissioner Layman, and local and company officials were on hand when Governor Pawlenty signed a comprehensive incentive package for Mesaba Nugget, LLC.

Producer Grant Program

The Producer Grant program was first funded by the Minnesota Legislature in 1996. It provided over \$20 million in grants to taconite producers for environmentally unique reclamation projects and facility improvements over the program's lifetime. In turn, the grant recipients were required to convey land or other items of consideration valued at 15% of the grant amount to TAA communities or Iron Range Resources for economic and community development purposes. Up to year 2003, when the program ended, 3,500 acres of land were conveyed for public purposes.

Drilling Incentive Grant Program

Iron Range Resources is spearheading efforts to develop minerals other than iron. The agency's Drilling Incentive Grant Program (DIG) provides grants to companies conducting exploratory drilling. Through DIG, the agency will match up to 40% of direct drilling costs, not to exceed a match of \$20,000 per drill hole, to eligible companies. To date, seven grants totaling approximately \$88,000 have been awarded.

Governor's Committee on Minnesota's Mining Future

Iron Range Resources actively participates in discussions of state mining and minerals policy. In 2003, Iron Range Resources' Commissioner Sandy Layman and James Swearingen, former general manager of Minnesota Ore Operations – Minntac, co-chaired the Governor's Committee on Minnesota's Mining Future. The committee was charged with making recommendations to the Governor for sustaining and enhancing the state's mining and minerals industries so they can be competitive in a global marketplace. The committee submitted its final report to the Governor in October 2004. The recommendations will provide an informational and strategic planning framework for state policy and legislative deliberations.

Energy

In July 2001, Iron Range Resources launched its Energy Initiative to explore and capitalize on opportunities in the energy field and to promote regional job creation and economic growth. In fiscal years 2003 and 2004, two major energy projects were undertaken by the agency: the Mesaba Energy Project and the Laurentian Energy Authority.

Mesaba Energy Project

The Mesaba Energy Project is being developed by Excelsior Energy, Inc., based in Wayzata, Minnesota. Excelsior proposes to construct a 531 (net) megawatt Integrated Gasification Combined Cycle (IGCC) coal-fired power plant near Hoyt Lakes. Pending the necessary permits and financial backing, plant construction is planned for 2007, with

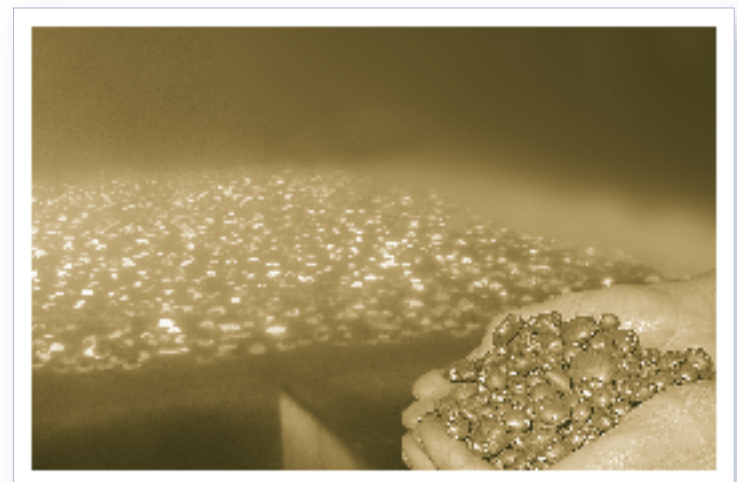
full production scheduled for 2010. The innovative IGCC process uses clean coal technology that brings significant performance, efficiency and emission improvements to energy production. The company anticipates the creation of approximately 1,000 construction jobs and 150 permanent jobs. Iron Range Resources provided \$9.5 million in funding to Excelsior Energy in the form of two convertible debentures. Excelsior Energy has been awarded \$36 million from the U.S. Department of Energy and has an \$800 million loan guarantee request pending with the federal government.

Laurentian Energy Authority: Hibbing/Virginia Biomass Project

Through this project, new biomass boilers will be constructed at power plants in Hibbing and Virginia to provide biomass-derived electricity to Xcel Energy. The total cost of the project is estimated at \$62 million. Iron Range Resources will provide a \$4 million direct loan to each of the host cities' public utilities. Hibbing and Virginia Utilities each will provide \$4 million in cash towards the project, with the remainder coming from the sale of revenue bonds. The project will enable the facilities to retain 70 existing positions, while related wood harvesting, transportation and wood hauling activities are expected to create 65 to 100 new jobs.



Members of the Minnesota Mining Cabinet familiarized themselves with the state's taconite industry during a tour of US Steel's Minntac taconite operation. The Mining Cabinet consists of commissioners and staff from Minnesota state agencies that have involvement with mining.



The successful production of iron nuggets with a 96% metallic iron content expands the taconite industry's customer base to include electric arc furnace operators and foundries.

Minerals Development

Ferrous and Non-ferrous Initiatives

Iron Range Resources actively supports the development of value-added iron and steel products and non-ferrous minerals as a means to diversify the region's economy. Recently, the agency approved a comprehensive package of incentives for Mesabi Nugget, LLC, to develop a production-scale iron nugget demonstration plant in Minnesota. "Iron nuggets" is a term used to describe a form of pig iron that is produced using a rotary hearth process. The technology was proven feasible at a pilot demonstration plant in Silver Bay at Northshore Mining Company through a partnership that includes Cleveland-Cliffs, Northshore Mining's owner; Kobe Steel, the Japanese company that initially developed the process concept, in association with its American subsidiary, Midrex Corporation of North Carolina; Steel Dynamics Inc. of Indiana; and Iron Range Resources. Construction of a production scale demonstration plant at the former LTV Steel Mining Company site near Hoyt Lakes is expected to begin by August 2005, with commercial production commencing in the last half of 2006.

Discussions are underway among Iron Range Resources and a number of potential non-ferrous minerals developers, including PolyMet Mining Corp. and Beaver Bay Joint Venture-Franconia Minerals Corporation managed by Lehmann Exploration Management. These projects may require financial and technical assistance from the agency in the future.

Mineland Reclamation

The Iron Range Resources Mineland Reclamation Program, established by the Minnesota Legislature in 1977, provides for the reclamation, restoration or reforestation of areas of northeastern Minnesota affected by iron ore mining. The program's goal is to reclaim mining impacted lands to create a diverse regional economic development resource. Priority projects are those that stimulate increased economic development and tourism within the TAA. The goal has been successfully accomplished by eliminating dangerous

areas, establishing vegetation and reforestation, repairing and preventing erosion and dust problems, creating recreational areas, and restoring wildlife habitats on abandoned minelands.

New partnerships have been formed between Mineland Reclamation, other units of government and private industry, stretching available dollars to accomplish mutually beneficial programs that better serve the people of northeastern Minnesota.

Mineland Reclamation Projects

The following projects were funded in the past biennium:

- **Aurora** – St. James Pit Wall Reshaping & Campground Construction
- **Buhl** – Pit Access
- **Cuyuna Range** – Filling, Berming & Fencing Abandoned Mine Sites
- **Ely** – Removal of Underground Mining Foundations
- **Gilbert** – Water & Sewer Extension for Campground
- **Hibbing** – Fencing & Berming
- **Itasca County** – Canisteo Mine Pit Overflow
- **Mesabi Range** – Fish Stocking
- **Mesabi Range** – Emergency Safety Projects
- **Mesabi Range** – Laurentian Vision
- **Mountain Iron** – Wacootah Overlook
- **Virginia** – Housing & Commercial Development

St. James Pit Wall Reshaping – Aurora

In 1981, the south shore of the St. James Pit was reshaped to stabilize an unsafe, dangerous pit and to protect the source of Aurora's municipal water supply. Red clay was eroding into the pit causing discoloration and increased turbidity in the water. The clay was hauled away and used as topsoil on a rock stockpile that was seeded with grass and planted with trees. Homes and garages that were in danger of sliding into the pit were moved to safety.

When the first phase of the project began, Aurora owned land only on the south side of the pit. The city acquired



Many new recreation sites have been created in the TAA through the Mineland Reclamation Program's efforts to reshape and stabilize mine pits.

mining company lands surrounding the remainder of the pit through the Iron Range Resources Producer Grant Program. Recent pit wall reshaping, an extension of the 1981 project, allowed recreational use of the St. James Pit. An access road and boat ramp were constructed, the pit was stocked with trout, and shore fishing was allowed. Iron Range Resources continues to stock trout in the pit every spring and fall. The reshaping process created valuable shoreline for recreational, commercial or residential development.

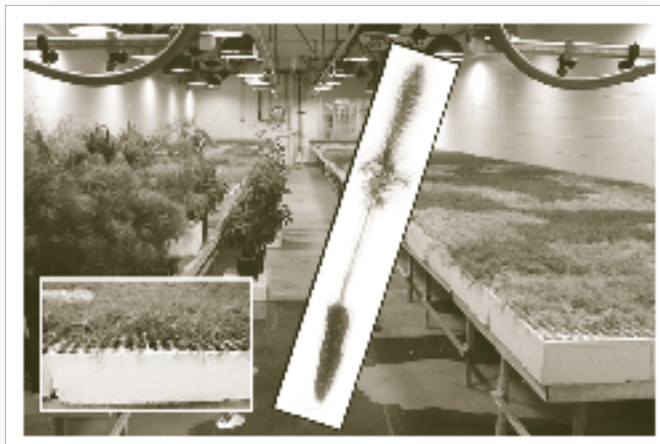


The Environmental Fair sponsored by the Mineland Reclamation Program attracts approximately 1,000 fourth grade students annually.

Arbor Day Environmental Fair

The 14th and 15th Annual Arbor Day Environmental Fairs were held the past two Aprils at Ironworld Discovery Center in Chisholm. Sponsored by the Mineland Reclamation Program, the fair promotes environmental stewardship to approximately 1,000 fourth grade students from 20 Iron Range schools each year.

The daylong experience includes 25 different learning stations, covering a wide array of topics. The employees of local governmental offices, mining companies and other natural resource-based businesses and organizations volunteer to staff the hands-on learning stations. The students receive several educational items relating to environmental stewardship including a tree seedling they can take home to plant. The Arbor Day Environmental Fair has taught the wise use of our environment and natural



The Mineland Reclamation Growth Chamber annually produces thousands of tree seedlings for spring planting projects.

resources to more than 14,000 fourth graders since 1990.

Tree Seedling Production And Planting

During the biennium the Mineland Reclamation growth chamber produced 150,000 seedlings each fiscal year. These seedlings were used to reforest public lands within the TAA in a cooperative partnership with DNR Forestry, stretching the agency's tree-planting budget. From 1978 – 2004, over 3.8 million tree seedlings, transplants and tree spade trees have been planted.

Building Demolition

The 30-year-old Building Demolition Program was phased-out during the past biennium. A total of 83 structures were removed during the biennium, prior to the termination of the program in October 2003. Since 1972, program staff removed 6,633 abandoned and unwanted structures within the TAA, paving the way to a cleaner, healthier environment, new construction, and a broader tax base, making the Iron Range a more attractive place in which to live.

The Building Demolition Program was discontinued because of decreasing demand, budget constraints, equipment in need of updating, dumpsite closures, increased dump fees and more restrictive dump regulations.

do I.T!™: The Innovative Technology Initiative of Iron Range Resources

Progress has been achieved on all three fronts of the **do I.T!** initiative. The program, designed to promote regional growth through

advocacy, collaboration, expansion of technology-based business, and investment in technology infrastructure and rural connectivity, focuses on developing the TAA as a technologically advanced region.

The 18-member **do I.T!** Advisory Council, which advises the commissioner on technology-related matters, is comprised of representatives from government, education and private sector business and industry.



The do I.T! Program focuses on developing the TAA as a technologically advanced region.

The Council's role is to:

- Encourage national, state, and regional investment in technology infrastructure and rural connectivity.
- Provide focus on technology-related "best practices" and research.
- Help to develop and implement a regional technology-based business retention and recruitment strategy.
- Network and collaborate with the high-tech community.

Connectivity and Infrastructure

Private and public investment in infrastructure in the region allowed for expanded access to high-speed broadband connectivity through fiber extension, installation of digital subscriber line (DSL) equipment, and wireless installations.

Through a partnership grant from *do I.T!* and the Northeast Service Cooperative, *Northeast-Net* (a video, voice and data ATM network, which services 29 libraries, 30 schools, and 13 post-secondary education institutions in the TAA) is making bandwidth available to private sector Internet Service Providers as well. The pilot project received national recognition as a recipient of a 2004 Innovation Award from the National Association of Development Organizations (NADO) in Washington, D.C.

do I.T! partnered with the Tower Economic Development Authority, Frontier, (a Citizens Communications Company), and Proxim Corporation in testing the Tsunami MP 11 Wireless Network. Twenty-one sites on Lake Vermilion tested the network. The system enabled outstanding high-speed connectivity in excess of 750kbps to the test sites. The test continued through the fall of 2004. In a similar project, *do I.T!* partnered with Cook County, the Grand Marais Economic Development Authority, Boreal Access and BT Syntegra to deploy the Vivato 802.11b Wi-Fi high-speed Internet system to that region.

To provide high-speed connectivity to rural Minnesota, *do I.T!* is participating in the Rural Telecommunications Congress on the national scene, the Blandin Foundation's Rural Broadband Initiative, and is a founding member of the Minnesota Technology Action Group which is dedicated to the advocacy of rural connectivity.

Technology-based Economic Development

In December 2003, Iron Range Resources became a \$1.5 million stakeholder in Superior Edge, Inc., an e-learning and training company headquartered in the Itasca Technology Exchange, Grand Rapids. Superior Edge provides business leaders with a powerful tool for transferring knowledge about their company, products, culture, policies, procedures, certifications, and other subjects to employees and customers. Superior Edge currently employs 16 people and plans to grow to a total of 100 employees in the near future.

Working with the Center for Economic Development at the University of Minnesota Duluth, *do I.T!* funds the *21st Century Arrowhead Program*. At no charge, the program provides businesses with expert analysis of their technology needs and recommends equipment and training to improve their profitability. Over 300 businesses have utilized this

service. This program also received national recognition as a recipient of a 2004 Innovation Award from NADO in Washington, D.C.

do I.T!, the Blandin Foundation and Bemidji State University's Center for Research and Innovation fund the Northern Tier High Tech Corridor's economic development portal. Over two million people accessed the website in 2003 to gain information, technology applications, resources and knowledge.



The Itasca Technology Exchange houses Superior Edge, Inc., an e-learning and training company for which Iron Range Resources provided financing.

Community Technology Awareness

To develop two innovative Tech Prep Centers in Ely and Mountain Iron, *do I.T!* partnered with the True North initiative, a community college driven program, which is committed to revitalizing the regional economy through technology-based training.

do I.T! collaborated with the Northeast Service Cooperative, True North, the Boise Forte/Nett Lake Band of Chippewa, the Fond du Lac Band of the Lake Superior Chippewa, the Orr School, the Carlton School District, Access Wireless of Virginia, and BT Syntegra to develop a \$1.4 million federal grant to fund the Arrowhead Learning Program System. The three-year program will provide wireless broadband Internet access and web-based educational resources to rural communities in northeastern Minnesota. For more information visit www.doitmn.com.

Marketing, Communications & External Affairs

The Marketing, Communications & External Affairs Division (MCEA) directs, develops, coordinates and disseminates marketing, promotional and communication materials and messages on behalf of Iron Range Resources and its stakeholders, and serves as the primary focus for the agency's external affairs activities. Formed in 2003, the division brings together three activity areas: marketing, communications and external affairs into a single, coordinated unit. Through a cross-functional, team-driven, participative approach, MCEA staff develops and implements an overall direction for these agency activities.

Marketing Program

The agency's marketing team collaborates to develop a consistent and comprehensive marketing strategy assisting the agency in achieving its overall operational goals. This team directs the conception, development, refinement and implementation of all major marketing and marketing-related communications strategies, messages, and materials generated by and for the agency, its partners and its facilities.

Agency Marketing

As part of Commissioner Layman's reorganization, the agency, Ironworld, and Giants Ridge marketing activities and tourism promotion programs were merged into a single, cohesive, coordinated and effective team.



New agency website is more informative and user friendly.

One of its first tasks was to develop a new agency identity and logo. Once that was completed, work ensued on redesigning and updating all business recruitment literature and other agency printed materials to include the new logo, look and identity.

In addition, a comprehensive revamping and redevelopment of the agency's website was accomplished through a concerted team effort involving three agency divisions: MCEA, Development Strategies, and Administrative Services, resulting in a more informative and user friendly portal to the agency, its activities and the services with which it is involved.

Economic Development Marketing

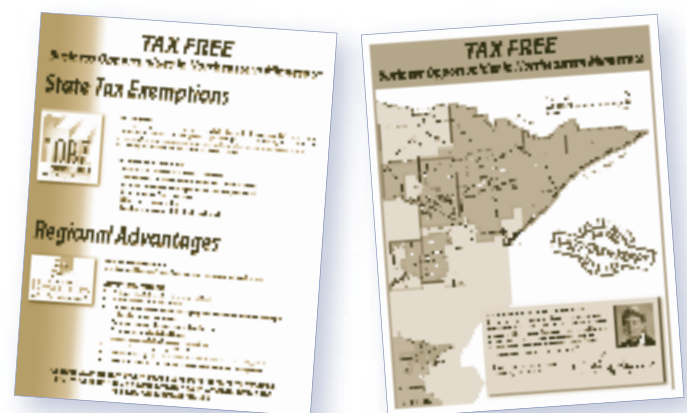
A comprehensive business recruitment print advertising campaign was developed and utilized throughout the biennium that placed emphasis on testimonials from key business leaders with successful operations on the Iron Range. The agency's marketing team developed a new, inviting trade show booth for use by the Development Strategies Division and its partners. During the past biennium, trade show participation resulted in the generation of 167 bona fide business leads.

In conjunction with Development Strategies, the MCEA team also assisted in the development of a marketing strategy to promote the JOBZ program. Activities included: literature development; signage for sub-zone identification; securing of a special toll-free telephone number (1.877.TAX.EXEMPT); and developing a billboard along Highway I-35 near Hinckley promoting tax-free business locations on



Billboard message promotes new JOB Zones in the Iron Range Resources service area.

the Iron Range. In addition, a comprehensive direct mail business recruitment campaign was initiated, targeting over 4,000 business leaders from industrial sectors considered to hold the greatest potential for creating new jobs on the Iron Range.



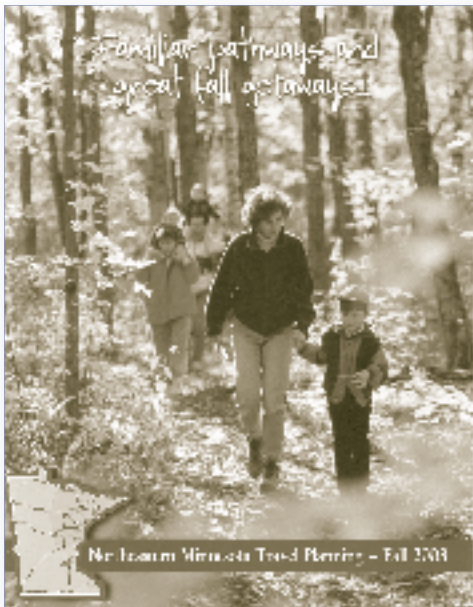
This direct mail piece promoting the JOBZ program and regional advantages was mailed to over 4,000 business leaders.

The agency also provided support to the Minnesota Wood Campaign, a pilot program developed to promote an added-value image for Minnesota forest products.

Tourism and Facilities Marketing

The region's tourism marketing effort focused on targeted direct mail campaigns that received a first-place award in the National Association of Government Communicators' "Blue Pencil Awards" in FY03, as well as a "Marketing Award of Excellence" from the Minnesota Office of Tourism in both years of the biennium. Whenever feasible, business recruitment messages were incorporated into tourism print and advertising promotional efforts.

Tourism resources were dedicated to initiatives to benefit the Mesabi Trail, special events and other attractions. A major new initiative included providing financial resources and technical assistance to the Regional Rail Authority to



The agency plays a lead role in promoting regional tourism in partnerships with others.

establish Lodge-to-Lodge biking on the Mesabi Trail, as well as a shuttle service for guests. The agency collaborated with chambers of commerce and convention & visitors bureaus across the Iron Range on a series of special initiatives. These included efforts to secure the Great River Energy Bicycle Festival for the region; provide technical assistance to the Wild North Golf Alliance; support for "Rock the Range" at Ironworld; and promotion of the Superior National Forest Scenic Byway and the North Shore Scenic Drive "All-American Road."

Through literature development, attractive ad campaigns and other aggressive marketing initiatives, the agency's marketing and communications team assisted the agency's two facilities, Giants Ridge Golf & Ski Resort and Ironworld Discovery Center, in developing and implementing their marketing programs. These activities included a variety of direct mail initiatives, regular updates and enhancements to both facilities' websites, plus billboards and aggressive multi-media advertising campaigns.

Communications Program

The Communications Program exists to establish and deliver key messages for the agency, utilizing a fully-integrated multi-media approach. Program staff members provide written and graphical support for all operating areas and develop and manage a variety of special projects relative to internal and external communications.

Working as a team, program staff members create and distribute internal and external agency communications in print and electronically, provide maintenance and updates for the agency website, provide written and graphic creative services to all divisions and provide staff support for various special events and strategic initiatives.

The agency's communications team is responsible for handling inquiries from the media and general public and distributing information on the agency and its activities to appropriate audiences. As part of that effort, a glossy, full-color newsletter, *RangeView*, is published on a quarterly basis. In addition, two internal communications vehicles, the *Weekly Resourcer* and monthly *Agency Activity Calendar* are developed and distributed on a regular basis.



The quarterly RangeView publication features the resources and opportunities of northeastern Minnesota.

Activities this past biennium included the production of the 2001-2002 *Biennial Report* to the Legislature. Writing and design for the 36-page report were completed in-house, saving the agency approximately \$3,000. The communications team also provided extensive writing, graphical design and other support to the agency's divisions and facilities. State-of-the-art creative services included the design and development of billboards, television spots, newspaper and magazine ads, brochures, posters, business cards, report covers, reports, photography, PowerPoint presentations and documentary slide shows, as well as videotaping of board meetings and other special events.

The reorganization permitted internal resources to be more effectively dedicated to printing and producing small orders of high quality color printed materials in-house, such as brochures, business cards, name placards and reports, saving thousands of dollars. In addition, capacity to produce

vinyl cut signs for use at Giants Ridge and Ironworld, the ability to produce maps for brochures and special projects, plus mounting and framing services have also been fully developed and internalized.



Governor Pawlenty toured Ironworld Discovery Center in 2003 and met with members of the Commissioner's Task Force on Ironworld.

External Affairs

The external affairs program provides leadership, in assistance to the Commissioner and Deputy Commissioner, to successfully undertake a variety of external initiatives, including intergovernmental relations, special projects, special events and recreational trails-related activities.

Special Projects

The external affairs team provided direction and primary support to the Commissioner's Task Force on Ironworld Discovery Center as it deliberated on making "recommendations to help ensure Ironworld's long-term sustainability while eliminating or reducing to the extent possible the agency subsidy." It also provided direction and primary support to the Giants Ridge Task Force as it deliberated to recommend options for the future operation of the Giants Ridge Golf & Ski Resort.



Public input was sought during an open meeting held as part of the Ironworld Task Force process.

Support activities included organizing meetings, developing minutes and assisting in the editing and development of draft reports for the task forces to review, finalize and submit to the Commissioner. The external affairs staff also served as agency liaison to several working groups involved with planning major regional activities or events.



Task Force reports provide valued guidance on future direction for the two agency facilities.

Intergovernmental Relations

A new activity that resulted from the reorganization was involvement by external affairs staff in support of efforts by the Commissioner and Iron Range legislative delegation to secure passage of a number of legislative initiatives that were desired by the agency.

Lands, Trails & Recreation

External affairs staff provided assistance in addressing land acquisition issues associated with development of a multi-faceted motorsports complex, the Iron Range Motorplex project. In a related activity, agency staff also provides assistance in determining the value of agency-owned property in various parts of its service area.

Working with local volunteers, agency staff took the lead in planning and securing funding for the development of a free-span snowmobile bridge across the St. Louis River and an All-Terrain Vehicle (ATV) trail between the Off-Highway Vehicle (OHV) Park in Gilbert and area lodging properties.

Staff also secured a National Recreation Trail fund grant to develop an environmentally acceptable OHV tread-way connecting the City of Biwabik and the Gilbert OHV recreation area and coordinated a motorized trail study for Giants Ridge Golf & Ski Resort.

Administrative Services

The Administrative Services Division provides accounting, purchasing, human resources, information systems and maintenance services. It supports other agency programs and facilities, providing administrative services and resources to ensure smooth agency operation. This division also includes the Office of the Commissioner.

As Iron Range Resources looks to the future, it continues to streamline operations and reduce overhead in order to focus resources on its core mission of job creation. To successfully meet these challenges, the administrative services division will continue to modify processes and procedures to operate as efficiently and effectively as possible. This division includes the following programs: Finance and Human Resources, Information Systems and Maintenance and Shop.

Finance and Human Resources

Finance and Human Resources supports the agency's programs and facilities in professional/technical contracting, procurement, accounting and financial reporting activities. The program also provides payroll, employee recruitment, employee benefits, training and labor relations.

Iron Range Resources is challenged by the fact that the agency's revenues are dependent on mining production levels and investment earnings, thus in past years a decline in mining production and poor investment returns resulted in significant revenue declines for the agency. For example, the closing of a mining company in FY 2001 reduced revenues by \$7 million. In the short term, the agency supported its operations with funds carried forward from prior fiscal years, but now it has taken the following steps to become less dependent on mining revenues:

- Identified other funding sources to supplement agency funds.
- Developed a strategy for the economic development projects the agency undertakes and how the agency participates in those projects.
- Prioritized the use of agency funds.
- Operates within a balanced budget.

The agency has put structures into place to improve efficiency and more effectively utilize human resources. This includes: promoting staff development and aligning employees' work with the agency's work plan; developing an employee recognition program; and linking annual performance reviews to the agency's goals and work plan.

Information Systems

The Information Systems program implements and manages the agency's voice and data technologies at the Eveleth headquarters, Giants Ridge Golf & Ski Resort and Ironworld Discovery Center. Program tasks are accomplished through



Customer service is the by-word of the agency information systems team.

a combination of planned or scheduled activities, event driven incidents or customer requests. The following major activities were accomplished during the biennium:

- Implemented an on-line store and payment gateway for Giants Ridge Golf & Ski Resort.
- Upgraded Giants Ridge Ski Resort group sales/scheduling software to a network version.
- Updated the genealogy database used by the Iron Range Research Center website.
- Implemented the agency's new website.
- Implemented an on-line email service for Iron Range Resources.
- Implemented the use of firewalls at the Eveleth office, Giants Ridge Golf & Ski Resort and Ironworld Discovery Center.

Maintenance and Shop

Maintenance and Shop supports the agency's programs and facilities through mobile equipment maintenance, repair and fleet management. Heavy equipment mechanics provide service to the agency through a combination of preventative maintenance and "as needed" repair. Work is conducted at one of three shop locations or in the field. The program also provides building and grounds maintenance support of the Eveleth headquarters complex. Major activities during the biennium:

- Completed major engine and transmission repairs in-house – FY04 cost savings: \$15,000.
- Upgraded the Eveleth office heating and cooling system – projected annual cost savings: \$10,000.
- Completed improvements to the Eveleth office wastewater treatment system so all maintenance and servicing can now be handled by agency maintenance personnel.

Giants Ridge Golf & Ski Resort

The primary activities of Giants Ridge Golf & Ski Resort are directed toward the development and promotion of tourism and recreation opportunities that will enhance economic diversification in the Taconite Assistance Area (TAA).

Giants Ridge accomplishes this mission by operating two 18-hole championship golf courses, *The Legend at Giants Ridge* and *The Quarry at Giants Ridge* and a winter sports area, achieving standards of excellence that earn national recognition and accolades.

Biennium Results

During the biennium, Giants Ridge increased revenues and decreased expenses. Budgets and labor were reduced and operations were restructured:

- *The Quarry* golf course opened July 1, 2003.
- FY04 overall revenue increased 57% with the addition of *The Quarry*.
- FY04 overall operating expenses only increased 16% with the addition of *The Quarry*.
- National media exposure was gained for *The Quarry* Grand Opening, resulting in over 30 media visits during the 2004 season.
- Five lots in *The Woodlands* housing development were sold to the private sector.

Economic Development & Impact

Giants Ridge Golf & Ski Resort is one of the largest employers in the eastern region of the TAA and has a substantial impact on the local employment market. Over \$1.5 million in payroll is directly attributed to the Giants Ridge facilities for over 300 employees, twelve of whom are directly employed by Iron Range Resources. The annual economic impact is approximately \$15 million from *The Legend* and *The Quarry* golf courses and \$13 million from the ski area.

Surrounding communities have diversified their economic base by incorporating the tourism potential of Giants Ridge. This effort resulted in private investment and development, new businesses and increased property values.



The 17th hole on The Legend is one of the most challenging and picturesque holes on the course.

Golf

In July 2003, *The Quarry* opened to rave reviews from the golf world. Sculpted in equal parts from the north woods and reclaimed minelands, *The Quarry* has redefined golf in the Midwest.

A par 72 and walkable 7,000 yards from the back tees, *The Quarry* honors the region's industrial past in a unique and culturally significant way. Each hole is named for an area mine, past or current. For instance, hole four commemorates the giant Mahoning mine that produced more than 130 million tons of iron and hole 18 is named for the adjacent Embarrass mine which, at 550-foot deep, is the deepest mine-pit lake on the Mesabi Iron Range.

While *The Quarry* has brought a new face to the resort, *The Legend* continues to leave its footprint on the golf world, as well.

Giants Ridge Golf and Ski Resort has been acclaimed by GolfWorld magazine as "One of the Top Six Golf Destinations in the World."



Accolades

Serenity and magnificence have earned both *The Quarry* and *The Legend* much acclaim in the past biennium, including:

- *The Quarry* – “**One of The Midwest’s Top 10 Best New Public Courses**” (2003). *Golf Chicago!* magazine named *The Quarry* one of the top ten best new public courses in the Midwest.
- *The Quarry* – “**One of The Best New Courses of 2003**” (2003). American Airlines’ *Celebrated Living* magazine named *The Quarry* one of the best new courses of 2003 in its spring 2004 issue.
- *The Quarry* – “**Best Golf Course of the 21st Century**” (2003). *Golf Digest’s* course critic Ron Whitten cited *The Quarry* as the best golf course of the 21st century. He also called *The Quarry*, “*hands-down the finest course in Minnesota,*” going on to say “*...this Quarry will swallow up all Quarries before it, from Florida to California. It’s a combination of Pebble Beach, Pine Valley, Merion and Tobacco Road, with a bit of architectural Tabasco sauce sprinkled in for the occasional jolt.*”
- *The Quarry* – “**Best Recent Golf Course**” (2004). *Polo.com* magazine ranked *The Quarry* as one of the year’s best recent courses in the nation.
- *The Quarry* – “**Best New Resort Golf Course**” (2004). *Golf Minnesota*, 2004 Directory Issue.
- *The Quarry* – “**Best of the Best**” courses (2004). *The Robb Report* magazine ranked *The Quarry* in their top 10 “Best of the Best” courses, stating, “*...this Jeff Brauer creation tucked away in the wilds of north-eastern Minnesota, is destined to raise this remote outpost to the top ranks of American golfing destinations.*”
- *The Legend & The Quarry* – “**One of The Top Six Golf Destinations in the World**” (2003). *GolfWorld* magazine named Giants Ridge in their top six golf destinations in the world in the “Editors’ Picks of 2003.”

- *The Legend & The Quarry* – “**Top 5 Mountain Resorts**” (2004). *Golf for Women* magazine ranked Giants Ridge in the top five mountain resorts.
- *The Legend* - One of *Golf Digest’s* “**Top Places to Play**” (2001 & 2002). Giants Ridge received a 4.5 star rating on a scale of 5.0 in the recent “**Top Places to Play**” by *Golf Digest*, placing Giants Ridge amidst the highest rated courses in the nation.

Winter Sports

Giants Ridge is home to 34 alpine ski runs; 70 kilometers of groomed cross country ski trails; over 30 kilometers of snowshoe trails; easy access to more than 2,000 miles of groomed snowmobile trails; and, a 3,000-foot terrain park.



SKI Magazine’s Winter Sports Rankings

- **Grooming**
#1 in Minnesota & #2 in Midwest!
- **Snow Conditions**
#1 in Minnesota & #3 in Midwest!
- **Guest Service**
#1 in Minnesota & #3 in Midwest!
- **Terrain Park**
#1 in Minnesota & #2 in Midwest!

The Winter Sports venue at Giants Ridge continues to produce a premier product. Coupling great events with superior customer service, Giants Ridge has become an ultimate winter sports getaway.

Over the past biennium, the winter sports customer base has grown substantially from a local market to one attracting thousands of guests each season from the Twin Cities, Upper Midwest and Canada.

Giants Ridge hosts many special events each season, including the Pepsi Challenge, USASA Snowboard Competitions, and the Minnesota State High School League Nordic and Alpine state meets.

Minnesota’s Number One Ski Area (2003)

When *SKI* magazine released their 2003 ski resort rankings, Giants Ridge topped the charts. In the elite winter sports magazine’s *Top 60 Reader Resort Survey*, Giants Ridge found itself in the company of the nation’s most highly acclaimed ski resorts. The survey gauged winter sports enthusiasts across the country, and the results position Giants Ridge at the very top.



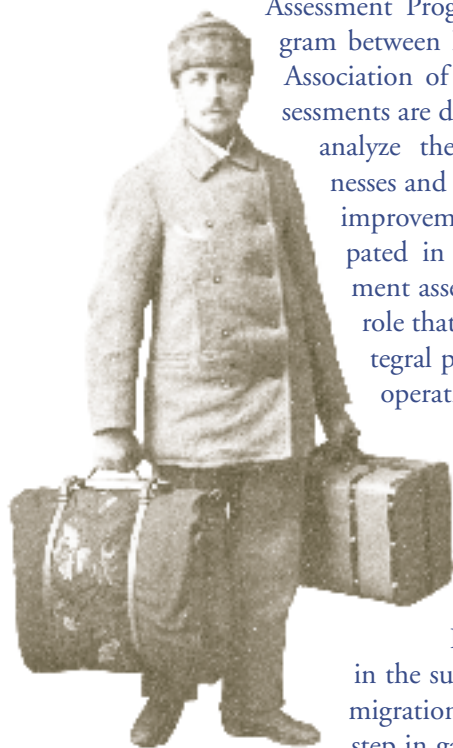
Ironworld Discovery Center

Located near Chisholm, on the edge of the Glen mine, Ironworld Discovery Center is a museum that collects, preserves, and interprets the history of Minnesota's Iron Ranges. Ironworld's park and interpretive exhibits are open to the public May through September, while the Iron Range Research Center library and archives are open year around. The organization's accomplishments during the last biennium advanced strategic objectives in the areas of collections care, access, education and interpretation.

Collections

Ironworld received a grant from the Institute of Museum and Library Services (IMLS) to participate in its Museum Assessment Program, a cooperative program between IMLS and the American Association of Museums. Museum Assessments are designed to help museums analyze their strengths and weaknesses and define a course for future improvements. Ironworld participated in the collections management assessment, emphasizing the role that collections play as an integral part of a museum's overall operation. Since the opening of the interpretive center twenty-five years ago, Ironworld has amassed a significant number of materials that document the history of the Iron Range, particularly in the subjects of mining and immigration. Assessment is the first step in gaining physical and intellectual control over those collections and to develop guidelines for future acquisitions. The Museum Assessment Program provided the necessary tools to examine this important process.

The Assessment Program included a self-study, which took place during the winter of 2003, followed by a two-day visit in June 2004 by peer reviewer, Andrew Stupperich, Associate Curator of Collections, New York State Historical Association and the Farmers' Museum. As a result of these efforts, Ironworld Discovery Center developed a Collections Policy that includes guidelines, standards, policies, and practices that will govern the acquisition and management of its collections.



Butler Brothers and M.A. Hanna Company Collections

In April 2004, Ironworld's Iron Range Research Center started an 18-month project to process over 200 boxes of material relating to the history of the Butler Brothers and M.A. Hanna Mining Company. Records in this collection cover the years 1916–1975, with the bulk of the material from the 1940s–1960s. The processing activity is supported by a \$40,442 grant from the Patrick and Aimee Butler Family Foundation, the sole funder of the project. The grant covers the cost of two staff people, a records processor and student worker, to conduct the physical and intellectual aspects of the project. Those activities include sorting, cleaning and preservation work as well as establishing intellectual access with finding aids and catalog records in Ironworld's database, PastPerfect.

Housing the Map Collections

The Research Center added 35 new map cases to its archives storage area to house its extensive collection of maps. These maps are primarily related to the mining industry, including geological cross sections, surface data, and details of past mining operations. The collection also contains maps of Iron Range cities and townships, which thoroughly document development of those areas and include such improvements as sewers, streets, bridges, rights-of-way and buildings.



Ironworld's Iron Range Research Center provides climate controlled archival storage for materials documenting the history of the Iron Range.

Estimated to number between 15,000 and 20,000, the maps have been housed in various manners, depending on the time period in which they were received. The new cases more than double the facility's capacity for large format maps. Designed for flat storage of archival and museum materials, the cases meet industry preservation standards.

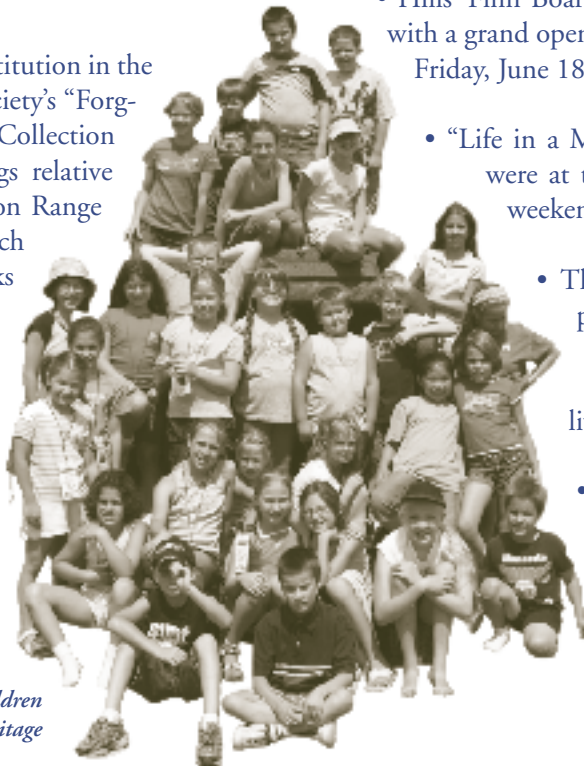


An historic electric trolley connects the Ironworld campus with Glen Location, a renovated turn of the 19th century mining settlement.

Additional collections accomplishments include:

- The PastPerfect collections database now includes keyword searchable accessions records for the Iron Range Resources records set.
- Photo-digitization is underway with collections being selected for the Minnesota Digital Library's "Minnesota Reflections" project, spearheaded by the Minnesota Historical Society (MHS).
- Special Collections Archivist Scott Kuzma joined the staff.
- Ironworld is a participating institution in the Western Reserve Historical Society's "Forging Links: The LTV Steel Collection Consortium Project." Holdings relative to LTV's operations on the Iron Range will be donated to the Research Center fully processed thanks to funding from the National Endowment for the Humanities.
- The Hibbing arrest record ledgers were microfilmed thanks to funds provided by the Poehler Charitable Trust.

During Ironworld's weeklong day camps, children ages 7-12 had fun while engaged in heritage activities, such as weaving and soap making.



Education

Ironworld Sponsors "History Player in the Classroom"

David Silvester, a MHS player, portrays James Goodhue, editor of Minnesota's first newspaper, *The Pioneer*. In full character and costume, James Goodhue stepped out of the past and into Iron Range classrooms during February 2003 to interact with over 400 students and teachers. The program included a variety of curriculum and instructional materials in Minnesota history, some produced by MHS and others gathered from the newspaper and census documents in the Iron Range Research Center.

Hands-On-History Day Camp

Children ages 7-12 got elbow deep in history both summers of the biennium, digging into the life, the work, the place and the people of the Iron Range. During the weeklong day camps, kids explored Ironworld collections and engaged in heritage activities such as ethnic cooking, weaving and soap making, trapper's tales, homestead survivor skills and more. Each afternoon, under the guidance of educator Lucy Vitali, students chronicled their daily experiences in scrapbooks and added projects and ideas to their personal immigrant trunks. The camp concluded with an afternoon of folk dance with musician Ross Sutter as well as a graduation ceremony attended by family and friends.

Additional program highlights:

- Hills' Finn Boarding House opened to the public with a grand opening and ribbon cutting ceremony, Friday, June 18, 2004.
- "Life in a Mining Location" and "Folk Arts" were at the heart of two new interpretive weekends during 2004.
- The Iron Range Women's History project collected new material for the collections that specifically document the history of women's lives on the Iron Range.
- Six Ironworld "Discovery Kits", designed to encourage self-exploration of various history topics, were developed and donated to the Arrowhead Library System for public circulation.

- The Research Center created a Hibbing High School Yearbook Index for the period 1919-2001 using funds from the Range Genealogical Society. A copy of the index was donated to the Hibbing High School Library.
- The 26th and 27th Annual Polkafests hosted over 6,500 guests.

Volunteers

Ironworld’s volunteers logged 2,800 hours in service during the biennium. This dedicated group engages in a host of activities, from selling performer merchandise during events to acting as docents during “Beyond School Walls.” The committee expanded its fundraising projects this year by adding historic images postcards and collector’s packets of iron range rocks and minerals to its retail selections. The group also invested in an old-fashioned penny-stamping machine.

And finally, in collaboration with public television station WDSE-TV, Channel 8, volunteers approved updating the *Old Country Cookbook* and re-issuing it as *Cooking on the Range – Iron Range Ethnic Food*. The new book is based on the television series, *Cooking on the Range*, that was performed and filmed at Ironworld during the summer of 2003. The show featured many of the region’s top cooks and was taped for later broadcast. When it aired on PBS during Channel 8’s annual fund drive, it reached an estimated 175,000 households, almost 420,000 individuals. Cookbooks are available at the Iron Range Research Center, or online at www.ironrangeresearchcenter.org. Funds raised by Ironworld volunteers and the sale of the cookbook, help support the facility and programs.



Veteran’s Memorial Enhanced

Further enhancements were made to the Veterans Memorial Park thanks to the addition of a beautifully restored F-94C fighter jet. The jet installation was made possible by the volunteer efforts of the American Legion Press-Lloyd Post 247 of Chisholm and the Duluth Air National Guard.

Collections: Donations and Acquisitions

- Library - 575 Items
- Archives and Special Collections – 132 linear feet, approximately 76 collections

Biennial Attendance Figures

Attendance figures from all areas of operations:

Research Center	10,200
Education (Outreach, Workshops, Arbor Day)	3,100
Gate Attendance.....	33,500
Private Events & Rentals	7,200
Venue Rental and St. Louis County Fair.....	60,500
Total	114,500



Photographs from the Iron Range Research Center’s archives, which feature over 150,000 photographic images.



Appendix

Agency Investment Plan

	FY 2003 Budget	FY 2004 Budget
Resources		
Taconite Production Taxes	10,856,225	10,079,258
Investment Earnings	3,031,628	2,019,343
Loan Revenues	2,484,375	2,270,471
Contingent Revenue - IRP Funds	750,000	750,000
Facilities Revenue	4,624,427	5,548,491
Occupation Tax Region III	519,564	520,453
Total Resources Available	<u>\$22,266,219</u>	<u>\$21,188,016</u>

Budgeted Expenditures by Division

Administrative Services		
Finance and Human Resources	3,105,257	2,209,354
Information Systems	358,032	290,559
Maintenance and Shop	525,088	472,579
Iron Range Resources Board Operating Contingency	-	82,610
Attorney General		
Legal Services	402,446	377,535
Marketing, Communications & External Affairs		
Marketing	-	873,493
Communications	271,279	242,740
Tourism	235,342	177,195
Development Strategies	2,452,736	1,725,994
Facilities		
Giants Ridge Golf and Ski Resort	5,989,873	5,231,679
Ironworld Discovery Center	2,094,783	1,710,514
Agency Projects		
Development Projects	6,762,000	6,387,000
Operating Projects	2,382,500	1,470,000
Occupation Tax Region III	519,564	520,453
TOTAL FY INVESTMENT PLAN	<u>\$25,098,900</u>	<u>\$21,771,705</u>
Development Projects Reserve	-	\$8,500,000
Operating Reserve	\$8,382,292	\$10,906,671

Douglas J. Johnson Economic Protection Trust Fund (the "2028 Fund") Trust Account

	<u>FY 2003</u>	<u>FY 2004</u>
Beginning Balance	\$77,280,479	\$85,526,766
Taconite Tax Receipts	8,223,198	756,709
Interest on tax receipts prior to county distributions	23,089	14,909
Ending Balance <i>(FY Ending Date)</i>	<u>\$85,526,766</u> <i>(June 30, 2003)</i>	<u>\$86,298,384</u> <i>(June 30, 2004)</i>

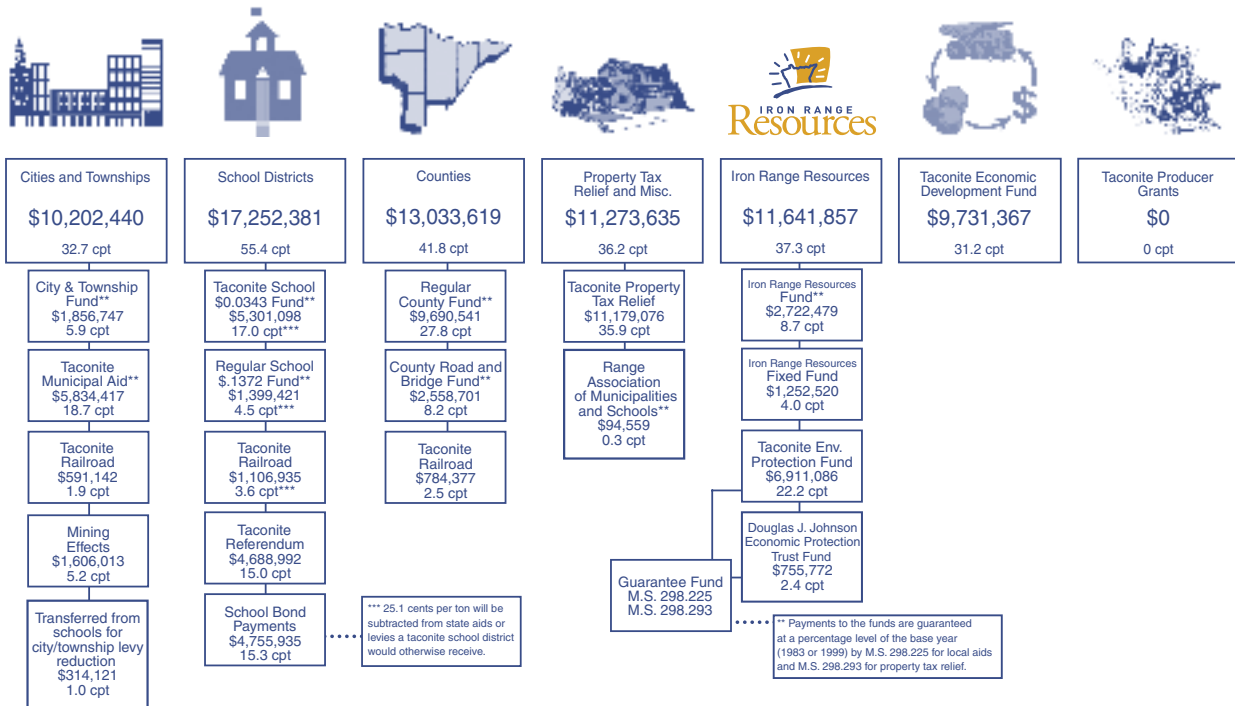
2004 Distribution of Taconite Production Tax

2003 Production Year

Total Taconite Production Tax
\$73,135,299*

Production Tax is \$2.103 per taxable ton.
The three-year average taxable tonnage was 31,167,887 tons.

*Does not include amount of tax disputed by United Taconite. \$7,589,233 is included from the state general fund.



Douglas J. Johnson Economic Protection Trust Fund (“2028” Fund) Operating Account

Recipient	Purpose	Total Project Cost	Form	Agency Amount
Aitkin				
Aitkin County Growth Telephone Answering Center	Renovate Building	\$305,000	Direct Loan	\$125,000
Stern Rubber	Expansion	\$1,390,000	Direct Loan	\$250,000
Aurora				
Blue Cross and Blue Shield of Minnesota	Relocation	\$20,000	Employee Relocation Grant	\$20,000
Cina Building–City of Aurora	Renovate Building	\$115,000	Direct Loan	\$40,000
Babbitt				
Kasson Mfg/Arbor Point Partners	Purchase Facility	\$1,900,000	Direct Loan -\$375,000 Board Account* -\$125,000 DJJ Account	\$500,000
Chisholm				
Andrej’s European Pastry, Inc.	Expansion	\$40,000	Bank Participation Loan	\$20,000
Eveleth				
Fingerhut Direct Marketing, Inc.	Start-up	\$279,752	Forgivable Loan	\$55,000
United Taconite **	Mining Start-up	\$25,000,000	Start-up Incentives -\$1,385,590 TEDF Grant -\$205,883 Producer Grant	\$1,591,473
Woodline Manufacturing, Inc.	Expansion	\$1,450,000	Direct Loan	\$600,000
Eveleth/Virginia				
Spectrum Housing With Services, LLC	Expansion	\$3,300,000	Direct Loan	\$375,000
Virginia./Eveleth Econ. Dev. Auth. (VEEDA)	Spec. Building	\$5,700,000	Direct Loan	\$900,000
Grand Marais				
Hedstrom Lumber Company, Inc.	Refinance	\$1,500,000	Bank Participation Loan	\$150,000
Grand Rapids				
MLNA, Inc. d/b/a, Motherlode North America	Expansion	\$550,000	Direct Loan	\$150,000
Windlogics (formerly SESCO)	Relocation	\$465,000	Direct Loan Employment Incentive Grant Employee Relocation Grant	\$150,000 \$40,000 \$25,000
Spinal Designs	Expansion	\$625,000	Direct Loan	\$250,000
Superior Edge, LLC (formerly Able Learning)	Expansion	\$2,840,000	Convertible Debenture	\$1,500,000
Hibbing				
Advantage Billing Concepts, Inc.	Expansion	\$290,000	Bank Participation Loan	\$50,000
Tuffloats	Start-up	\$252,500	Direct Loan Stock Warrants	\$25,000 \$25,000
Hoyt Lakes				
Excelsior Energy, Inc. (Mesaba Energy Proj.)	Start-up	\$50,000,000	Convertible Debenture -\$4,000,000 Board Account* -\$4,000,000 TEPF Account*	\$8,000,000
Hoyt Lakes/Premier Plastics	Expansion	\$1,920,000	Non-recourse Loan(Hoyt Lakes) Financial Incentives (Premier) -\$60,000 Forgivable Loan -\$10,000 Emp. Relocation Grant	\$300,000 \$70,000
Premier Plastics	Expansion	\$250,000	Participation Loan	\$125,000
Orr				
Northern Lights Timber & Lumber	Expansion	\$1,192,000	Bank Participation Loan	\$250,000
Ryan’s Rustic Railings	Expansion	\$315,000	Bank Participation Loan	\$150,000
Virginia				
Blue Cross and Blue Shield of Minnesota	Expansion	\$11,200,000	Employment Incentive Grant Training Grant Forgivable Loan	\$990,000 \$100,000 \$500,000
Pro Form Mfg.	Expansion	\$550,000	Bank Participation Loan	\$200,000
White Twsp.				
Town of White (for Aurora Bldg. Syst.)	Renovate Building	<u>\$173,000</u>	Non-recourse Loan	<u>\$133,000</u>
TOTAL		<u>\$111,622,252</u>		<u>\$17,668,000</u>

* From accounts other than the DJJ Account, e.g., the Iron Range Resources “Board Account” and/or the Taconite Environmental Protection Fund (TEPF).

** Although this project was not approved through the Iron Range Resources Board, the Agency was instrumental in the creation of these jobs in that it played a lead role in facilitating discussions that led to the reopening of the plant, and it provided Taconite Economic Development Fund and Producer Grant Program dollars which assisted them in doing so. Details can be found in the Master Agreement between the State of Minnesota/Iron Range Resources and United Taconite, etal, signed 12/03/03.

FY03-04 Mining Projects

			Total
Aggregate & Other Mining By-Products			
FY04	NRRI - Research on developing & marketing taconite aggregate materials on a regional basis	\$175,000	
FY04	MN Department of Natural Resources - MNROAD taconite aggregate testing	11,000	\$186,000
DRI, Iron & Steel Technical Studies			
FY03	R.Visness, TacTec, Inc. - Feasibility of ironmaking at NSPC (Hismelt)	10,000	
FY04	R.Visness, TacTec, Inc. - Microgranulation & fluidized bed direct reduction tests (Circofer)	15,000	25,000
Environmental Studies			
FY03	International Environmental Research Foundation - Taconite symposium - "Health Hazard Evaluation of Fibrous Particles Associated with Taconite and the Adjacent Duluth Complex"		50,000
Non-ferrous Minerals			
FY03	DIG Program - Lehmann & Associates, Inc. - Exploration drilling for platinum, palladium, gold & associated copper-nickel near Babbitt, Minnesota		19,200
Producer Grant Program			
FY03	Hibbing Taconite Company - Replacement of pallet car furnace assemblies	355,145	
FY03	Ispat Inland Mining Company - Exploration drilling & reserve mapping, facility improvements	133,158	
FY03	US Steel - Keewatin Taconite - Equipment improvements, screen house emissions project	211,008	
FY03	Northshore Mining Company - Purchase of a new CAT 994D production loader	178,679	
FY03	US Steel - Minntac - Agglomerator equipment improvements	653,569	1,531,559
Reclamation Studies			
FY03	U of M - Laurentian Vision/City of Hibbing - Central Iron Range Initiative charrette		20,000
Taconite Economic Development Fund Projects			
FY03	Hibbing Taconite Company - Replacement of pallet car furnace assemblies	2,155,220	
FY03	Ispat Inland Mining Company - Exploration drilling and reserve mapping, facility improvements	892,089	
FY03	US Steel - Keewatin Taconite - Equipment improvements, screen house emissions project	1,320,701	
FY03	Northshore Mining Company - Purchase of a new CAT 994D production loader	1,123,266	
FY03	US Steel - Minntac - Agglomerator ported kiln and concentrator facility improvements	3,934,483	9,425,759
FY04	United Taconite - Pending	7,842	
FY04	Hibbing Taconite Company - Purchase of a new P&H 2800 XPB electric rope shovel	2,144,748	
FY04	Ispat Inland Mining Company - Ore reserve development	855,905	
FY04	US Steel - Keewatin Taconite - Pending	1,497,443	
FY04	Northshore Mining Company - Purchase of used rougher magnetic separators	1,248,965	
FY04	US Steel - Minntac - New CAT 5230B hydraulic shovel and 793C 240 ton haul truck, used Bucyrus blasthole drill, CAT 992G wheel loader and 793C 240 ton haul truck	3,976,464	9,731,367
Taconite Processing Studies			
FY04	Range Minerals, Inc. - Use of Cook, Minnesota clay in taconite agglomeration		2,115
Total			\$20,991,000



Cleveland - Cliffs Inc



Laiwa Steel Group LTD



Iron Range Resources played a key role in facilitating the December 2003 reopening of the former EVTAC mine as United Taconite, a new partnership between Cleveland-Cliffs Inc and Laiwu Steel Group of China. The first shipment of taconite to leave the reopened facility, as seen here, was cause for celebration. Worldwide growth in demand for iron and steel products has benefited taconite producers across the Iron Range in 2004.

FY03-04 Community and Economic Development Grants

Applicant	FY	Project	Grant Amount
Aitkin County Growth	2003	Mercury Sorbent Testing	\$8,000
ARDC	2003	Rapid Response - Blandin Layoffs	\$25,000
ARDC	2003	EDA East Range Economic Adjustment Grant	\$120,695
ARDC	2003	Transportation Infrastructure Needs Study at Laskin Energy Park	\$18,000
ARDC	2004	National Heritage Area Designation Study	\$17,000
Architectural Resources	2004	Giants Ridge - Snowmobile Trail Study	\$7,550.00
Aurora, City of	2003	St. James Pit Stabilization & Reshaping	\$60,000
Aurora, City of	2003	Remodeled Former Steelworkers Hall into Business Incubator	\$10,000
Aurora, City of	2003	Blue Cross and Blue Shield of Minnesota - Site Preparation	\$147,000
Bemidji State Foundation	2004	do I.T! Scholarship	\$1,500
Biwabik, City of	2004	Housing Units	\$25,000
Buhl, City of	2003	Grant/Sharon Mine Pit Reclamation	\$25,000
Cast Corporation	2003	Employee Relocation Grant	\$10,000
Chisholm Area Chamber of Commerce	2003	"Rock the Range" Music Festival	\$31,500
Chisholm-Hibbing Airport Commission	2003	Airmax Study	\$20,000
Ely/Babbitt Econ Dev Joint Powers Board	2004	Information Technology Business Development	\$9,460
Cook County	2004	High-speed Wireless Connection	\$35,000
Crosby-Ironton Joint Powers Board	2003	Sagamore & Croft Mine Reclamation	\$7,500
Crow Wing County Highway Dept.	2004	Install Guard Rails Near Pits for Safety	\$10,000
Ely, City of	2004	Remove Old Building Foundations	\$15,000
Eveleth Health Service Park	2003	Vent/Air/Window Replacement	\$25,000
Eveleth, City of	2003	Secured Equipment for Telemarketing Center	\$15,000
Gilbert, City of	2004	Water & Sewer to Sherwood Forest Campground	\$73,000
Gilbert, City of	2004	Water Line Under Highway 37 to RV Park	\$30,000
Grand Rapids Community Foundation	2004	Advancing Manufacturing of Wood Products	\$20,000
Grand Rapids Area CVB	2003	Forest History Center - Operational Support	\$20,000
Hibbing, City of	2003	Laurentian Vision Charrette	\$25,000
Hoyt Lakes, City of	2003	Laskin Energy Site Preparation	\$125,000
Kaleva Building Corporation	2003	Historic Building Improvements - Roof, Facia, Chimney	\$6,000
McKinley, City of	2004	Fencing for Mine Shafts	\$7,500
Mesabi Nursing Home	2003	New Nursing Home	\$125,000
Mesabi Nursing Home	2003	EZ Lifts and Stands	\$10,000
Mountain Iron, City of	2004	Upgrade of Wacootah Overlook	\$5,000
Northeast Service Cooperative	2003	Internet Access to Schools, Libraries and Colleges	\$62,876
Northeast Service Cooperative	2004	Northeast Net Connection to Tech Centers	\$62,720
Northeast Service Cooperative	2004	Northeast Net Connections	\$5,000
Northern Habilitative Services	2003	4 New Units for Developmental Disabilities in Hibbing	\$40,000
Northern Habilitative Services	2004	4 Units of Specialized Living in Bovey	\$28,000
Northern Tier High Tech Corridor	2004	Northern Tier High Tech Corridor Development	\$44,280
Northland Institute	2003	Arrowhead Business Forum	\$17,000
Northspan	2003	Arrowhead Business Connection - Operational Support	\$25,000
Northspan	2003	Paragon Decision Resources Study - Phase II	\$6,000
Northspan	2004	Regional Economic Development Website	\$15,000
Northspan	2004	Arrowhead Business Connection - Operational Support	\$25,000
Range Development Company, Inc.	2003	Alzheimer Unit Facility in Hibbing	\$100,000
Range Mental Health Center	2003	Range Dislocated Worker Outreach & Advocacy Project	\$6,000
Rural Health Resource Center	2004	Materials Promoting Rural Health Care Careers	\$4,000
Sand Lake Association	2003	Community Septic System	\$500
St. Louis & Lake Counties Railroad	2003	Mesabi Trail Headquarters Building - Ironworld	\$90,000
St. Louis & Lake Counties Railroad	2003	Lodge-to-Lodge Bike Trail Infrastructure Development	\$22,500

FY03-04 Community and Economic Development Grants-(Continued)

St. Louis & Lake Counties Railroad	2004	Great River Bike Race Sponsorship	\$15,000
St. Louis County Agricultural Fair Board	2004	Water & Sewer Requirements Study	\$3,050
Tower Economic Development Authority	2003	Proxim Wireless Communication System Test	\$35,000
Tower Economic Development Authority	2004	Proxim Wireless Communication System Test	\$3,000
Tower, City of	2004	East Two Rivers Feasibility Study	\$40,000
United States Hockey Hall of Fame	2003	Exhibit Development	\$35,000
University of Minnesota - Center for Econ. Dev.	2003	21st Century Arrowhead - Business Assistance	\$98,319
University of Minnesota - NRRI	2003	Industries of the Future: Road Map for the Mining Industry	* \$73,700
University of Minnesota - NRRI	2003	Est. Performance Codes for Onsite Wastewater Treatment Systems	\$115,000
University of Minnesota	2003	Industries of the Future: Road Map for the Forest Products Industry	* \$49,000
University of Minnesota - NRRI	2003	Industries of the Future: Forest Products Industry New Product Dev.	* \$49,000
University of Minnesota - Center for Econ. Dev.	2004	21st Century Arrowhead - Business Assistance	\$98,500
University of Minnesota	2004	Promoting Non-Ferrous Mineral Exploration	\$2,369
University of Minnesota - NRRI	2004	Forest Industry Feasibility Study re: Underutilized Species	** \$30,000
Virginia Regional Medical Center	2003	Renovation of Medical Center Facilities	\$125,000
Virginia, City of	2003	Biomass Power Plant Study	\$10,000
Virginia, City of	2004	Conversion of Municipal Power Plant from Coal to Wood Fuel Study	\$32,000
Virginia, City of	2003	Northern Heights Area - Mine Overlook Development	\$25,000
Virginia, City of	2004	Infrastructure to Staver Building	\$62,167
Western Mine Planning	2004	Canisteo Mine Pit Outflow Study - Phase I	\$7,500

* U.S. Department of Energy grant awarded to the State of Minnesota and administered by Iron Range Resources staff.

** U.S. Forest Service grant awarded to the State of Minnesota and administered by Iron Range Resources staff.



Thanks to successful economic development efforts over the past several years, the face of employment on the Iron Range has become quite diversified.

—NORTHEASTERN MINNESOTA—

The only things missing are the taxes!

Dependable workforce, beautiful scenery, excellent quality of life and more. Read what Minnesota's business leaders have to say about the region, then consider the benefits of significant state and local tax exemptions available throughout our region.



"The skills and work ethic of the area's people made the Iron Range a natural choice for our Woodricks Equipment Rental Center in Clois, MN."
— Crystal Knutik, Vice President, Northwest Airlines Reservation Sales and Services, Clois, MN



"The Range offers a highly skilled, hard-working individual who are a valuable resource in increasing land use and is a great place to do business."
— Michael Weiss, President and CEO, Delta Dental Plan of Minnesota, Gilbert, MN



"From Fly Minnesota, our customers have needed customers found the work, going from great products and excellent service. With the support of Iron Range Resources and a central working, we've been able to grow where we're working."
— Rolf Steger, Holmberg, Co-owner, Steger Machines, Ely, MN



"The area offers a strong technology and telecomm infrastructure, excellent education, excellent job training programs and a qualified workforce."
— Michael J. Piro, President, Navigant, Integrated Services, Ely, MN



"Everyone at Iron Range Resources was helpful and supportive in supplying the tools we needed to succeed."
— Bob Menne, Owner, Premier Wasties, Hoyt Lakes, MN



"The terms of product liability, etc. are great. I believe no employer could use a better location than we found in Minnesota's Iron Range."
— Marty Johnson, CEO, Extracare International, Evelyn, MN



"We have hundreds of employees from the Iron Range—and our workforce has proven to be more than capable of producing the excellent services and products of our customer system."
— Annette Genov, Oaking Director, Blue Cross and Blue Shield of Minnesota's Virginia Business Operations Center, Virginia, MN



"Participating in the excellent availability of quality workforce and of the most suitable insurance programs in Minnesota is a plus."
— John Baxter, President, Woodline Manufacturing, Inc., Evelyn, MN



"The Minnesota Iron Range, Elk Camp, is a great location and a community that even let us find a house to live in for us to spend our retirement here."
— Don Bekken, CEO, Elk Corp, Hoyt Lakes, MN

"Let us put our natural, human and financial resources to work for you!"

— Sandy Tajman, Commissioner, Iron Range Resources



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Positive endorsements of the region by business leaders with operations on the Iron Range were a major focus of the agency's business recruitment advertising efforts during the biennium.



The **2003-2004 Biennial Report to the Legislature** recaps Iron Range Resources activities from July 1, 2002 through June 30, 2004. This report has been prepared in compliance with Minnesota Statutes 1992, Section 298.22, Subdivision 2. The report was written and designed by agency staff. Printing costs were \$3,764.

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