

SYNOPSIS

This study was done to reveal the socioeconomic impact the Flambeau Mine had on the communities surrounding the mine: the City of Ladysmith, Town of Grant, and Rusk County. The Flambeau Mine was the first copper sulfide mine in Wisconsin and the first to be permitted under Wisconsin's modern and stringent mining laws.

Twenty years after Kennecott Minerals Company first discovered the small, but rich, ore deposit along the Flambeau River in Rusk County, and after many hearings, meetings, and protests, an unprecedented Local Agreement was signed with the local units of government in 1988. Protection of the Flambeau River was of primary concern to the local residents, thus building a state-of-the-art water treatment facility was a condition of the Local Agreement. After some delays, construction of the mine began in 1991, the first ore shipment was in 1993, and the last ore shipped in 1997. Reclamation of the mine site was completed in 1999.

Rusk County is a sparsely populated rural county in northwestern Wisconsin that suffers from low incomes, a high unemployment rate, and low wages. The mining industry is the highest paying industry in the State. During Flambeau's years of operation, 81 percent of its employees were local residents; thus most of these wages were spent in the local economy causing a multiplier effect in the communities.

The Local Agreement set many requirements and conditions for Kennecott, including "guaranteed payments", which were over and above the Net Proceeds Tax (NPT) required by Wisconsin Statutes to be paid on the profits of the mining company. Sixty percent, approximately \$8.6 million, of the NPT paid by Flambeau Mining Company went into a Mining Investment and Local Impact Fund (MILIF). Almost all the monies in the MILIF came back to the local units of government in yearly payments and discretionary grants.

Economic development was foremost on the minds of the officials of the local units of government and they invested the mining tax revenues to construct or renovate buildings for sale

or lease to businesses. In addition, a Mining Reuse Fund was established to help companies get started or expand. This unprecedented level of funding to the local units of government leveraged funding from many public and private sources, brought new tax base to the area, and created hundreds of new jobs. Consequently, the boom-bust cycle generally associated with mining projects was negligible.

Flambeau Mining Company proved to be a good corporate citizen and made many donations of money, land, time, and equipment. Of considerable note is the donation of \$500,000 towards a new community library. The City and County used tax revenues to match the donation and make the new library become a reality. Several donations of land for recreational and economic development were made to the local units of government. In addition, scholarships and internships for local students were a large part of Flambeau's contributions to area residents.

The Flambeau Mining Company still owns considerable acreage, including some new residences, in and around the mine site. Reclamation of the Flambeau Mine site included four miles of recreational trails intended to promote educational opportunities for school and special interest groups. Flambeau Mining Company has expressed its commitment to protect the Flambeau River by keeping company-owned undeveloped river frontage in its natural state.

All the mine facilities were leased to the Ladysmith Community Economic Development Corporation (LCIDC) by Flambeau Mining on a long term basis. Buildings on the mine site have been modified by LCIDC and the City of Ladysmith and subleased for other uses by the Wisconsin Department of Natural Resources and a local public utility company. Most of the railway spur built by Flambeau has been retained and runs through the Rusk County Forest Industry Park to be used by companies leasing land in the park.

Surveys were sent to property owners and businesses in the City of Ladysmith and Town of Grant to gauge their opinions on the social and economic impact the Flambeau Mine had on their communities and businesses. Overall, attitudes towards the Flambeau Mining Company, its operations at the mine site, and involvement in the communities were positive.

A SOCIOECONOMIC STUDY OF THE **FLAMBEAU MINE PROJECT**

1 INTRODUCTION

Section 1 of this report furnishes the purpose and reasons that a socioeconomic impact study of the area surrounding the Kennecott Minerals Company-owned Flambeau Mine in northwestern Wisconsin was written. The scope and methodology used to prepare the study and the organization of the report are also given in this section.

1.1 PURPOSE

This report was prepared by the Northwest Regional Planning Commission (NWRPC) with support from Kennecott Minerals Company. NWRPC is a multi-county planning commission and is a cooperative venture of the local units of governments in the ten counties and five tribal nations of Northwest Wisconsin. The report is designed to provide a socioeconomic impact study of the communities surrounding the Flambeau Mine, which includes three local units of government: Rusk County, the City of Ladysmith, and Town of Grant.

The Flambeau Mine, owned and operated by Flambeau Mining Company, which is a wholly owned subsidiary formed in 1989 by the Kennecott Minerals Company, was a short-term copper and gold mining project. The mine was the first metallic sulfide mine to be permitted under Wisconsin's modern mining laws. Due to local concerns and market prices, nearly 25 years passed after discovery of the ore body before mining began. Concerns expressed by some local residents related to ore processing on site, environmental issues with the Flambeau River, contamination of groundwater, property values, and leaving the open pit as a lake after completion of mining (1:32).

As stated in the Flambeau Mining Company Communities Relations Plan, “From its inception, the Flambeau project was planned to create positive sustainable development benefits to the surrounding communities that would be self-sustaining and exemplify best practices in the minerals industry.” The purpose of this study is to provide Kennecott Minerals Company and other stakeholders with the findings of the social and economic impact on the surrounding communities by the Flambeau Mine project.

1.2 SCOPE AND METHODOLOGY

The scope and methodology for the study includes the following:

- An examination of the demographics, employment and income, and housing of the surrounding communities;
- Conducting a survey of the residents and businesses of the area to gauge the attitude regarding the mine and its impact during operation and after closure;
- A review of the Local Agreement and Conditional Land Use Permit;
- An analysis of tax data and business sales in the area;
- A review of the impact to local businesses, schools, and tourism;
- A discussion of new business development and spin off companies resulting from the mine’s development;
- A review and discussion of the mine impact fund and guaranteed payments;
 - An analysis of most of the projects that utilized funds for development,
 - A discussion of community projects financed with mine funds, and
 - A review of tax receipts by local units of government.
- An analysis of the land use and re-use of mine buildings and rail spur; and
- An analysis of infrastructure and public facilities and services improvements.

Resources for this study include the Kennecott Minerals Company; Flambeau Mining Company; Rusk County officials; the City of Ladysmith Administrator; the Wisconsin Department of

Revenue; miscellaneous published material; and many statistical sites, including, but not limited to, the U.S. Census Bureau, the Wisconsin Department of Workforce Development, and the Regional Economic Information System of the Bureau of Economic Analysis. Full citations to all sources are given in the Works Consulted section at the end of the report. A copy of the Local Agreement and the Conditional Land Use Permit is included in Appendix A. Copies of the letters and surveys sent to residents and businesses of the Town of Grant and the City of Ladysmith are included in Appendix B.

Throughout this report there are references to Kennecott Minerals Company, Kennecott Explorations (Australia) Ltd., and Flambeau Mining Company. Since Flambeau Mining Company is a wholly owned subsidiary of Kennecott Minerals, the names are interchangeable for the purpose of this document.

In Section 6, the amounts in Table 6.1 are approximate because, in some years, records from the localities did not necessarily agree with records from the Wisconsin Department of Revenue. Furthermore, Kennecott Minerals was not able to provide any dollar amounts to the writers of this document for the Local Agreement supplemental payments paid to the local units of government by Flambeau Mining Company. Recovering that data would have been extremely difficult for Kennecott due to a change over in accounting systems after 1997.

Any references in this report to the Department of Natural Resources, WDNR or DNR, means the Wisconsin Department of Natural Resources.

1.3 REPORT ORGANIZATION

Following the introduction, in Section 2, is an overview of the Flambeau Mine project. The overview includes the project background, location, and financial information regarding income earned by Flambeau. In addition, a chronology of events that led to the eventual mining and reclamation of the Flambeau Mine by Kennecott Minerals is included.

Section 3 provides a demographic, economic, and housing analysis of the area surrounding the Flambeau Mine project. Because it is not possible to get all information at the city, village, or minor civil division level (town or township), much of the data is presented at the county level.

Tourism as it pertains to the area surrounding the Flambeau Mine project is presented in the next section. Any impacts from the presence of the mine will be discussed. Due to data reporting limitations, tourism information is only available at the county level.

Following Section 4 is a brief recall of the events leading up to the signing of the Local Agreement and the Conditional Land Use Permit by Flambeau Mining Company and Rusk County, the City of Ladysmith, and Town of Grant. Section 5 also includes a review of the major provisions of those documents. A copy of the Local Agreement and Conditional Land Use Permit is included in Appendix A.

Section 6 describes and explains the Net Proceeds Tax (NPT) and Mining Investment and Local Impact Fund (MILIF) as called for by State of Wisconsin Statutes. It gives the approximate amount of NPT paid to the State and the guaranteed payments paid to the local units of government by Flambeau Mining Company. In addition, this section provides the approximate amount of tax revenue and discretionary grants received by the local units of government from the MILIF and how those funds were used for economic development in Rusk County.

A review of contributions and donations made by Flambeau Mining Company to the local units of government and residents of the surrounding communities is included in Section 7. In particular, the donation of \$500,000 to build a new library in the City of Ladysmith is discussed. Additionally, contributions to educational programs, donations of land for economic and recreational purposes, and the Flambeau Mine Visitor's Center are recounted.

An analysis of land use is presented in Section 8. A brief description of the reclamation operation and the design of the mine site recreational trails are given in the section. Furthermore, other recreational trails in the area and the part Flambeau Mining Company played in their development are discussed.

A discussion of public facilities and services is given in Section 9. Mainly, the construction, use, and reclamation of a portion of the railway spur off the Canadian National main line is presented.

Section 10 relates the reuse of the mine buildings and water treatment facility built for mining operations on the Flambeau Mine site. Through the efforts of the Ladysmith Community Industrial Development Corporation (LCIDC) and the City of Ladysmith, the buildings and rail spur are being used for industrial development.

Surveys were sent to residents and businesses of the Town of Grant and the City of Ladysmith regarding the Flambeau Mine project. Section 11 provides the results of those surveys. Copies of the letters and surveys sent to residents and businesses of the City of Ladysmith and Town of Grant are included in Appendix B.

Section 12 presents a summary of the socioeconomic impact study. The key findings, along with a few concluding statements, are included.

A numerical list of the documents, tapes, and conversations used in compiling the information for this report is included in Section 13. This list is referenced in brackets (#:pg. #) throughout the report.

2. OVERVIEW

Section 2 provides information on the background of the Flambeau Mine project including original plans for the mine by Kennecott Minerals Company. Actual financial information including net income for Flambeau Mining Company is also discussed in this section. In addition, this section gives a description of the surrounding areas in which the Flambeau Mine site is located. Finally, a chronology of events in the life of the project, including 2004, is provided.

2.1 PROJECT BACKGROUND

The Flambeau Mine is a project of the Flambeau Mining Company, a wholly owned subsidiary of Kennecott Minerals Company. Headquartered in Salt Lake City, Utah, Kennecott Minerals develops, manages, operates, and participates in gold, silver, copper, and other base metal operations in the United States. It is a wholly owned subsidiary of London-based Rio Tinto plc, a world-wide mining company (1:1).

During the 1950's, Kennecott began exploration for massive sulfide deposits in the upper Midwest and, in the mid 1960's, the search for ore began when airborne electromagnetic surveying techniques were developed and successfully employed (2). The Flambeau ore deposit was first detected in 1968. The deposit is located in and adjacent to the small community of the City of Ladysmith and in the Township of Grant in Rusk County, Wisconsin, between State Highway 27 and the Flambeau River. According to Robert Shilling, Manager, New Mines Development, Kennecott Minerals, "As copper deposits go, the Flambeau ore body is considered on the small to medium size. It's defined as about 2,400 feet long, 50 feet wide, and extends to a depth of about 800 feet." Although not a large ore body, the Flambeau Mine deposit is 10 percent copper compared to most copper mines that are less than 1 percent copper (5:13).

Initial plans for the Flambeau Mine called for an 11-year mine life with a 300-foot deep open pit, tailings management facility, concentrator, the open pit reclaimed as a lake, and another possible 11 years of shaft operations (1:32). It was the first mining project in Wisconsin to come under

the new environmental guidelines and regulations of the National Environmental Policy Act (NEPA) and the Wisconsin Environmental Policy Act. Moreover, in 1977, Wisconsin's mining laws were rewritten. Local resident concerns and the new environmental regulations and mining laws led to a reevaluation by the company of the Flambeau project. Kennecott Minerals withdrew its Flambeau Mine permit application in 1977 because of rapidly falling copper prices and Wisconsin anti-mining sentiment.

Due to rising copper prices, the Flambeau Mine project was revived in 1986 with significant changes made to the initial plans. In particular, only the highest grade of the ore body would be mined. According to Jerry Sevick, of Foth & Van Dyke and Associates, Kennecott Minerals took a very proactive position to protect the environment to meet the requirements of the communities and the State of Wisconsin by redesigning the mine and its operations (3).

The signing of the Local Agreement between Kennecott Minerals and surrounding communities took place August 1, 1988. Protection of the Flambeau River, located adjacent to the mine site, was of primary concern to the local communities. As part of the agreement, a state-of-the-art water treatment facility was built on site to protect and maintain the high quality of the river.

The Flambeau Mine was the first copper sulfide mine in the State of Wisconsin. After permit approval and construction in 1991 and 1992, Flambeau Mine production began with the first shipment of ore in late spring 1993. The last ore was shipped in August 1997. Over 1.8 million tons of ore were removed from the mine site, which produced 181,000 tons of copper, 334,000 ounces of gold, and 3.3 million ounces of silver (2).

Site reclamation began during the fall of 1996 with sequential backfilling of the pit, which was substantially complete by the fall of 1997. By year end 1999, site reclamation was complete with topsoil replaced, wetlands constructed, seeding and planting done, and four miles of recreational nature hiking trails constructed (2).

In 2001, Flambeau submitted the Notice of Completion (NOC) to the Wisconsin Department of Natural Resources. With the DNR's acceptance of the NOC, there is four more years of

monitoring of the vegetation on the reclaimed mine site. At the end of the four-year period, the Department of Natural Resources may notify the public of its intent to issue the Certificate of Completion (COC) if Flambeau Mining Company continues to meet the vegetative performance standards. The WDNR can issue the COC to Flambeau only after a public hearing is held. With the issuance of the COC, Flambeau can reduce its current reclamation bond of \$11.7 million to \$2.3 million, which it must maintain for an additional 20 years.

Throughout its operation, the Flambeau mine complied with all environmental regulations and permit conditions. Wisconsin law requires groundwater monitoring on and around the reclaimed mine site for 40 years. Although Flambeau's permit obligation to monitor the Flambeau River will be complete at the time of the COC, Flambeau Mining Company intends to continue monitoring the river water quality to document continued protection of the river (2).

Until the issuance of the Certificate of Completion by the Department of Natural Resources, Flambeau Mining Company maintains an Environmental & Reclamation Manager on the mine site and continues to enhance communication and public relations with the surrounding communities through an annual newsletter, informational meetings with local government officials, site tours, regularly updated web page, media tours, and press releases. Likewise, the company continues to carry out the necessary steps required to be in compliance with the Local Agreement and Conditional Land Use Permit requirements made with the local units of government and the State to maintain and manage the reclamation site and other mine property.

Kennecott Minerals Company provided the following financial information including revenue, expenses, and taxes relevant to the Flambeau Mine project. An initial capital investment of \$60 million was made by Kennecott during mine development and initial startup, which included building the water treatment plant. Net sales revenue totaled \$341 million with net income of \$126 million after operating costs and taxes. Operating costs of \$151 million were largely for payroll, material, supplies and services purchased in the local communities, transportation, and environmental protection. Flambeau paid \$64 million in local, state, and federal taxes. After mining was completed in 1997, approximately another \$20 million was spent on mine site reclamation and rehabilitation (20:3).

2.2 STUDY AREA AND PROJECT LOCATION

The Flambeau Mine site is located in Rusk County in northwestern Wisconsin (Map 2.1), about 2 miles south of Highway 8 along Highway 27 and 140 feet from the Flambeau River (Map 2.2). It is in and adjacent to the City of Ladysmith, which is the only incorporated city in the County. The Mine is also within the boundaries of the Town of Grant.

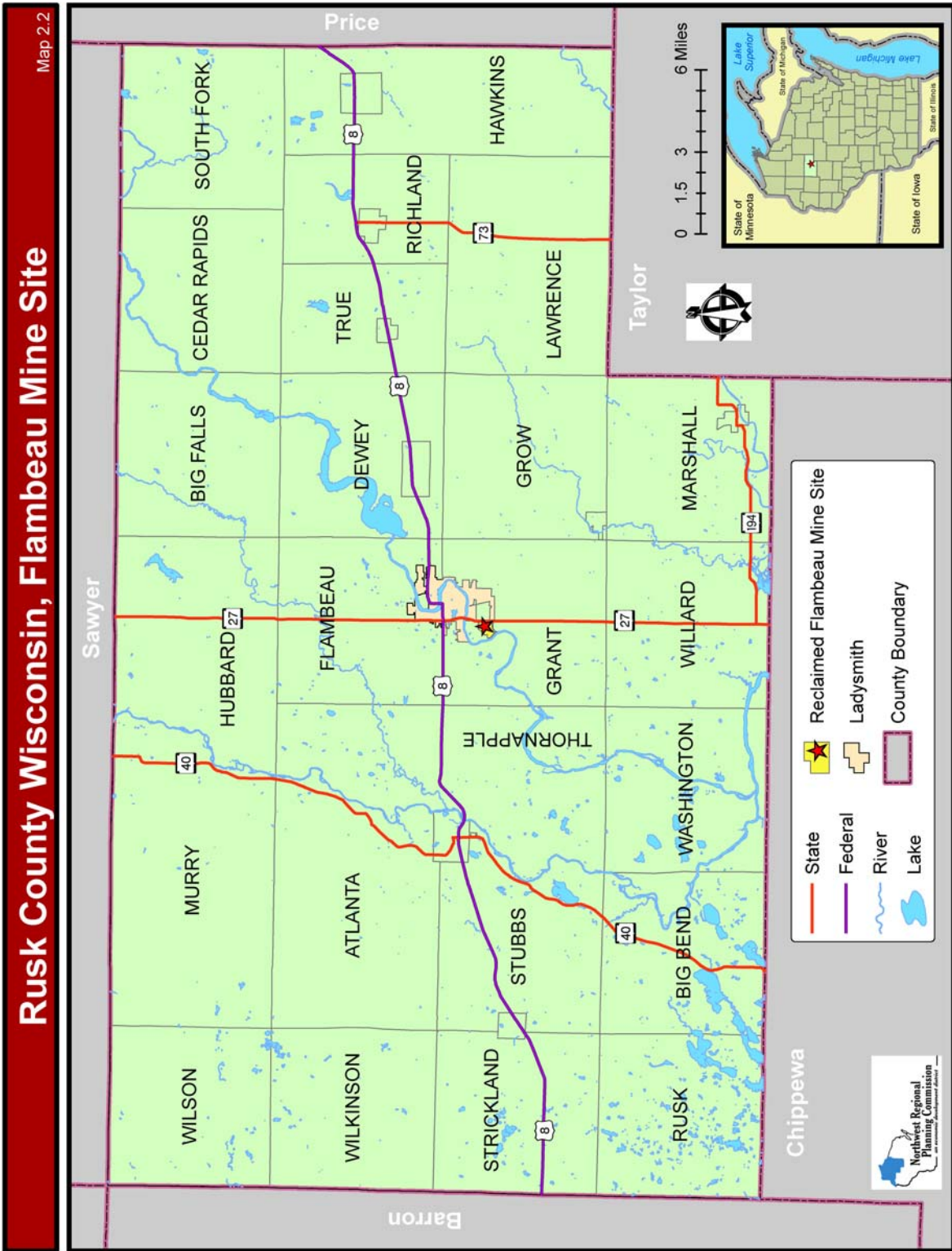
Wisconsin is a Great Lakes state located in the upper Midwest near the northern boundary of the United States between Lake Superior, Lake Michigan, and the Mississippi River. The State encompasses 54,310 square miles (over 35 million acres) in land area and about 1 million acres of inland lakes (15,081 documented lakes). The population in 2000 was 5,363,675, giving the State a population density of 98.8 persons per square mile.

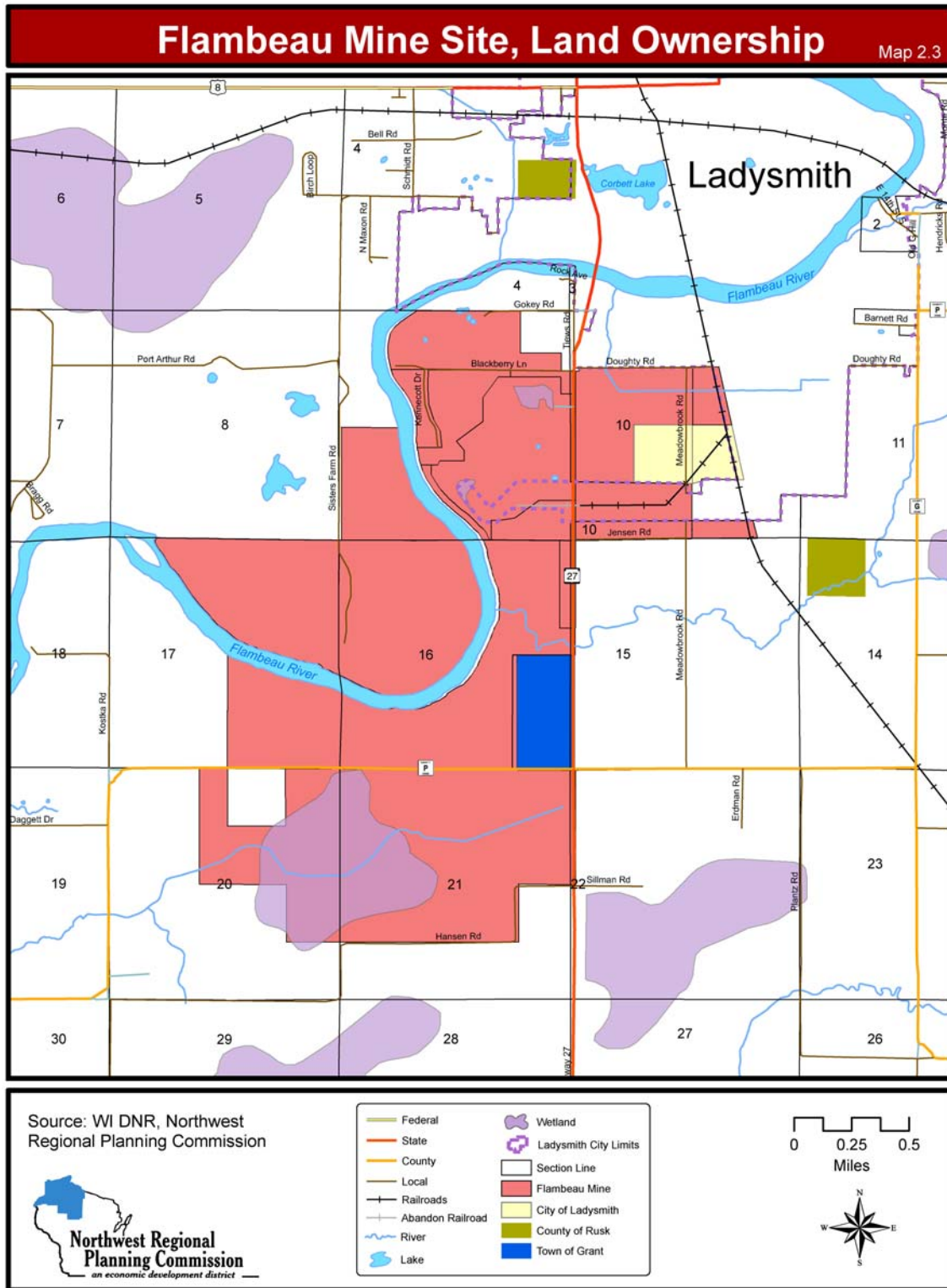
According to the Wisconsin Department of Natural Resources, Rusk County is located in the North Central Forest Region of northwestern Wisconsin. The vegetation is mainly forest, with many wetlands, some agriculture, and soils being of sandy loam, sand, and silt. The County encompasses 913.13 square miles (over 584,000 acres) of land area and nearly 17.77 square miles of water area (250 lakes and 5 rivers).

Rusk County is classified by the Economic Research Service of the United States Department of Agriculture as a nonmetropolitan (rural) county with a 2000 population density of 16.8 residents per square mile. In addition to 1 incorporated city, Rusk County has 24 towns and 8 villages. The City of Ladysmith is the county seat of Rusk County and is located immediately north of the Town of Grant. Currently, the Flambeau Mining Company owns 2,074 acres in the Town of Grant and 103 acres in the City of Ladysmith. See Map 2.3.

The Flambeau River, which means “flaming torch” for the fishing done by Native Americans in the river at night with torches, is designated as a warm water sport fishery. It is an important resource for the local communities by providing recreation, tourism, wildlife habitat, and aesthetic appeal. Protection of this resource was an extremely important aspect of the mining project and the mining company’s commitment to the sustainable development of the mine site.







2.3 CHRONOLOGY OF EVENTS

As stated previously, Kennecott Minerals began searching for massive sulfide deposits in the upper Midwest of the United States during the 1950's and began the search for ore in the mid-1960's. According to the Kennecott Flambeau Mining Company Communities Relations Plan 2005-2009 and other resources, the following is a list of key events leading to the mining and reclamation of the Flambeau Mine site.

- 1965 – Discovery of a few mineralized volcanic outcrops in west central Rusk County.
- 1968 – Discovery of the Flambeau ore deposit.
- 1969 – National Environmental Policy Act signed into law. This act mandated that the environmental consequences be considered and discussed in an Environmental Impact Statement (EIS). In addition to environmental impacts, the act also specifies that social and economic impacts must be considered for any proposed action.
- 1974 – Environmental Impact Report (EIR) was submitted to the State of Wisconsin for an 11-year mine operation consisting of a 285-foot deep pit, possibly followed by 11 years of underground shaft mining with a tailings management facility, concentrator, and the open pit reclaimed as a lake.
- 1976 – Environmental Impact Statement completed by WDNR. With the announcement by Exxon of the discovery of the Crandon metallic sulfide zinc and copper deposit, an anti-mining political atmosphere in Wisconsin arose. Rusk County passed an ordinance to ban sulfide mining.
- 1977 – Kennecott Minerals withdrew its Flambeau Mine permit application because of a rapidly falling copper price and continued anti-mining sentiment in Wisconsin.

- 1986 – The Flambeau Mine project was revived due to higher copper prices. The project was redesigned with a smaller pit, eliminating the on site concentrator and tailings management facility, and backfilling the open pit to its original state as part of the reclamation plan.
- 1988 – After many months of discussions, a Local Agreement and Conditional Land Use Permit were signed with surrounding communities, which paved the way for submission of a new Environmental Impact Report in April 1989.
- 1989 – Flambeau Mining Company was created as an operating subsidiary of Kennecott Minerals Company.
- 1990 – Final EIS issued by WDNR. Master Hearing convened. Briefs filed with WDNR hearing examiner’s office by Flambeau Mining and other interested parties.
- 1991 – Mine permits and all necessary local and state approvals were granted in January. A total of 11 permits and approvals were required before Flambeau could begin construction. Flambeau was the first metallic mineral mine to receive permits under Wisconsin’s new mining laws. However, due to assertions of impacts to endangered species in the Flambeau River, Flambeau Mine construction was delayed.
- 1992 – A Supplemental Study to the EIS released by the WDNR in April found that the design of the Flambeau Mine and its wastewater treatment plant would protect the endangered species.
- 1993 – First blasting and shipping of gossan (gold bearing) ore began in late April. Mining and the shipment of sulfide ore began in late May.

The Flambeau Mine Visitors Center opened in June. A Flambeau Mine Dedication Ceremony was held on July 31.

- 1997 – Mine production ended in March with ore shipped through August. Mine site reclamation commenced and backfilling of the pit was essentially complete at year end.

During the project’s life, the Flambeau water treatment plant treated and discharged over 600 million gallons of clean water to the Flambeau River.

- 1998 – Site re-contouring and initial revegetation was completed. The Flambeau water treatment plant was closed, cleaned, and dismantling began. Wisconsin Pollution Discharge Elimination System reporting was discontinued at the site. Groundwater monitoring wells were installed in the back filled pit.

The former mine Visitor’s Center was relocated to the Rusk County Historical Society Museum grounds where it continues to tell the story of the Flambeau Mine.



Figure 2.1 The Flambeau Mine, Fall 1996

Source: Flambeau Mining Company

Flambeau continued its open door policy and conducted tours of the mine site on request. Presentations for schools and assorted groups continued.

- 1999 – Reclamation of the Flambeau Mine site was substantially complete with four miles of recreational trails constructed.

The Ladysmith Community Industrial Development Corporation leased the mine facility buildings. Through subleases to the LCIDC, the administration building was occupied by the Wisconsin Department of Natural Resources Ladysmith Service Center and Xcel Energy (formerly Northern States Power) committed to occupy the former water treatment plant building.

Monitoring of the pit backfill groundwater wells was initiated. As was predicted during the permitting process, subsequent confirmation was given that groundwater flow returned to the Flambeau River.

Flambeau held its first public community open house to showcase the reclamation progress and to inform the public about its long-term environmental programs.

- 2000 – Xcel Energy occupied a portion of the former water treatment plant building. Since all sources of air emissions had been shutdown and at the request of Flambeau, the DNR terminated the site Air Quality Permit.

Flambeau initiated the first year of ten years of prescribed burning of the prairie grassland on the reclaimed Flambeau Mine site.

An evaluation of all groundwater indicated successful neutralization of the mine backfill and demonstrated that the groundwater reached equilibrium and will not impact the Flambeau River.

Flambeau submitted the 2000 Annual Reclamation Report to the DNR that documented successful reclamation indicating only a few areas where additional work was required to satisfy the Notice of Completion (NOC) criteria.

Kennecott Minerals Company corporate office committed to the WDNR to protect the undeveloped Flambeau River frontage property from development as part of the Northern Rivers Initiative program.

A second community open house was held and attended by approximately 100 local persons. Attendees were offered a self guided tour of the reclamation site and public trail system.

- 2001 – Because Flambeau achieved vegetative performance standards during 2000, and removed the perimeter fence and the electric line serving the irrigation system during 2001, they were allowed to submit the NOC. The DNR conditionally accepted the NOC contingent upon Flambeau’s achieving the performance standards during 2001. The 2001 Annual Reclamation Report provided documentation that the reclaimed mine site continued to maintain vegetative performance standards.

A third community open house was held to dedicate and open the four-mile conservation nature trail system to the public. Approximately 400 residents of the surrounding communities attended.

The Northwest Mining Association bestowed Flambeau Mining Company with the 2001 Environment Excellence Award, which recognized its success in environmental protection and community sustainable development.

Flambeau Mining installed 2 more monitoring wells northwest of the back filled pit and adjacent to the 1200-foot compliance boundary. These are in addition to the 19 groundwater quality wells already in place. Monitoring of the groundwater and surface water continued to document that Flambeau remains in compliance with all permits.

- 2002 – The Wisconsin Department of Natural Resources accepted Flambeau’s Notice of Completion effective November 19, 2001 that begins the four-year period of monitoring to the Certificate of Completion (COC).

Wisconsin Manufacturers & Commerce and the Wisconsin Environmental Working Group honored Flambeau Mining Company with an honorable mention for Business Friend of the Environmental Award in Sustainable Development.

- 2003 – Flambeau Mining invited residents of Rusk County to become members of the Flambeau Fitness Incentive Team (FFIT), which was established that year. FFIT members log hours walked on the reclaimed mine’s nature trails and receive incentive awards when hour milestones are achieved. By year-end 2003, 378 members of the local communities belonged to FFIT.

Following a request by the Ladysmith Community Industrial Development Corporation, the DNR released the rail spur east of Highway 27 from requirements for reclamation. Sufficient improvements and increased land holdings in the area of the rail spur had been made by the City of Ladysmith and LCIDC to meet the requirements for retention of the rail spur for further industrial development. It was determined that an alternate use was not likely for the rail spur located west of Highway 27. It had been impacted by ore handling activities and the gravel and ballast underlying the rail and ties required characterization prior to determining whether the material would be reused or disposed. After sampling of the gravel and ballast, the WDNR gave its approval for the rail and ties to be removed for recycling and reuse and two feet of excavated materials were disposed of at a licensed disposal facility.

Flambeau completed the fourth year of ten years of prescribed burning of the grasslands on the reclaimed mine site.

Monitoring of groundwater and surface water in 2003 continued to document that Flambeau Mining continues to be in complete compliance with all permits. Following the issuance of the COC, Wisconsin law requires that Flambeau continue to monitor groundwater quality on and around the reclaimed mine site for 40 years. There are 48 wells on the site for that purpose. Flambeau’s permit obligation to monitor the Flambeau River ends with the issuance of the COC; however, Flambeau Mining Company intends to continue monitoring the Flambeau River’s water quality to document protection of the river.

Flambeau completed the second year of four years of vegetation monitoring leading to the Certificate of Completion.

To recognize the Flambeau Mine's successful coordination of projects with local and regional stakeholders that contributed to the quality of life and long term health of the local communities, the United States Department of Labor's Bureau of Land Management honored the Flambeau Mine with the Hardrock Mineral Award for Community Outreach and Economic Security.

- 2004 – In June, reclamation of the west rail spur area and approximately 200 feet of the east rail spur was completed. The top layer of fractured rock was removed from the site for incorporation into local construction projects. Topsoil stockpiled in a portion of the industrial outlot was applied across the two sections of rail spur east and west of Highway 27 where removal of the spur had occurred. Native wildflowers and grasses were used for the reclamation of the rail spur areas and the industrial outlot.

During early summer 2004, representatives from key local governmental and nongovernmental organizations were invited by Kennecott Minerals to attend a meeting to discuss the formation of a Community Advisory Group. The Group was formed to provide advice to Kennecott Minerals regarding land management and use of the Flambeau owned property. The representatives were from the three local units of government, LCIDC, Ladysmith Area Trails Association, Flambeau Riders, and Wisconsin Department of Natural Resources.

Flambeau Mining Company completed the fifth year of ten years of prescribed burning of the grasslands on the reclaimed mine site.

Two nature hikes were held on the reclaimed mine site trails. A cooperative effort between Flambeau Mining, the DNR, Audubon Society's Hunt Hill Nature Center, and an area plant taxonomy specialist/educator was responsible for conducting the hikes.

Flambeau Mining Company completed the third year of four years of vegetation monitoring leading to the Certificate of Completion.



Figure 2.2 The Reclaimed Flambeau Mine Site, June 2004
Source: The Flambeau Mining Company

Surface water monitoring associated with the industrial outlet Biofilter, Intermittent Stream C drainage channel and adjacent wetland was expanded.

Monitoring of groundwater and surface water in 2004 continued to document that Flambeau remains in complete compliance with all permits.

Flambeau participated with other local landowners in the Youth Turkey Hunt in April.

The reclaimed Flambeau Mine site continues to serve as a resource for education. Site tours are given upon request as well as educational materials, such as mineral samples, videos, brochures, etc.

3 DEMOGRAPHIC, ECONOMIC, AND HOUSING PROFILE

Three separate but inter-related local units of government neighbor the Flambeau Mine site and make up the study area: Rusk County, the City of Ladysmith, and Town of Grant. An analysis of those municipalities is presented in this section. Some statistical data, however, is available only at the county and state level.

3.1 POPULATION

Population Trends

Past and current populations of the local units of government surrounding the Flambeau Mine are addressed in Table 3.1. The population in Rusk County peaked in 1940 at 17,737 and declined each decade until the 1970's. Since 1980, it has been fairly static.

Population growth in Rusk County, the City of Ladysmith, and Town of Grant did not keep pace with the growth in the State of Wisconsin from 1990 to 2000. In fact, Ladysmith and Grant experienced a loss in population during that decade.

Population growth and decline are the result of two factors, the rate of natural increase (the number of births versus deaths) and net migration (movement in and out of the area). The modest increase of 268 residents between 1990 and 2000 for Rusk County was due to a natural increase of 166 residents and 102 from net migration.

Based on the 2002 population estimate, Rusk County was ranked 64 out of 72 counties in Wisconsin. From 2000 to 2002, the County and Town of Grant were estimated to experience a gain in population, while the City of Ladysmith was estimated to suffer a modest decline.

Table 3.1 Summary of Population Trends 1970-2002

	1970	1980	1990	1993 Est.	1997 Est.	2000	2002 Est.	% Change 1990-2000
State of Wisconsin	4,417,821	4,705,642	4,891,769	5,020,994	5,192,298	5,363,715	5,441,196	9.65%
Rusk County	14,238	15,589	15,079	15,189	15,310	15,347	15,458	1.78%
City of Ladysmith	3,674	3,826	3,938	4,006	4,002	3,932	3,896	-0.15%
Town of Grant	931	998	847	838	844	767	772	-9.45%

Source: U.S. Census Bureau, WI Dept. of Administration

Population Projections

Shown in Table 3.2 are population projections to 2030 by the Wisconsin Department of Administration (DOA) and NWRPC. NWRPC projections were done using 30 years for a historical average (HA), linear regression (LR), and a 20 year average (20-YR). Although the outcomes vary, Rusk County and the City of Ladysmith show a gain in three out of four projections, but the Town of Grant shows a decline in all four projections.

Table 3.2 Population Projections 2005 to 2030

Place	2000	2005	2010	2015	2020	2025	2030	% Change
Wisconsin								
DOA	5,363,715	5,563,896	5,751,470	5,931,386	6,110,878	6,274,867	6,415,923	19.6%
Rusk County								
DOA	15,347	15,564	15,854	15,996	16,124	15,944	15,634	1.9%
HA	15,347	15,551	15,756	15,966	16,176	16,391	16,607	8.2%
LR	15,347	15,627	15,768	15,908	16,049	16,190	16,331	6.4%
20-YR	15,347	15,290	15,232	15,175	15,119	15,062	15,006	-2.2%
City of Ladysmith								
DOA	3,932	3,913	3,902	3,852	3,799	3,673	N/A	-6.6%
HA	3,932	3977	4022	4069	4115	4162	4210	5.9%
LR	3,932	4020	4064	4108	4153	4197	4241	6.7%
20-YR	3,932	3959	3987	4014	4042	4070	4098	3.5%
Town of Grant								
DOA	767	748	732	708	684	648	N/A	-15.5%
HA	767	745	723	702	681	661	641	-13.8%
LR	767	757	725	693	661	629	596	-18.1%
20-YR	767	720	673	631	590	554	518	-27.8%

Source: U.S Census Bureau; Demographic Services Center, WI Department of Administration; NWRPC Projections

Racial Composition

The racial composition of the population from 1990 and 2000 in the communities surrounding the Flambeau mine is summarized in Table 3.3. In all areas, the percentage of the black ethnic group increased the most during that decade. Rusk County, the City of Ladysmith, and Town of Grant have a lower percentage in all ethnic groups than the State of Wisconsin.

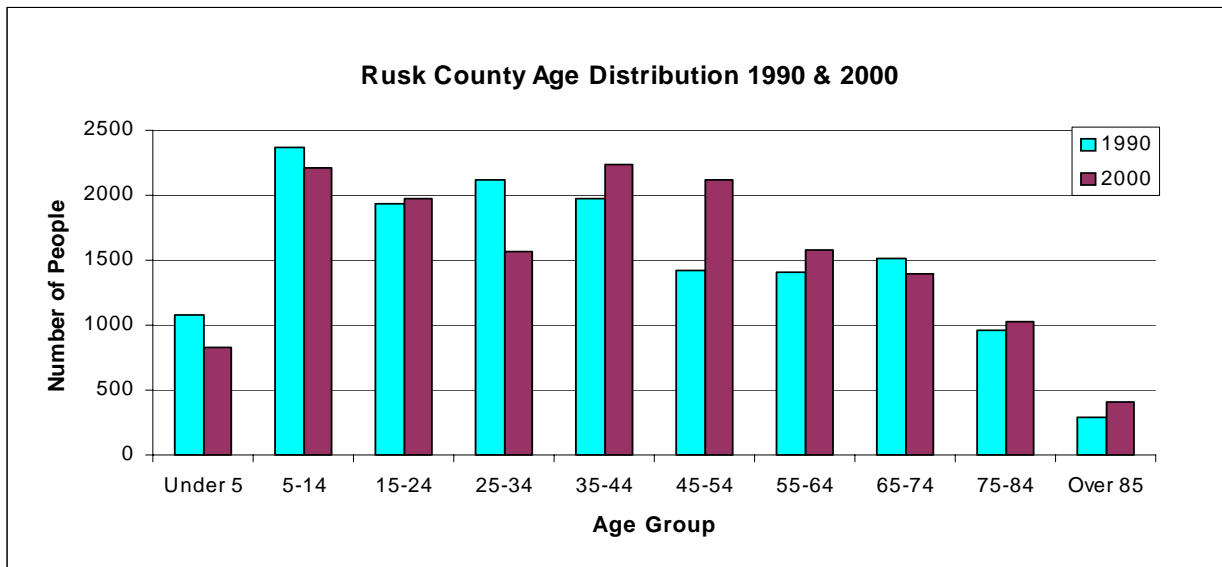
Table 3.3 Ethnic Composition								
	% White		% Black		% American Indian		% Other	
	1990	2000	1990	2000	1990	2000	1990	2000
State of Wisconsin	92.3%	90.0%	5.0%	6.1%	0.8%	1.3%	1.9%	2.6%
Rusk County	98.3%	98.3%	0.2%	0.7%	0.5%	0.8%	1.0%	0.2%
City of Ladysmith	96.0%	97.2%	0.6%	1.7%	0.8%	0.9%	2.7%	0.2%
Town of Grant	99.4%	98.8%	0.0%	0.3%	0.6%	0.4%	0.0%	0.5%

Source: U.S. Census Bureau

Population Distribution by Age

A comparison of the age distribution for the population in Rusk County for 1990 and 2000 is depicted in Figure 3.1. The high proportion of older residents in the County is because two of the three age categories under age 25 suffered losses in population and four out of five of the age categories over 45 years made gains in population.

Figure 3.1

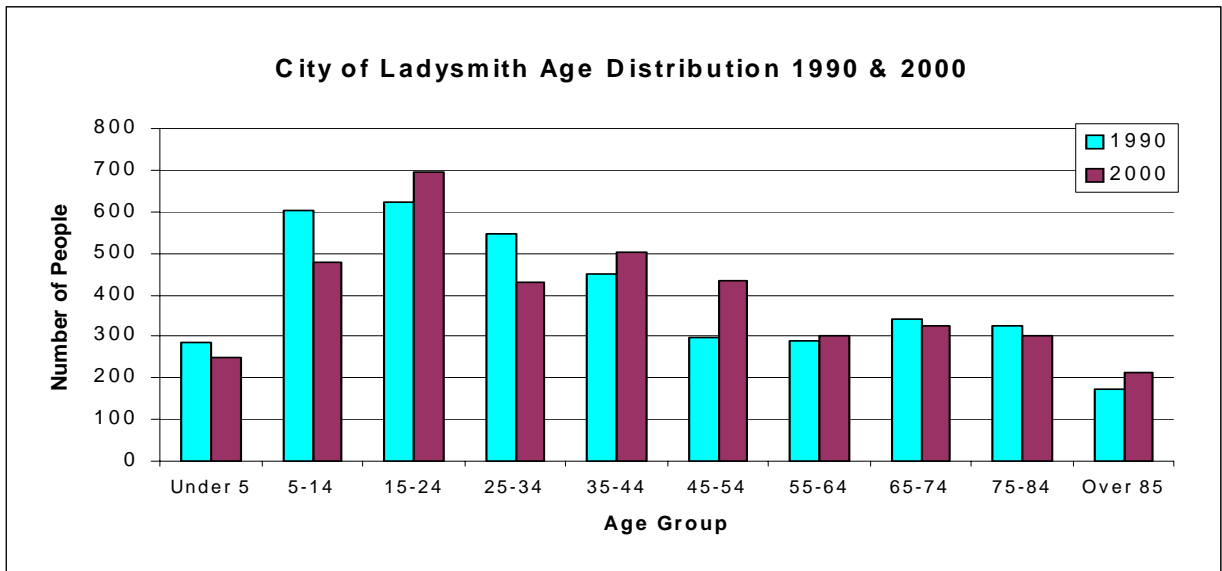


Source: U.S. Census Bureau

The largest percentage increases were in the 45-54 (49%) and the over 85 (42%) age groups. The largest percentage decreases were in the under 5 and 25-34 age groups. Numerically, the largest increase (693) was in the 45-54 age category and the largest decrease (551) was in the 25-34 age category. In total, the over 45 population grew by 933 residents and the 44 years and under population decreased by 665 residents for a net growth of 268 people.

The age distribution for the population in the City of Ladysmith for the years 1990 and 2000 is shown in Figure 3.2. Following the trend of the County, the City lost population in two out of three age categories under age 25 represented by the groups under 5 and 5-14 years. Furthermore, the City, like the County, had its biggest percentage and numeric gain in the 45-54 age group (135 residents).

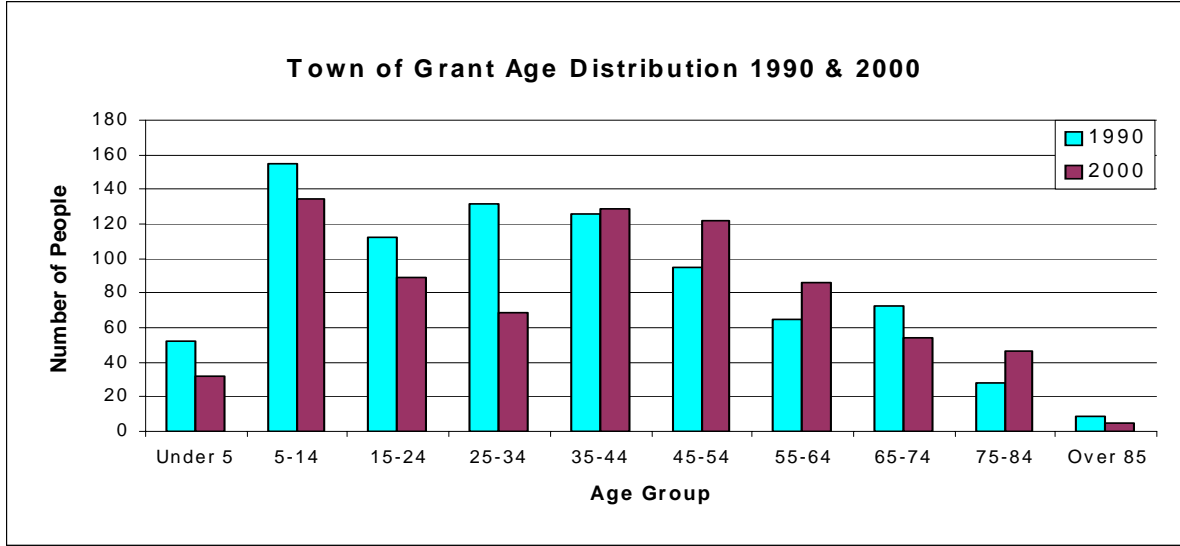
Figure 3.2



Source: U.S. Census Bureau

Figure 3.3 depicts the age distribution of the population in the Town of Grant for the years 1990 and 2000. The Town experienced a loss in all age categories 34 years and under. Like the City and the County, the Town had its largest numeric increase in population (27) in the 45-54 age group. Its largest percentage increase was in the 75-84 age category.

Figure 3.3



Source: U.S. Census Bureau

Median Age

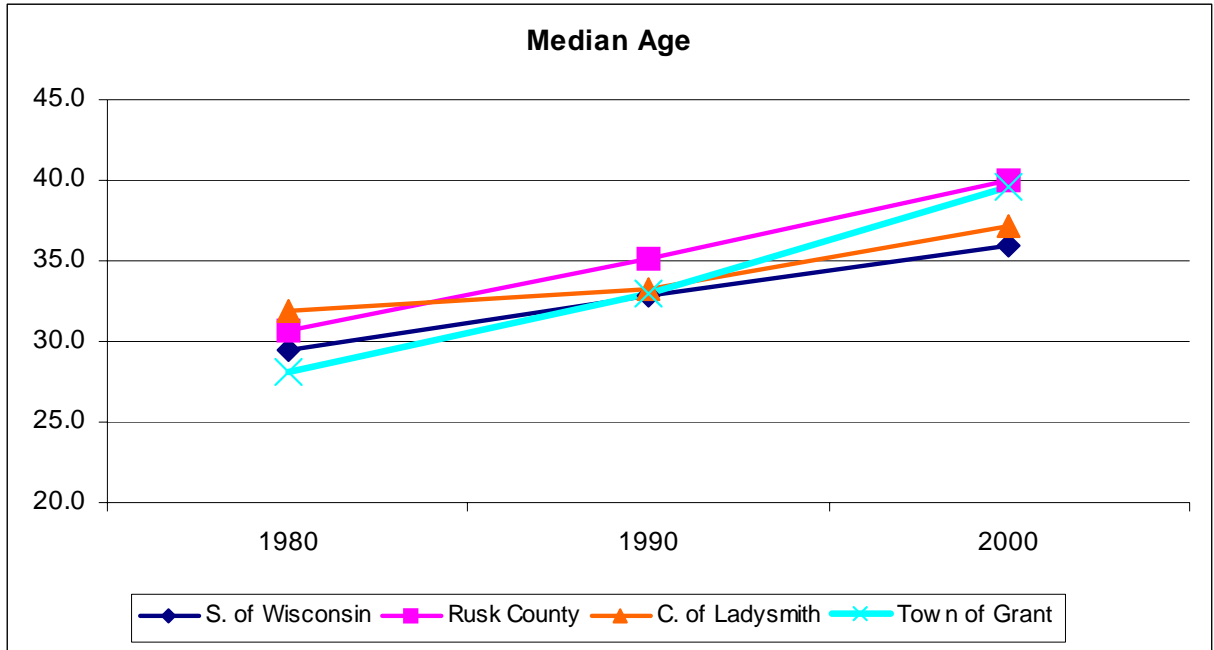
Comparisons of median age for the population in the study area and the State of Wisconsin are shown in Table 3.4 and Figure 3.4. In 2000, all the areas shown had a higher median age than the nation, which is 33.3 years. Both the increase in near retirement age people moving to the County and the aging of the existing population impacted the median age in Rusk County. Another factor affecting the median age is the loss of young people as they leave the area to continue their education or look for employment opportunities.

	1980	1990	2000
State of Wisconsin	29.4	32.9	36.0
Rusk County	30.7	35.2	40.0
City of Ladysmith	31.9	33.2	37.2
Town of Grant	28.1	33.0	39.6

Source: U.S. Census Bureau

Rusk County has a much larger share of population over the age of 60 than either Wisconsin or the nation and is a cause for concern. The consequences of this age disparity on the current and future labor supply include fewer workers available for the labor force. Compounding the problem of a labor shortage is an aging population requiring more services that historically have been supplied by a young workforce (7:2)

Figure 3.4



Source: U.S. Census Bureau

3.2 EDUCATIONAL ATTAINMENT

Educational attainment continues to be a measure that is strongly correlated with economic well being, not just for individuals, but for communities as well. Generally, a high level of educational attainment reflects a skilled population with higher earnings potential.

Table 3.5 gives the levels of educational attainment of residents over 25 years of age for the Town of Grant, City of Ladysmith, Rusk County, and the State of Wisconsin for the years 1990 and 2000. In general, residents in all areas had achieved higher levels of education in 2000 compared to 1990. The largest percentage change was in the population that received high school diplomas in Rusk County.

Overall, the County, City, and Town have a lower level of educational attainment than the State. In 2000, 11 percent of Rusk County, 15 percent of City of Ladysmith, and 19 percent of Town of Grant residents held a bachelors degree or higher compared to 22 percent for the State of

Wisconsin. In other words, the percentage of Rusk County residents that hold a bachelors degree or higher is only half that of all Wisconsin residents.

Table 3.5 Educational Attainment 1990 & 2000								
	Town of Grant		City of Ladysmith		Rusk County		State of Wisconsin	
	1990	2000	1990	2000	1990	2000	1990	2000
No High School Diploma	21.5%	20.5%	27.7%	20.6%	29.7%	20.9%	21.4%	15.0%
High School Graduate or Higher	78.5%	79.4%	72.2%	79.4%	70.3%	79.1%	78.6%	85.1%
Bachelor's Degree or Higher	12.1%	19.3%	16.6%	15.2%	10.9%	11.2%	17.7%	22.4%

Source: U.S. Census Bureau

3.3 INCOME

Total Personal Income

Total personal income has three sources – earnings from work (wages and salaries, other labor income, and proprietor’s income), investments (yielding dividends, interest, and rent), and transfer payments (such as Social Security, pensions, and welfare). Income data, which are by place of residence, can tell how much regional income is generated in aggregate, per capita (aggregate income divided by population), and per household (aggregated income divided by households) (4:4-12).

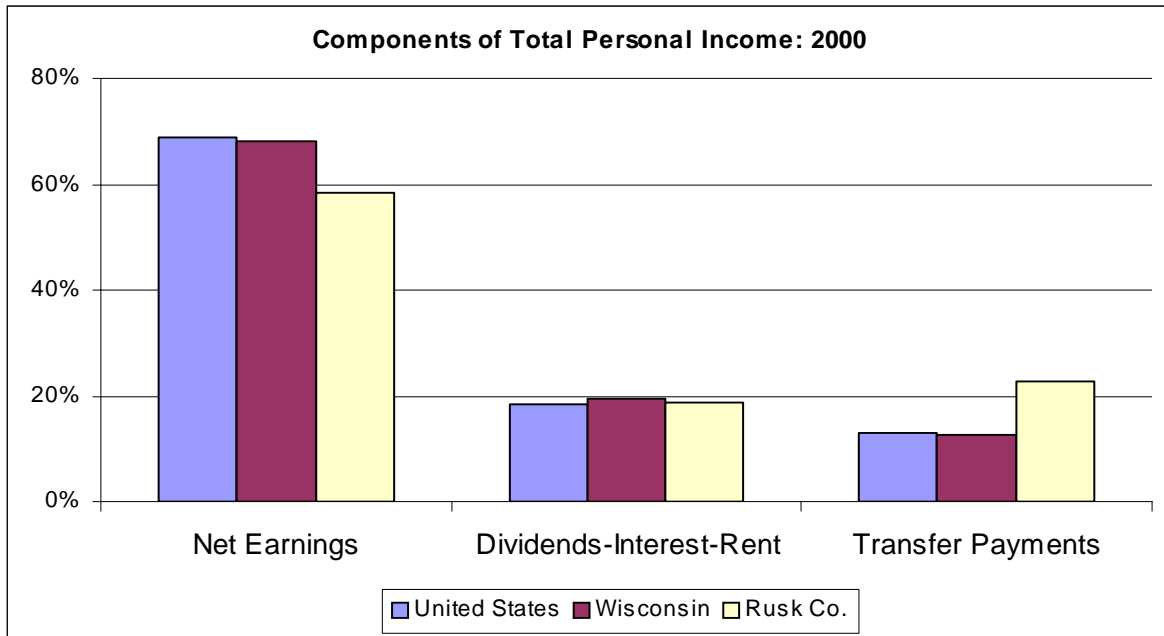
Table 3.6 compares the percent of each component of total personal income for Rusk County and the State of Wisconsin. Since 1990, the percentage share of income from net earnings in the State and the County has increased only slightly (1-1.5%) and the percent share of transfer payments has decreased only slightly (less than 1%).

Table 3.6 Total Personal Income 1990 & 2000				
	1990	% of Total	2000	% of Total
Wisconsin - Total	\$88,634,560		\$153,547,595	
Net Earnings	\$59,453,463	67.1%	\$104,497,748	68.1%
Dividends-Interest-Rent	\$17,469,801	19.7%	\$29,870,364	19.5%
Transfer Payments	\$11,711,296	13.2%	\$19,179,483	12.5%
Rusk County - Total	\$182,003		\$296,839	
Net Earnings	\$103,386	56.8%	\$173,224	58.4%
Dividends-Interest-Rent	\$36,281	19.9%	\$55,869	18.8%
Transfer Payments	\$42,336	23.3%	\$67,746	22.8%

Source: Bureau of Economic Analysis: Regional Economic Accounts

Figure 3.5 gives a comparison of the components of total personal income for the United States, Wisconsin, and Rusk County in 2000. Incomes are low in Rusk County, not only because of lower wages, but also because of a large elderly population living on fixed incomes. In 2000, income from government retirement and medical payments comprised 79 percent of transfer payments in the County and transfer payments in the County are a much greater share of income than in either Wisconsin or the United States (7:9).

Figure 3.5



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Per Capita Personal Income and Per Capita Income

Per capita *personal* income (PCPI) is widely used and accepted as an indicator of economic well being of residents of an area. It provides a description of a region's overall level of income. It is calculated and reported by the U.S. Department of Commerce, Bureau of Economic Analysis, on a yearly basis. PCPI is the income received from all sources and should not be confused with per capita *money* income (PCI), which is reported by the decennial census.

Per capita *money* income is often used as a proxy for a region's overall standard of living. PCI involves generally traceable money from wages, interest, dividends, welfare program payments, etc. It does not take into account money received from sale of property, money borrowed, exchange of money between relatives in same households, tax refunds, gifts, and insurance payments, which PCPI figures do take into consideration. Consequently, per capital *personal* income figures are always higher than per capita *money* income figures. Unfortunately, PCPI is only available on a county basis; for this reason, per capita money income statistics are used to report and compare income levels between minor civil divisions (4:4-12).

Table 3.7 gives the per capita personal income for Rusk County and the State of Wisconsin from 1992 to 2002. In 1992, the County's PCPI was 65.6 percent of the State's PCPI. By 1995, the percent had increased slightly but was back down to 65.6 percent for 1997. However, by 2002, Rusk County's PCPI, as a percent of the State, had grown to 69.4 percent.

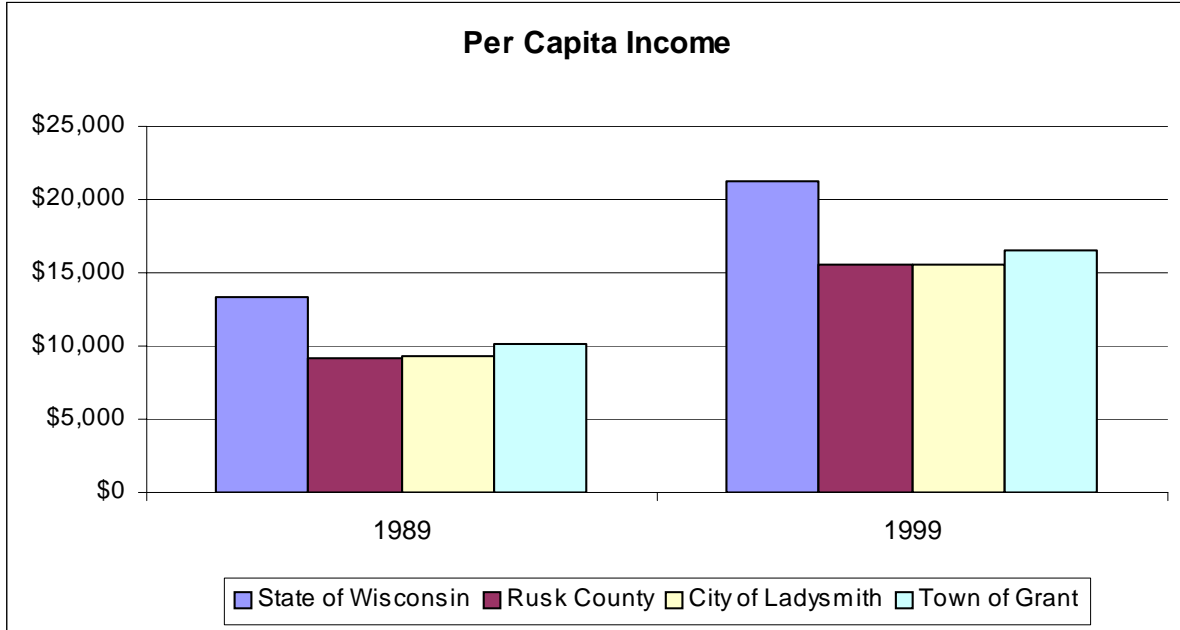
Table 3.7 Per Capita Personal Income										
	1992	% of State	1995	% of State	1997	% of State	2000	% of State	2002	% of State
State of Wisconsin	\$19,683		\$22,215		\$24,514		\$28,573		\$30,050	
Rusk County	\$12,906	65.6%	\$14,759	66.4%	\$16,078	65.6%	\$19,334	67.7%	\$20,859	69.4%

Source: U.S. Department of Commerce, BEA, Regional Economic Accounts

Figure 3.6 compares the per capita income for the Town of Grant, City of Ladysmith, Rusk County, and the State of Wisconsin for the years 1989 and 1999. As indicated, all three local

units of government had a considerably lower PCI than the State. Of those three, the Town of Grant had the highest PCI in 1989 and 1999.

Figure 3.6



Source: U.S. Census Bureau

Table 3.8 lists the per capita income for the State of Wisconsin, Rusk County, City of Ladysmith, and Town of Grant in 1989 and 1999. As shown, Rusk County’s PCI was only 68.7 percent of the state PCI in 1989, but by 1999, that percentage had increased to 73.2 percent. The City of Ladysmith and Town of Grant also showed an increase in their percentage of the State PCI. However, even with those gains, all three local units of government continue to have a significantly lower PCI than the State.

Table 3.8 Per Capita Income				
	1989	% of State	1999	% of State
State of Wisconsin	13,276		21,271	
Rusk County	9,127	68.7%	15,563	73.2%
City of Ladysmith	9,244	69.6%	15,499	72.9%
Town of Grant	10,191	76.8%	16,491	77.5%

Source: U.S. Census Bureau

Median Household Income

Median household income (MHI) helps to establish a sense of the standard of living across households for an area. Table 3.9 looks at the median household income for the communities in the study area and the State for 1989 and 1999. In 1989, the median household income in Rusk County, the City of Ladysmith, and Town of Grant was significantly lower than the State MHI and were only 66.6 percent, 63.9 percent, and 82.8 percent, respectively, of the State MHI. By 1999, however, the median household income as a percent of the State MHI had improved for all three local units of government. In particular, the Town of Grant had a significant gain in percentage, from 82.8 percent to 95.7 percent over the ten years.

Table 3.9 Median Household Income				
	1989	% of State	1999	% of State
State of Wisconsin	\$29,442		\$43,791	
Rusk County	\$19,617	66.6%	\$31,344	71.6%
City of Ladysmith	\$18,811	63.9%	\$28,274	64.6%
Town of Grant	\$24,375	82.8%	\$41,908	95.7%

Source: U.S. Census Bureau

Another way to measure the level of distress using median household income is the percent of households that have income levels at or below 80 percent of the statewide MHI. As shown in Table 3.10, in 1989, Rusk County had 59 percent of its households at or below 80 percent of Wisconsin’s MHI. By 1999 that percent had decreased by four points to 55 percent, indicating an improvement in the level of MHI for Rusk County residents.

Table 3.10 Households at or Below 80% of State MHI		
Rusk County Households	1989	1999
Less than \$10,000	1,322	670
\$10,000 to \$14,999	840	506
\$15,000 to \$19,999	738	654
\$20,000 to \$24,999	475	532
\$25,000 to \$29,999		561
\$30,000 to \$34,999		445
\$35,000 to \$39,999		3
Totals	3,375	3,371
% of Total Households	59%	55%
Total Households	5,693	6,119

Source: U.S. Census Bureau

3.4 EMPLOYMENT AND WAGES

Rusk County was first settled in the late nineteenth century as railroads extended through the area to serve the lumber industry. By 1910, large scale pine lumbering was already rapidly declining. Hardwood lumbering followed and continues to contribute to the local economy today. Farming became a dominant economic activity in the County after the decline of lumbering. At that time, a small 40-acre farm could support an entire family. After World War II, farms had to become larger, which triggered a period of consolidation of farmlands that continues today in Rusk County and all over the nation. Farming was joined by manufacturing, which has become the most significant economic sector in the County. Wood-based industries dominate area manufacturing, in particular, millwork manufacturers. A surplus of quality hardwood timber in the County provides the opportunity for future expansion of wood related industries.

Labor Force

A county's labor force consists of all non-institutionalized *county residents* 16 years and older who are either working or actively looking for work, but does not include individuals who have made a choice not to work (retirees, homemakers, and students), nor does it include military personnel and discouraged job seekers. The labor force is dynamic; it grows and contracts with changes in the seasons and also depends on the interest of county residents in available jobs. That interest is variable and determines the rate of participation of the population in the labor force. The *labor force participation rate* is the percent of the population 16 years and over who are in the labor force.

Labor force participation in Rusk County peaked in the mid 1990's and has been falling steadily since then. In 1997, the participation rate was 62.2 percent, which was a slight increase from 1990 (8:2). In 2001, the participation rate was 59.9 percent, which was considerably less than the State rate (73.5%). One of the primary reasons for lower participation is the large share of residents over 65 years old, but a secondary reason is the lack of available jobs (7:3).

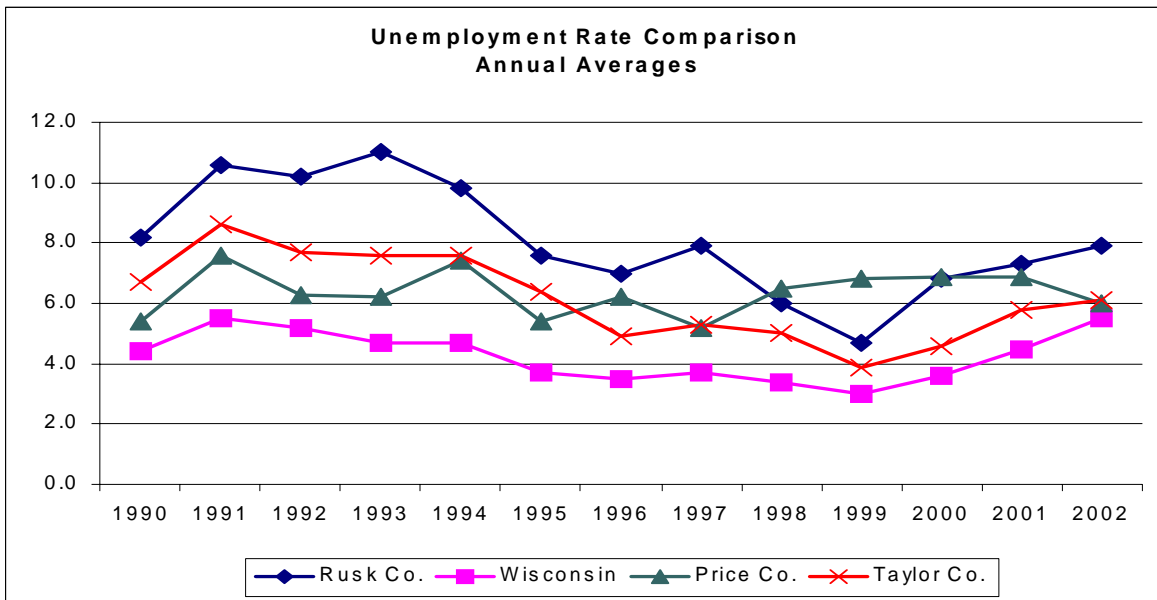
Table 3.11 gives the annual averages of labor force data for Rusk County from 1992 to 2002. As indicated by the table, after a high in 1995, the number of residents in the labor force in 2002 had not increased significantly since 1993.

Table 3.11 Rusk County Labor Force 1992-2002 Annual Averages											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Labor Force	6,825	7,104	7,100	7,175	7,101	7,159	7,133	7,005	7,145	7,128	7,119
Employment	6,126	6,320	6,403	6,632	6,604	6,592	6,708	6,677	6,660	6,605	6,555
Unemployment	699	784	697	543	497	567	425	328	485	523	564
Rate	10.2	11.0	9.8	7.6	7.0	7.9	6.0	4.7	6.8	7.3	7.9

Source: WI Dept. of Workforce Development (DWD), Local Area Unemployment Statistics

As shown in Figure 3.7, the unemployment rate for Rusk County from 1990-2002 compared to Wisconsin and two neighboring manufacturing dominant counties, Price and Taylor, has been consistently higher (except for 1999 when Price County experienced layoffs from several major manufacturers). After suffering the closure of several manufacturers and retailers in the City of Ladysmith and Rusk County in the late 1980's and early 1990's, the unemployment rate hit a high of 11.0 percent in 1993. Throughout the middle and late 1990's, the County unemployment rate dropped until a major manufacturer in the City of Ladysmith closed its doors in 2000, causing the unemployment rate to rise once again.

Figure 3.7



Source: Wisconsin Department of Workforce Development, Local Area Unemployment Statistics

Employment

Wage and salary employment in Rusk County by industry for the years 1990-2000 is given in Table 3.12. Jobs that are exempt or otherwise not covered by unemployment insurance are not included in the tabulations. Roughly 75 percent of employment in the County is for wages and 25 percent is proprietor's employment. As shown in the table, after declining from 1990 to 1992, the total number of jobs steadily increased after 1992.

Manufacturing, government, and retail trade are currently the dominant employment industries in the County. Numerically, the largest gains were in the manufacturing (555 jobs) and retail trade (432 jobs) sectors. Prior to the opening of the Flambeau Mine, the mining industry in the County consisted of a small amount of sand and gravel mining. Table 3.12 shows the number of mining employees going from 9 in 1990 to a high of 62 in 1997 and then back down to 6 in year 2000.

Table 3.12 Rusk County Employment by Industry 1990-2000											
	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Goods Producing Industries											
	Average number of employees										
Construction	188	173	160	101	83	82	68	70	72	136	189
Mining	6	11	44	62	51	56	37	34	5	5	9
Manufacturing	2,260	2,292	2,120	1,934	1,896	1,926	1,970	1,839	1,798	1,641	1,705
Durable Goods	1,870	1,889	1,696	1,476	1,429	1,485	1,530	1,462	1,393	1,254	1,289
Nondrbl.Goods	390	403	425	458	468	440	440	377	405	387	416
Service Producing Industries											
Agric, Forestry & Fishing	76	78	74	75	68	59	56	54	46	45	42
Transportation, Communication & Utilities	233	253	227	235	228	214	181	172	161	156	172
Wholesale Trade	118	115	112	111	119	122	128	125	125	124	132
Retail Trade	1,080	1,042	1,026	1,030	1,064	981	699	658	649	648	648
Finance, Insurance, & Real Estate	120	122	127	123	118	116	114	115	120	115	116
Services	742	738	758	818	810	765	711	705	667	847	746
Government	1,263	1,207	1,202	1,218	1,207	1,189	1,176	1,160	1,182	1,137	1,129
All Industries	6,086	6,031	5,851	5,707	5,645	5,509	5,140	4,932	4,825	4,854	4,888

Source: DWD, Employment and Wages Covered by WI Unemployment Insurance Law

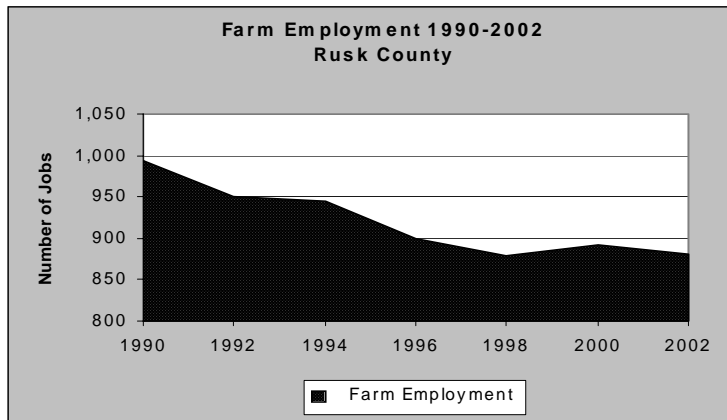
Table 3.13 indicates the number of farm and nonfarm proprietors in Rusk County and Wisconsin for the years 1990-2000. In the County, nonfarm proprietors increased by 574 (54.0%) while

farm proprietors decreased by 72 (9.5%). In Wisconsin, nonfarm proprietors increased by 91,812 (26.9%) while farm proprietors decreased by 5,361 (6.4%). On a percentage basis, the loss of farm proprietors in the County was greater than the State loss; however, the County's gain in nonfarm proprietors was significantly greater than what the State experienced, 54 percent compared to 27 percent.

Table 3.13 Rusk County and Wisconsin Proprietor's Employment 1990-2000											
	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
County Farm proprietors	685	692	696	694	698	722	729	742	743	742	757
Nonfarm proprietors	1,638	1,604	1,563	1,539	1,449	1,434	1,321	1,151	1,119	1,143	1,064
State Farm proprietors	78,771	79,574	80,028	79,783	79,672	81,875	82,179	83,218	82,855	82,674	84,132
Nonfarm proprietors	432,735	417,455	414,558	412,977	409,571	395,023	377,635	357,177	355,494	354,549	340,923

Source: Bureau of Economic Analysis, Regional Economic Accounts

Figure 3.8



Source: Bureau of Economic Analysis, Regional Economic Accounts

Farming has been on the decline for decades over the entire State of Wisconsin, including Rusk County. Figure 3.8 shows the decline in the number of jobs (from 994 to 880) in the farming industry from 1990 to 2002 for Rusk County. In 1990, farm employment was 13.4 percent

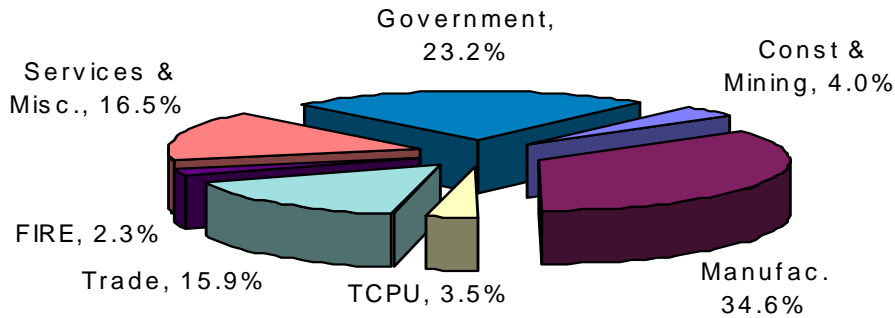
of total employment in the County. By 2002, the percent of farm employment in the County had decreased to 9.6 percent.

Figures 3.9 and 3.10 depict the nonfarm employment distribution by industry in Rusk County for 1990 and 2001, respectively. As indicated, manufacturing became even more dominant in 2001 (38.2%) compared to 1990 (34.6%). Government is the second largest industry sector in the County and includes the county-operated hospital and nursing home in the City of Ladysmith

and the local school districts. Construction jobs were high in 1990 when workers were hired (temporarily) to excavate the site for the Flambeau Mine. Once the mine began operating, construction employment fell until the Flambeau Mine reclamation began in late 1996. An increase occurred at that time and has not declined since (8:4). The finance, insurance, and real estate industry division in the County is small because there are no corporate offices with higher paying professional jobs located there. (4:5-22).

Figure 3.9

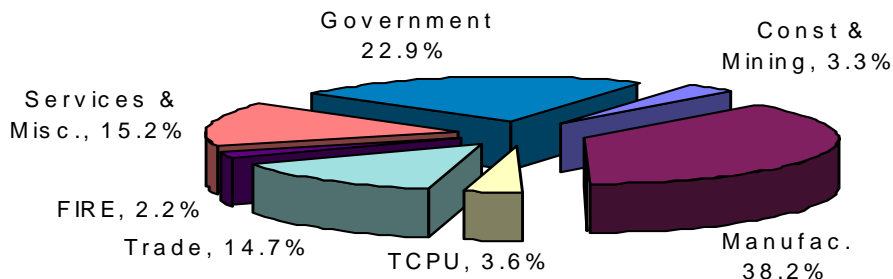
Rusk County Employment by Industry, 1990



Source: WI DWD, Nonfarm Wage & Salary Estimates

Figure 3.10

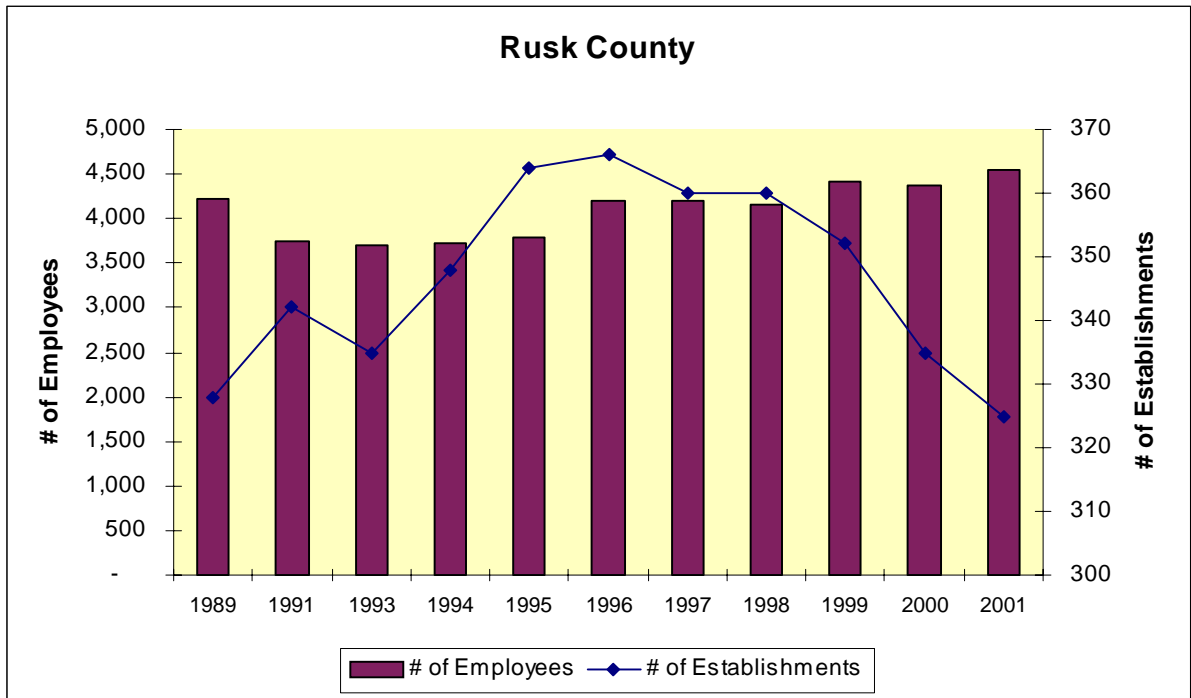
Rusk County Employment by Industry, 2001



Source: WI DWD, Nonfarm Wage & Salary Estimates

Based on the County Business Patterns Report produced by the U.S. Department of Commerce and the U.S. Census Bureau, Figure 3.11 shows the number of establishments and number of employees in Rusk County from 1989 to 2001. Although the number of establishments has decreased from a high in 1996, the number of employees has increased indicating the demise of many small businesses, but growth and expansion for many others.

Figure 3.11



Source: U.S. Census Bureau, County Business Patterns

Notes: Nonfarm wage and salary employment estimates indicate the number of jobs generated by employers located in Rusk County. The data from Employment and Wages Covered by Wisconsin’s Unemployment Insurance Law differs from employment data in the nonfarm wage and salary estimates for two reasons: 1) multi-location employers report all workers and wages at a single site, i.e., retail franchises; 2) not all employers are covered by the unemployment law and therefore are not included in the data, e.g., railroads, parochial schools, etc. (8:6).

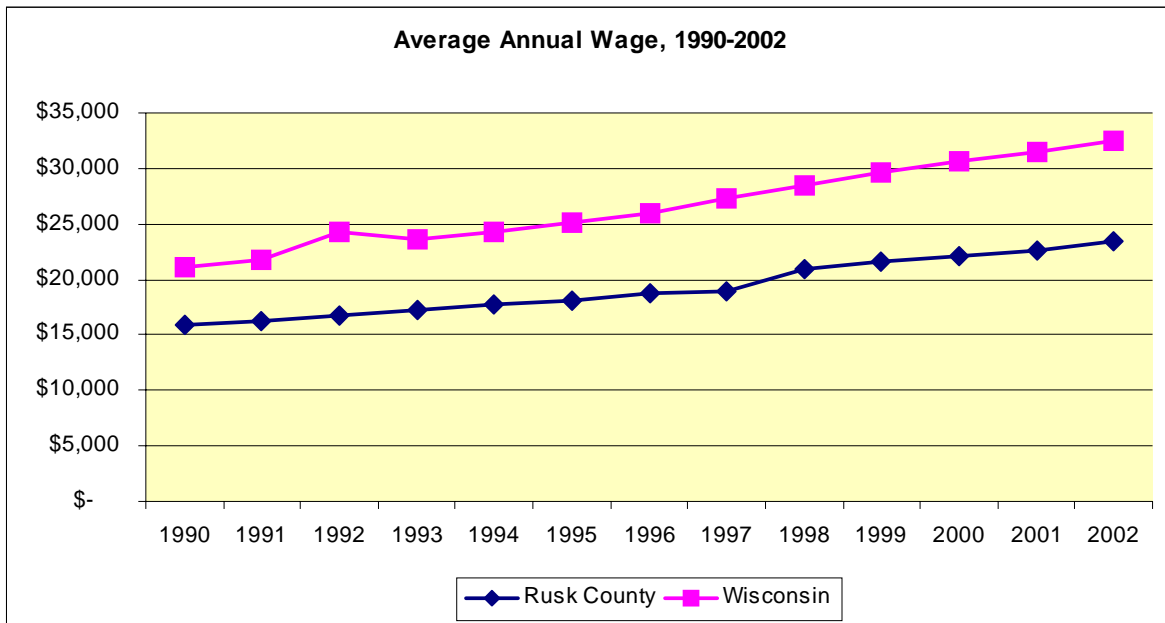
Because of the changeover from the Standard Industrial Classification (SIC) codes to the completely new North American Industry Classification System (NAICS), historical comparisons in many industry sectors for jobs and wages are not possible beyond 2001. For example, all loggers who were included in manufacturing under SIC are now included in agriculture, forestry, and fishing; and publishing and printing is split between the new information sector and manufacturing (9:2).

Wages

Wages in Rusk County have historically been significantly lower than wages in the State of Wisconsin. Figure 3.12 displays a comparison of the average annual wage for Rusk County and the State. In 1990, the County’s average annual wage of \$15,925 was 75.4 percent of the State’s average wage of \$21,111. By 2002, the gap had widened; the County’s average annual wage of \$23,447 was only 72.3 percent of the State’s average wage of \$32,422.

As stated previously, one of the components of total personal income is earnings from work, or wages. As shown in Table 3.6, in 2000, 58 percent of total personal income in Rusk County came from earnings. Because wages have historically been low in Rusk County, per capita income in the area is also low.

Figure 3.12



Source: DWD, Employment and Wages Covered by WI Unemployment Insurance Law

Table 3.14 shows the average annual wage for the years 1990 to 2000 for Rusk County by industry sector. Wages in the retail trade industry division are the lowest because many of the jobs in retail trade are part time and seasonal and often have a high turnover rate. Furthermore, many of the employers are smaller and cannot offer higher hourly wages to workers.

Wages in the mining industry are the highest, but have fluctuated over the ten years. The big jump in annual average wage in mining in the early 1990s was probably caused by the influx of management personnel from Kennecott moving to the area. Because of the small number of mining employees in the County during that year, even one person’s salary could have an impact on the average mining wage. However, due to the small number of employees in the mining industry in the County, the higher wages had little effect on the overall annual average wage for Rusk County.

Table 3.14 Annual Average Wages by Industry for Rusk County											
	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Goods Producing Industries											
Construction	\$23,923	\$24,980	\$22,461	\$20,337	\$16,821	\$16,786	\$15,366	\$14,872	\$14,650	\$24,524	\$29,325
Mining	\$62,082	\$38,602	\$65,677	\$59,888	\$49,110	\$44,515	\$43,870	\$44,453	\$66,195	\$53,993	\$33,353
Manufacturing	\$26,221	\$25,737	\$25,410	\$22,262	\$22,450	\$20,814	\$20,029	\$19,296	\$19,955	\$20,191	\$19,493
Service Producing Industries											
Agric, Forestry & Fishing	\$18,357	\$18,037	\$18,153	\$16,559	\$15,385	\$15,809	\$16,228	\$16,290	\$15,142	\$14,084	\$13,627
Transportation, Communication & Utilities	\$31,117	\$29,779	\$28,094	\$24,925	\$23,809	\$23,766	\$23,353	\$23,113	\$22,632	\$20,958	\$20,083
Wholesale Trade	\$23,190	\$21,881	\$19,991	\$19,566	\$18,119	\$17,388	\$16,840	\$16,115	\$15,959	\$15,526	\$14,918
Retail Trade	\$12,454	\$11,979	\$11,652	\$11,145	\$10,435	\$10,490	\$9,667	\$9,717	\$9,416	\$9,028	\$8,441
Finance, Insurance & Real Estate	\$21,805	\$19,764	\$20,100	\$18,793	\$18,072	\$17,245	\$16,699	\$16,209	\$15,195	\$14,851	\$14,831
Services	\$17,275	\$16,270	\$14,662	\$13,071	\$15,560	\$15,378	\$14,523	\$14,253	\$13,913	\$11,564	\$9,881
Government	\$23,743	\$23,251	\$22,105	\$20,993	\$20,443	\$19,895	\$19,420	\$18,595	\$17,244	\$16,937	\$16,111
ALL	\$22,081	\$21,581	\$20,937	\$18,950	\$18,709	\$18,117	\$17,752	\$17,191	\$16,828	\$16,311	\$15,925

Source: DWD, Employment and Wages Covered by WI Unemployment Insurance Law

Flambeau Mine Employment

Per the Local Agreement, 75 percent of all the jobs generated by the mine had to be held by individuals who had resided in or within ten miles of the Rusk County border for a period of at least one year prior to hiring. Included in this agreement is anyone hired directly by Flambeau Mining Company or any contractor/subcontractor. During the life of the project, Flambeau averaged approximately 81 percent of local hire.

As indicated in Table 3.14, the mining industry has the highest wages of any industry in the County. That is also true for Wisconsin. Approximately 50-60 percent of the workers at the mine were employed by Ames Construction, a mining subcontractor for Flambeau Mining Company. Both companies paid above average wages during the life of the mine project. Most of those wages were spent in the local economy, therefore causing a multiplier effect in the communities. Due to the multiplier effect, it is estimated that for every dollar in salary paid to mine employees, \$2.00 to \$3.00 more circulated through the local economy in the form of tax payments and purchases of other goods and services. Furthermore, in a study called *The Economic Good News About Environmentally Safe Mining*, Dr. Richard Green, a professor at the University of Wisconsin-Madison's School of Business, stated "In addition to creating jobs that provide good wages, mining stimulates other industries and businesses—each mining job creates at least one other local, non-mining job."

Based on Flambeau Mining Company records, nine positions at the mine site were held by people who moved to Rusk County and included the following: the General Manager, Mine Manager, Technical Superintendent, Geologist, Controller, HR/Safety Manager, Chief Chemist, Water Treatment Plant (WTP) Supervisor, and Instrumentation/Electrical Technician. No wage information was available from the company for those jobs. Ten types of positions were held by local area residents and included the following: the Accounting Assistant, Environmental Manager, Laboratory Technicians, Operations/WTP Technicians, Environmental Technician, Engineering Technicians, Chemists, Sample Prep Technicians, Maintenance Technicians, and Administrative Assistants. Wages were based upon the job requirements and company standards for corresponding jobs. Flambeau Mining was a non-union company, which allowed for pay increases according to job performance and merit. In general, the technician and office assistant positions started in 1993 at an annual salary of approximately \$16,000 to \$20,000. Over the course of the project, wages had increased substantially by about an average of \$10,000.

Throughout the life of the project, Flambeau Mining hired a total of 18 summer interns through the University recruitment program and children of Flambeau employees. Interns at Flambeau worked in many different departments and areas of the company depending on their educational interests. Wages were based upon job responsibility, company standard wages for corresponding

job responsibilities, and the completion of their degree. The range of wages was about \$15,000 to \$30,000 annually with the highest pay given to college seniors and graduate students and the lowest to recent high school graduates.

On average, 60 people were employed at the Flambeau Mine, sometimes as many as over 100 and sometimes only 20, depending on the time of year and the phase of the mine operations. At mine closure, several programs were initiated to help employees, which included training in interviewing skills and resume preparation, professional development, on site cross training, stress management training, paid time off for interviewing, reimbursement of interviewing travel expenses, moving expenses (if transferring within company or a non-local hire), early vesting in retirement and savings investment, severance, and outreach to Kennecott properties and other outside businesses “selling” employees (3). Only two individuals were hired during the project that were not local and not originally with the company. One left the company and the other transferred to another project within the company. Personnel within the company who had transferred to the Flambeau Project tended to stay within the Rio Tinto organization. Four local Flambeau employees transferred to other locations with the company. Likewise, several other local employees were offered opportunities in other parts of the country with Kennecott, but chose to stay in the area. Currently, only one part time environmental manager is still employed by the Flambeau Mining Company from its office in the Town of Grant.

3.5 RETAIL TRADE

Comparisons of retail trade are somewhat difficult to do between the 1992 and 1997 Economic Census because of the reporting changeover from SIC based data to NAICS based data. State data has been compared and reported both ways, but county data has not.

Table 3.15 shows total retail trade by number of establishments and sales for Rusk County and the State of Wisconsin including eating and drinking places, which is the way that category is classified under the SIC based reporting system. Rusk County showed a larger increase in percent of sales and sales per capita between 1992 and 1997 than the State did.

Table 3.15 Retail Trade					
	Establishments		Sales (\$1,000)		% Change in Sales
	1992	1997	1992	1997	
Rusk County	105	96	61,038	84,936	39.15%
Wisconsin	31,955	32,260	38,350,527	51,066,574	33.16%
% Change					
Rusk County Sales Per Capita			4,045	5,548	37.15%
Wisconsin Sales Per Capita			7,719	9,835	27.41%

Source: U.S. Census of Retail Trade, Wisconsin Department of Administration

3.6 HOUSING STOCK AND PROPERTY VALUES

Equalized Value

Another indicator of economic distress is the change in equalized value of real property, which includes real estate and personal property. Table 3.16 shows the equalized value of all property in Rusk County, counties surrounding Rusk County, and the State of Wisconsin. Rusk County is the only county listed in the table whose equalized value declined from 1980 to 1990 (-0.4%).

From 1990 to 2000, however, equalized values in the State and the local areas skyrocketed. Rusk County realized a very large percent gain (124.6%) in equalized value. That increase was less than Sawyer County or Price County, but more than Taylor County or Barron County and the State of Wisconsin.

Table 3.16 Equalized Value 1980, 1990, 2000					
	1980	1990	Percent Change 1980-1990	2000	Percent Change 1990-2000
Rusk County	\$295,489,250	\$294,278,400	-0.4%	\$660,872,100	124.6%
Sawyer County	\$400,020,485	\$555,338,340	38.8%	\$1,683,130,200	203.1%
Price County	\$320,596,200	\$361,401,600	12.7%	\$869,847,900	140.7%
Taylor County	\$367,274,120	\$375,583,350	2.3%	\$789,832,200	110.3%
Barron County	\$875,346,930	\$997,674,200	14.0%	\$2,093,893,900	109.9%
Wisconsin	\$108,480,469,889	\$141,370,307,160	30.3%	\$286,321,491,800	102.5%

Source: WI Department of Revenue, Statistical Report of Property Values, 1980-2000

Housing Stock

Table 3.17 compares the housing units by tenure for 1990 and 2000 in the municipalities surrounding the Flambeau Mine. During that decade, Rusk County, the City of Ladysmith, and Town of Grant had an increase in the percent of owner occupied units and a decrease in renter occupied units.

As indicated earlier, income and wages increased in the area since 1990, which is likely to have an

effect on the ability of some people to buy a home. In Rusk County, a total of 402 additional housing units were added from 1990 to 2000. During that decade, 526 owner occupied units were added with a loss of 124 renter occupied units, representing a net gain of 402 additional housing units.

Vacancy rates, homeowner and rental, for 1990 and 2000 are shown in Table 3.18 for the three municipalities surrounding the Flambeau Mine. The homeowner vacancy rate in the County, City, and Town experienced a decrease during that time period, compared to the State vacancy rate, which remained unchanged.

Table 3.17 Housing Units by Tenure				
	1990		2000	
Rusk County	Number of Housing Units	Percent of Total	Number of Housing Units	Percent of Total
Total Occupied	5,693		6,095	
Owner Occupied	4,269	75.0%	4,795	78.7%
Renter Occupied	1,424	25.0%	1,300	21.3%
Town of Grant				
Total Occupied	292		293	
Owner Occupied	240	82.2%	256	87.4%
Renter Occupied	52	17.8%	37	12.6%
City of Ladysmith				
Total Occupied	1,544		1,570	
Owner Occupied	873	56.5%	929	59.2%
Renter Occupied	671	43.5%	641	40.8%

Source: U.S. Census Bureau, STF 1 (1990) and SF 1 (2000)

Table 3.18 Vacancy Rates								
	Rusk County		Town of Grant		City of Ladysmith		State of Wisconsin	
	1990	2000	1990	2000	1990	2000	1990	2000
Homeowner	2.4%	1.4%	1.6%	0.8%	2.9%	1.2%	1.2%	1.2%
Rental	5.5%	6.0%	0.0%	0.0%	6.3%	5.5%	4.7%	5.6%

Source: U.S. Census Bureau, STF 1, SF1

Table 3.19 Year Structure was Built			
	Rusk County	Town of Grant	City of Ladysmith
Totals	7,609	317	1,662
Built 1999 to March 2000	131	6	2
Built 1995 to 1998	478	23	23
Built 1990 to 1994	461	13	61
Built 1980 to 1989	901	41	194
Built 1970 to 1979	1,438	79	247
Built 1960 to 1969	725	35	151
Built 1950 to 1959	670	15	204
Built 1940 to 1949	705	16	178
Built 1939 or earlier	2,100	89	602

Source: U.S. Census Bureau, SF 3

Table 3.19 lists the number of homes and the year in which they were built for Rusk County, the Town of Grant, and City of Ladysmith. In terms of age of housing, roughly 55 percent of the housing in the County, 49 percent in the Town, and 68 percent in the City were built before 1970. This may account for the low median value of housing in the area, which is shown in Table 3.20.

The median values of specified owner-occupied housing units in the County, Town, City, and State are shown in Table 3.20. As indicated, the median housing values in the communities surrounding the mine are just slightly more than half of the median value for the State. The median housing values draw a correlation between the per capita income and types of jobs available in the County and represented local units of government.

Table 3.20 Median Value		
	2000	% of State
Rusk County	\$63,200	56.3%
Town of Grant	\$70,800	63.1%
City of Ladysmith	\$61,800	55.1%
State of Wisconsin	\$112,200	

Source: U.S. Census Bureau, SF3, Specified Owner-Occupied Units

Property Taxes

Total equalized valuations have seen dramatic increases over the past decade. These increases, while not necessarily negative, identify an increasing demand and price paid for local improved and unimproved land holdings. Total equalized value for Rusk County in 2004 was \$936,864,600. This value represents a 10.57 percent increase over 2003 and ranks Rusk County 11th in growth order out of Wisconsin's 72 counties for 2004.

Equalized values impact the overall property tax rate within local jurisdictions. In the City of Ladysmith, while the overall tax rate per \$1,000 assessed value was on the decline from 1983 to 2003, overall equalized values have increased. The falling total tax rate over the 20-year period does not necessarily mean individuals are paying less in taxes. Instead, this is the result of assessed valuations having continued to increase over the period.

The significant drop in total tax rate between 1993 and 2003 cannot be fully attributed to the economic impact resulting from the Flambeau Mine (Table 3.21). However, the resulting economic development initiatives funded through mine tax funds can be attributed to helping lower the total tax rate. According to local representatives, approximately \$6,500,000 in new tax base (new construction) was added. This new tax base assists in distributing the overall tax burden amongst all tax paying property owners.

Table 3.21 Tax Rate Per \$1,000 of Assessed Valuation			
	1983	1993	2003
State of Wisconsin	0.259	0.204	0.212
Rusk County	6.833	5.466	4.395
City of Ladysmith	5.853	6.721	5.928
Ladysmith-Hawkins School District	23.052	21.785	14.445
Indianhead VTAE	1.695	1.78	1.211
Total Tax Rate	37.692	35.956	26.192
Ratio of Assessed Value to Equalized Value	77.30%	97.99%	94.55%

Source: Wisconsin Department of Revenue

If the estimated \$6.5 million were actual assessed values for tax purposes, in 2003 this would have resulted in \$170,248 in net taxes shared by all five taxing jurisdictions. In the case of the City of Ladysmith, its share would have been \$38,532, Rusk County would have received \$28,568, and the Ladysmith-Hawkins School District would have received \$93,893. It is important to note that these are tax revenues that will continue into the future unless a catastrophic event was to occur destroying the premise and no replacement is constructed.

The Town of Grant has also benefited from new tax base as the result of the development of a business park on the 58 acres of land gifted by Flambeau Mining Company and an additional 22 acres purchased from Flambeau. Only one business had occupied the site prior to September 2002. However, after the tornado that devastated portions of the City of Ladysmith and other towns in Rusk County, a number of additional businesses have located in the business park. Tax revenues to the Town are significantly lower compared to the City tax revenue previously reported. All but one of the buildings in the business park is a commercial enterprise.

During mine operations, property taxes on the mineral deposit were not paid. Rather, a Net Proceeds Tax was assessed and paid to the State of Wisconsin. It is estimated that over \$14 million was paid in Net Proceeds Tax by Flambeau Mining. Some of these funds were in turn distributed to Rusk County, the City of Ladysmith, and Town of Grant in the form of mandatory payments and discretionary grant awards from the Mining Investment and Local Impact Fund during and after mine operations. The State of Wisconsin also benefited from the tax levied on the mineral deposit. Net Proceed Tax is discussed in more detail in Section 6.

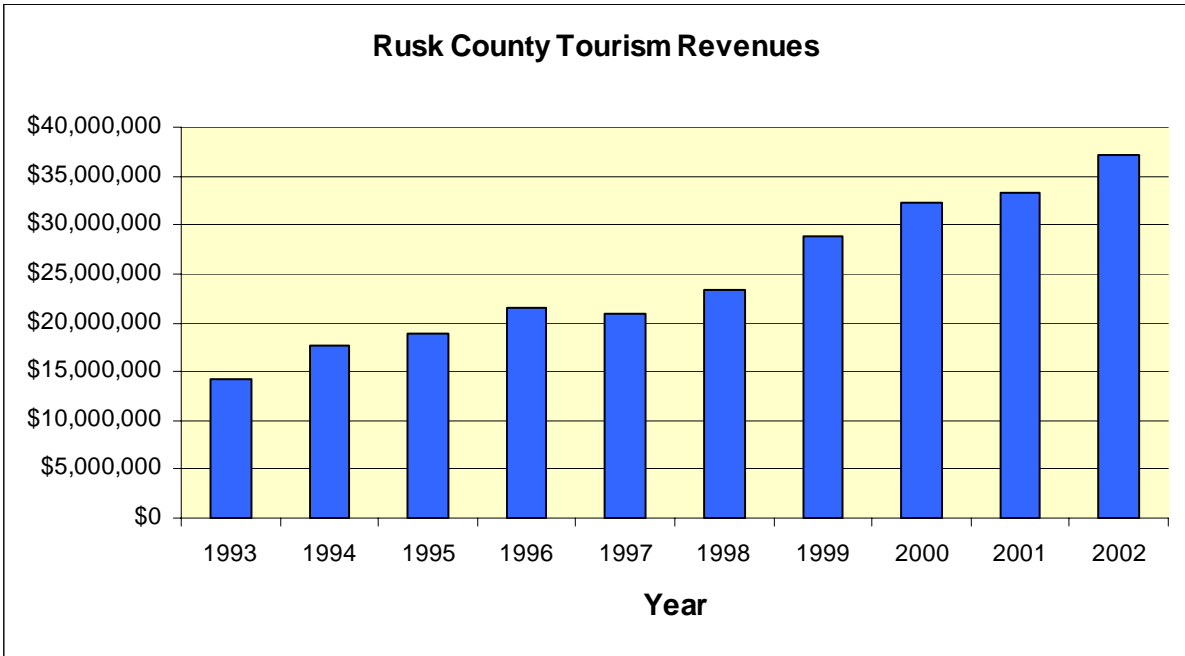
4 TOURISM

In the past, Rusk County has not seen itself as a tourist destination. Although the Flambeau River is one of the best “whitewater” rivers in the Midwest, the 60,000 acres of wooded Blue Hills with the Christie Mountain Ski area is breathtaking, and the County has world-class trout and game fishing, Rusk County had many tourists passing through to other destinations with comparable attractions.

4.1 TOURISM REVENUE

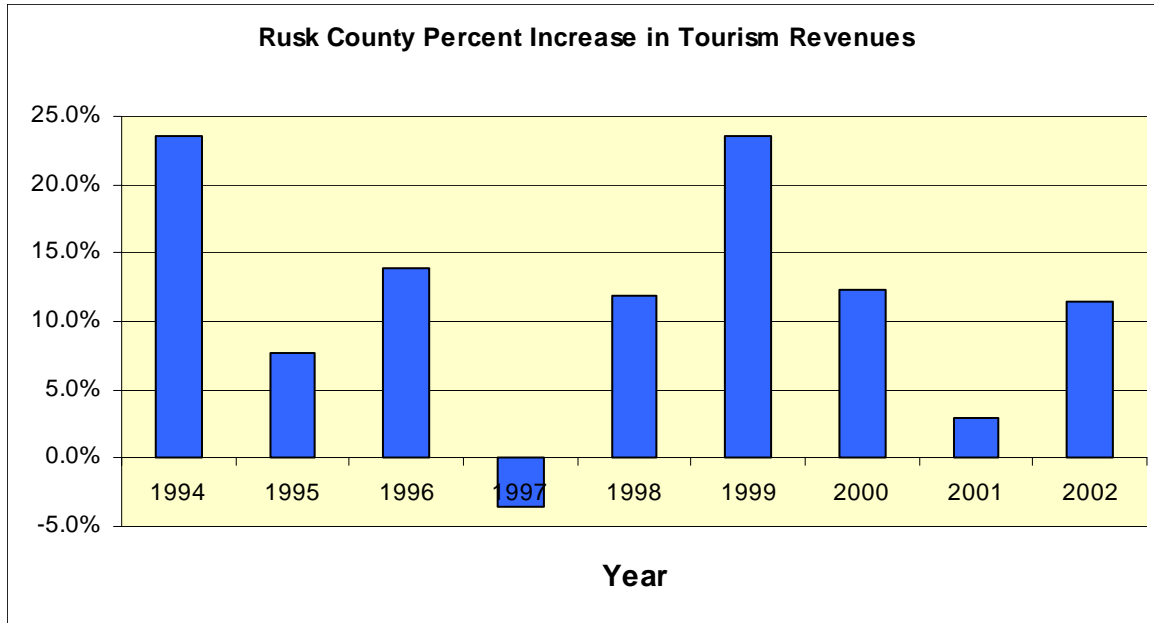
In 1993, the Wisconsin Department of Tourism started tracking tourism expenditures in the State and individual counties. When tourism expenditure tracking was first initiated in 1993, travelers spent \$14 million in Rusk County. In the year 2002, travelers spent \$37 million, representing an increase of 160 percent. By comparison, the State experienced an increase of 118 percent during that same timeframe. Figures 4.1 and 4.2 depict tourism expenditures for Rusk County from 1993 to 2002.

Figure 4.1



Source: Wisconsin Department of Tourism

Figure 4.2



Source: Wisconsin Department of Tourism

Table 4.1 indicates the number of establishments and the amount of sales for eating and drinking places; hotels, motels, and other accommodations; and arts, entertainment, and recreational services for Rusk County and the State of Wisconsin for 1992 and 1997.

Table 4.1 Establishments and Sales for Tourism Related Industries					
Eating & Drinking Places					
	Establishments		Sales (\$1,000)		
	1992	1997	1992	1997	% Change in Sales
Rusk County	42	34	6275	6763	7.78%
Wisconsin	10,985	11,612	3,668,310	D	
Hotels, Motels, & Other Accommodations					
	Establishments		Sales (\$1,000)		
	1992	1997	1992	1997	% Change in Sales
Rusk County	6	8	578	D	
Wisconsin	1,245	1,484	744,049	D	
Arts, Entertainment, Recreation Services, inc. Motion Pictures					
	Establishments		Sales (\$1,000)		
	1992	1997	1992	1997	% Change in Sales
Rusk County	8	5	683	561	-17.86%
Wisconsin	2,555	2,885	1,181,765	1,866,309	57.93%

Source: U.S. Economic Census, 1992 & 1997 D = Withheld to avoid disclosure

Note: Comparisons are difficult between the 1992 and 1997 Economic Census because of the reporting changeover from SIC based data to NAICS based data. State data has been compared and reported both ways, but county data has not.

While the Flambeau Mine was in operation, groups from all over the state, neighboring states, and the world came to tour the mine site and the mine's visitor's center. While in Rusk County, these visitors stopped at eating places and some may have stayed at local hotels and motels. In that way, the mine brought revenues to the local businesses that provided those services. As shown in Figures 4.1 and 4.2, the decrease in tourism revenues in 1997 may have been a result of the closing down of mine operations in the middle of the year.

In addition to promoting tourism by the sheer physical presence of the mine, Flambeau Mining contributed monetarily to the Rusk County Economic Development organization for use in promoting tourism through the "Discover Rusk County" campaign. Other community charitable contributions are discussed in Section 7.

During the past few years and in cooperation with other organizations, much stronger efforts are being made by Rusk County Development to encourage and promote tourism in the County. To replace the old Rusk County Visitor's Center, which was too small and not a handicap accessible facility, a new building was constructed in 1998. The new Visitor's Center and Railroad Museum is a replica of a vintage railroad depot. Part of its funding was from mining first dollar and supplemental payments to Rusk County.

5. LOCAL AGREEMENT AND CONDITIONAL LAND USE PERMIT

Section 5 gives the background and events leading up to the signing of the Local Agreement and the Conditional Land Use Permit. In addition, it includes a list of all major provisions of those documents. The Agreement specifically addressed alleviating the impact of the mine by establishing programs that would enhance the local economy and provide for long-term economic gains. The Permit covered all phases of the operation: construction, mine operation, and mine closure. Many of the requirements of the Conditional Land Use Permit are also stipulated in the Local Agreement. See Appendix A for a copy of the Local Agreement and Conditional Land Use Permit.

5.1 BACKGROUND

The signing of the Local Agreement and Conditional Land Use Permit between Kennecott Minerals Company and the three local units of government, Rusk County, City of Ladysmith, and Town of Grant, took place August 1, 1988. However, many years of protests, hearings, and meetings led to the establishment of these two key documents.

Kennecott began collecting data in 1970 for the Environment Impact Report that they were required to file with the Wisconsin Department of Natural Resources. During this same time period, Kennecott began lobbying the state legislature to pass a mining taxation code and regulatory framework, both of which were essentially nonexistent at the time. A resolution was passed by the legislature that levied a 1.1 percent production tax on copper (6:37).

The Environmental Impact Report was eventually submitted by Kennecott to the DNR in June of 1974. After review by the various departments within the DNR, and a DNR request for more information and clarification on some parts of the report, an addendum to the report was submitted in February 1975 (5:15).

Heavy protests by strong environmental conscientious groups were taking place all over the United States. Concerns were voiced from several sources regarding the Flambeau Mine project. The State was concerned with protection of the quality of the air, land, surface waters, groundwater, as well as any wildlife, plants, and fish. The local units of government and communities were also concerned with the protection of the water quality including private local wells. Furthermore, their concerns involved maintaining or improving the quality of life in the area, the employment of local people, and guarantees that tax dollars from the mine would be returned to the local economy. In addition, Native Americans had concerns about the adverse effects to local fishing in the Flambeau River.

In March 1976, a public hearing hosted by the WDNR was held in Ladysmith on the adequacy of the Draft Environmental Impact Statement. This hearing is mandated by the Wisconsin Environmental Policy Act and is cited by company and state officials as an effective means of incorporating public testimony into the permit process. However, many residents of the local communities felt excluded from the public participation process because the DNR hearing examiner only allowed the Kennecott lawyer to question the witnesses, which were all Kennecott's witnesses and supported the EIS (6:38).

In September 1976, the Final Environmental Impact Statement was issued by the WDNR. Applications for mining permits were then submitted by Kennecott.

A local anti-mining coalition, the Rusk County Citizens' Action Group, in the months following the WDNR hearing, voiced their concerns about the inadequacy of the EIS and other issues. Eventually, the Rusk County Board unanimously passed a temporary moratorium on mining in the County. Since Wisconsin law requires that a mine comply with zoning regulations from all affected communities, the hearing examiner was forced to table the permit hearings indefinitely and the permit applications were eventually dismissed (6:38). During the later half of 1976, copper prices went down and Kennecott decided in late 1976 to defer the project.

In 1986 when copper prices were up again, Kennecott reexamined the economics of the Flambeau ore deposit. Based on a new estimate of the size and value of the deposit, Kennecott

renewed its efforts to gain a DNR permit for the mine. However, the company could not proceed without first gaining approval from the local units of government surrounding the Flambeau site (6:39). Plans for the Flambeau Mine and its operation were redesigned to meet the requirements of the local units of government that would result in protection of the area groundwater, the Flambeau River, and meet the requirements of the State of Wisconsin from the standpoint of environmental protection (3). Even though the Town of Grant had already voted to deny a mining permit until further study of the proposal, Kennecott continued their efforts to obtain a DNR permit.

In 1987, then Wisconsin Governor Thompson appointed an Ad Hoc Task Force to review local concerns that had been raised about the proposed mine. The gubernatorial task force, which included citizens and local officials from Rusk County, convened and met over a three month period. Its final recommendation was that representatives from Rusk County, the City of Ladysmith, and Town of Grant meet with representatives from Kennecott Minerals to determine whether or not they could reach some formal agreement that would address their mutual concerns. A negotiating committee was formed and began meeting in October 1987. After 10 months of negotiating on a point by point resolution of their concerns, an agreement was reached (10:2). The Local Agreement set forth certain environmental and economic guarantees, which covered everything from mine start up to closure.

Two significant pieces of legislation were soon introduced and passed in the Wisconsin Legislature. The Metallic Mining Reclamation Act (MMRA) requires three public hearings on three separate occasions during a mine permit process: with the Notice of Intent, the Draft EIS, and the Master Hearing. Public comment on mine proposals is to be solicited and considered at these meetings. Furthermore, the MMRA specifies that local communities have the power to influence the mine permit process through Wisconsin Statutes 144.838 and 144.839. These statutes authorized local communities to establish “local impact committees” that would be given the power to negotiate binding and legal agreements with mining operators, such as Kennecott Minerals. In addition to the authorization to form such a negotiating committee, Wisconsin Statute 144.838 grants local communities the power to seek funds to offset the costs associated with planning and negotiations. However, the State was not prepared to offer financial or

technical assistance to such a committee and, thus, residents were advised to seek funds from Kennecott to form such a committee. Kennecott offered to pay a certain amount to cover these costs, but only after the negotiations were complete and the Local Agreement was signed (6:39).

After the passing of the state legislation, the Local Agreement was submitted for discussion and debate to the Ladysmith City Council, the Town of Grant Board, and the Rusk County Board of Supervisors. Each of these elected public bodies held hearings, talked to their constituents, and debated the merits of the Local Agreement. In addition to the local units of government hearings and the two public hearings held by the Governor's Task Force, there were eight public hearings on permitting the Flambeau Mine. In total, more than 500 people spoke at these hearings (12). During these hearings, Kennecott's management went on record stating that they would follow best management practices, use state-of-the-art technologies to ensure maximum degree of environmental protection, and go beyond standard compliance whenever feasible.

Despite an astonishing amount of local testimony against the mine and accusations by Kennecott lawyers of legal threats, the Local Agreement and Conditional Land Use Permit were finally signed by the local impact (negotiating) committee on August 1, 1988. Subsequently, it was ratified by overwhelming majorities in all the local jurisdictions: the Rusk County Board approved it 14-4 (two members were absent and the chairman elected not to vote); the Town of Grant Board approved it 3-0; and the Ladysmith City Council approved it 6-1.

On January 14, 1991, the State of Wisconsin's Hearing Examiner concluded that Flambeau Mining Company had met the requirements of all local, state, and federal laws and should receive the permits required to operate and reclaim the mine. A total of 11 permits and approvals were required to begin construction. The permits contained more than 200 conditions requiring additional monitoring and operational safeguards.

5.2 REVIEW OF LOCAL AGREEMENT AND CONDITIONAL LAND USE PERMIT

The Local Agreement is a legally binding contract between Rusk County, the City of Ladysmith, Town of Grant and Kennecott Explorations (Australia) Ltd. for development of the Kennecott

Flambeau Mine. All the parties are bound by the provisions of the Agreement and can be prosecuted for failure to comply with any of the provisions. The Agreement is unique in that it legally binds Kennecott to agreements that exceed Wisconsin's stringent mining and environmental laws. Experts in and outside the mining industry applauded this unprecedented agreement between a mining company and the elected officials of the local units of government in which the mine is located. It has been suggested that it could become a model for protecting the rights and meeting the concerns of local citizens in mining developments in other parts of the nation (10:1).

In addition to addressing the environmental issues and operational limitations, the purpose of the Local Agreement was to alleviate future mining impacts to the local area by establishing programs that would enhance the local economy and provide sustainable economic development to the local communities. The major provision in the Agreement designed for developing alternative economic activities was the direct tax payments to the local units of government guaranteed by Kennecott regardless of whether the mine made a profit.

In representing the interests of local residents, the Local Agreement negotiating committee members focused on five major points of concern (10:2). Following are those five points:

1. That the mine would have to meet all of Wisconsin's very tough environmental and mining requirements so that the Flambeau River, the wetlands, the groundwater, and the fish and wildlife would not be harmed.
2. About jobs for local people and, if for some reason the mine did not make a profit, what would happen to the surrounding communities' share of the mining taxes.
3. What would local residents do if for some reason their wells were affected.
4. About safety and the noise from mining operations affecting people at night.
5. A guarantee that the value of the property in the area would be protected.

Each of these five concerns was responded to by Kennecott and covered in the Local Agreement and Conditional Land Use Permit. It should be noted that none of the parties could agree to something which would violate any state laws or DNR requirements with regard to the mine (12). Major provisions of the Local Agreement and Conditional Land Use Permit are as follows:

- All necessary licenses and permits from the DNR shall be secured by the owners of the mine.
- The operation of the mine will comply with all DNR regulations applicable to the mine site and facilities. Copies of any documents applying for exemptions by Kennecott must be furnished to the local impact committee.
- The operator shall take preventative measures to minimize surface water runoff or erosion by finish grading and seeding completed areas of the mine according to an acceptable closing plan.
- The open pit shall be no greater than 40 acres and shall be excavated to a depth of no more than 225 feet below the existing grade.
- There will be no conversion from an open pit to deep shaft mineral mining.
- There shall be no smelting, concentrating or refining of ore on the mining company's land or in Rusk County.
- There will be no major expansion of the mine without reopening the Local Agreement and any land use permits granted.
- The mine area shall, at all times during the construction, operations, and closure phases of the project, be enclosed by a security fence with security gates of sufficient strength to control access to the mine.

- Flambeau Mining shall install, maintain, and utilize surface water containment systems and a mine water treatment facility to protect the groundwater and surface water of the county in accordance with certain specifications.
- All transportation of ore away from the site shall be via railroad. To achieve this, a rail spur to the main line shall be constructed at the mining company's expense.
- Access to and from the mine will be limited to State Highway 27 via Blackberry Lane, unless a new access road is constructed entirely at the expense of the mine operator. The maximum number of access roads will be two unless a road is built from State Highway 27 to be used as access to a possible mine overlook.
- Certain limitations were stipulated regarding the location, height, and size of any buildings constructed on the active mine site. For each building constructed, sufficient off-street parking shall be provided for employee, agent, and guest automobiles and trucks.
- 300,000 tons of ore shall be the approximate projected amount of ore to be shipped from the mine each year.
- An area to allow visitors to park and observe the mining operation shall be provided.
- Blasting, crushing, and rail shipping shall be limited to daylight hours, Monday through Saturday only.
- Explosives will be a fertilizer base explosive consisting of ammonium nitrate and fuel-oil and/or dynamite. Any change to this form of explosive must be approved before use.
- The County Zoning Administrator shall have inspection powers and authority as outlined in the Permit for the purpose of determining compliance with the terms of the Permit.

- Mine trucks are to be confined to the mine site except in an emergency. In the event that trucks are used, certain restrictions are to be followed. Dust control from ore transportation, either by rail car or truck, must be in effect at all times.
- An average of 75 percent of all the mine workers shall be persons who have resided in or within 10 miles of the Rusk County border for a period of at least one year prior to hiring. This includes anyone hired directly by Flambeau Mining or by any contractor/subcontractor hired by Flambeau.
- Not less than six groundwater monitoring well clusters shall be constructed within the active mine area. These wells shall be tested on at least a quarterly basis and if water quality does not meet standards, certain defined procedures and measures shall be taken.
- Private off-site wells in a designated well guarantee area around the mine site will be tested, monitored, and guaranteed for 20 years after the mine ceases to operate.
- Property values in a designated area around the mine will be guaranteed for 20 years after the mine ceases to operate. Baseline property value appraisals will be paid for by the Flambeau Mining Company.
- A Local Mining Impact Committee shall be formed consisting of the chief elected official of the City, Town, and County or their designee (s) who possess no conflict of interest. This committee will monitor the ongoing status of the mining operation, hold public meetings, and report findings to the participating local units of government. Per Diem and travel expenses shall be paid by Flambeau Mining.
- Flambeau Mining Company will continue to run its water treatment facilities even if the mine closes temporarily.

- After completion of mining operations, the local units of government have the right of first refusal based on the highest bid received on any property (land, facilities, equipment) being sold by the Flambeau Mining Company.
- Upon conclusion of its mining phase, the mining company shall back fill the open pit according to a plan approved by the DNR.
- Prior to the construction phase of the mine operation, Flambeau will take an inventory of the existing vegetation. During the closure phase of the mine operation, Flambeau shall re-vegetate all disturbed sites in the active mine area. Flambeau will remain responsible for and insure viability of what it has planted for a period of 20 years.
- Prior to commencing mining operations, Flambeau will submit to the Local Impact Committee a copy of a closing plan for the mine.
- Flambeau agrees to lease to the participating local units of government, the following parcels for \$1.00: 1) A parcel on the north side of the former “Sisters’ Farm” for use as a city outdoor recreation area and, 2) Flambeau River frontage adjacent to the end of Blackberry Lane for park purposes, which is the Town responsibility.
- Flambeau Mining will reimburse the participating local units of government for municipal costs and expenses incurred during negotiations up to the sum of \$60,000.
- For a period of 25 years, the mining company agrees to indemnify and hold harmless the participating local units of government from any or all liability as a result of claims, demands, costs, or judgments against them arising from the negotiation of this agreement. In addition, the mining company shall support, defend, and/or reimburse the participating local units of government for 75 percent of any legal expenses incurred with regard to the above mentioned actions.

- After the DNR issues the mining permit, but before mining begins, the mining company shall provide to the participating local units of government a certification that a bond payable to the DNR in the amount required under NR132 has been secured. The company must annually certify that it is in compliance with NR132 and it must maintain the bond for 30 years after closure of the mine.
- Under certain circumstances outlined in the Agreement, the participating local units of government or Kennecott may request that the Agreement be opened for renegotiation by serving a petition upon the other party.
- The Agreement is contingent upon the issuance of a conditional land use permit for the Mine.
- A minimum of \$1.5 million (indexed for inflation) shall be paid in local taxes to the participating local units of government: Rusk County, the City of Ladysmith, and Town of Grant, regardless of copper price or profits. In 1993 dollars this amount is closer to \$2.5 million.
- The participating local units of government shall not oppose the development of the Mine or take any action to unreasonably delay or stop construction of the Mine.
- The provisions in the Agreement do not prohibit or restrict the participating local units of government from participating in the DNR permit hearing process.

The Local Agreement allowed for variances in the language of the Agreement, but those variances can only address the operation of the mine and/or the language of the Agreement. All such changes must be agreed to by all parties to the Agreement. Appendix A contains a copy of the Local Agreement and the Conditional Land Use Permit.

6 NET PROCEEDS TAX AND GUARANTEED PAYMENTS

A description of the Net Proceeds Tax and Mining Investment and Local Impact Fund provided for by Wisconsin Statutes regarding the mining of metalliferous minerals is presented in this section. Discussion of the amount of NPT paid by Flambeau Mining to the State of Wisconsin during its mining operation is also included in this section. In addition, the section provides an account of the tax revenues paid to the local units of government from the MILIF and the guaranteed payments made to the local governments by the Flambeau Mining Company and how the communities used these funds.

6.1 NET PROCEEDS TAX

The Flambeau Mining Company, like all businesses in Wisconsin, must comply with federal, state, and local taxes. In addition to Property Tax, State Franchise Tax, and Federal Income Tax, metalliferous mining companies in Wisconsin are subject to a Net Proceeds Tax. The NPT, under Wisconsin Statutes 70.37 and 70.375 on the mining of metalliferous minerals, was established to provide compensation to the state and municipalities for the extraction of valuable, irreplaceable minerals and to compensate the state, counties, municipalities, and Native American communities for costs associated with the mining of these minerals.

The Net Proceeds Tax is in lieu of local property taxes on the value of the ore body and is calculated by first determining the net proceeds as revenues generated from the mine minus amounts reflecting the cost of bringing the ore to a finished state, an allowance for the recovery of invested capital, and expenses for environmental and reclamation purposes. A progressive series of tax rates from 3 to 15 percent is applied to the net proceeds, or profits, of the mining operation. The tax brackets are indexed to the Gross National Product deflator. Mining companies are required to file a Net Proceeds Tax return and submit payment by June 15 each year the mine is in operation. The tax paid is based on net proceeds from the prior calendar year (13:1).

6.2 THE MINING INVESTMENT AND LOCAL IMPACT FUND

The Mining Investment and Local Impact Fund was created to receive tax collections from the mining Net Proceeds Tax under Wisconsin Statute 70.395. It is administered by a State appointed board and is comprised of 11 members. The Governor appoints nine members to staggered four-year terms. The Secretary of Commerce and the Secretary of Revenue, or their designees, are *ex officio* members of the board. Of the nine appointed members, three are public members, two are county officials, two are municipal officials, one is a school board member and one is a Native American. The Board has the authority to monitor the use of the payments to ensure proper management and meets every two years.

From Net Proceeds Tax collections, the Mining Investment and Local Impact Fund receives the greater of the following:

- 60 percent of the total amount of NPT collections; or
- The amount necessary to make full first dollar payments.

If the total NPT collection is less than either of the above amounts, the total tax collections is transferred to the MILIF. If the NPT collection is large enough for money to be available after the distributions to the MILIF are made as above, then the remainder of the proceeds would be deposited to the Badger Fund (general fund).

The Badger Fund collects up to 40 percent of NPT and/or excess balance in the MILIF over \$20 million. Interest on the Badger Fund can be disbursed to local units of government for capital costs of recreational facilities and educational aids.

Mandatory Payments Made from the MILIF

Proceeds held by MILIF must then be transferred to each city, county, town, village, and Native American community containing at least 15 percent of the ore body. Funds received by the local

units of government from the Net Proceeds Tax are restricted in their uses. Wisconsin Statutes 70.395 and 70.396 restrict the use of these funds to “mining-related purposes.” There are three types of mandatory payments from the MILIF made to the local governments. Each of the payments is calculated by taking the payment amount specified under the statutes and indexing it to the Gross National Product deflator. The three types of payments are as follows:

1. Construction Period Payments

- One-time payments using construction fees paid to the State by the mining company. These payments are made at the onset of mine construction and are used to defray costs of protective services, road improvements, and other expenses related to mining construction (Construction payments are credited against the mining company’s NPT liability in subsequent years).
- Payable to each local unit of government, the Town of Grant, City of Ladysmith, and Rusk County, in the amount of \$100,000, indexed for inflation to 1982.
- Payments are made within 30 days after construction begins to the local units of government.

2. First Dollar Payments

- Annual payments from the NPT.
- Payment is made to the local governments on the first Monday in January following a June payment of NPT paid by the mining company (e.g., payments made in January 1996 would be on profits made by the mining company in 1994).
- Payable to each local unit of government in the amount of \$100,000, indexed for inflation to 1982.

3. Additional Payments to the County

- Annual payment to Rusk County after full first dollar payments have been made.
- Payment is made to the County on the first Monday in January following a June payment of NPT paid by the mining company.
- Payable to the County in an amount equal to the lesser of \$250,000, indexed for inflation to 1982, or 20 percent of the total NPT collections for the previous year.
- Payment amount is subject to the availability of funds. If there is not enough money in the MILIF after full first dollar payments are made, the County receives the balance of the NPT and there will be a supplemental additional payment made to the County by Flambeau under the Local Agreement.

Payments Made from the MILIF to Project Reserve Funds

For each Wisconsin mine site, a project reserve fund collects the lesser of 10 percent of NPT collections or the amount of money available in the MILIF after mandatory payments have been made. The monies in this fund can be disbursed to local communities in future years when mining tax revenues are insufficient to make the mandatory payments from the MILIF, for costs associated with the cessation of mining operations, and for reclamation expenses (13:5).

Discretionary Payments Made from the MILIF

Discretionary payments are designed to address mining impacts in a regional, comprehensive manner whenever they occur. These payments are in the form of grants and are only available in years when there are dollars remaining in the MILIF after mandatory payments and payments to the project reserve fund have been made, or when funds have been made available to the MILIF Board for this purpose via legislative appropriation.

Local governments may submit grant applications to the MILIF Board for funds to alleviate mining costs whenever there are funds for discretionary grants available. Grant monies are awarded for the acceptable mining-related expenditures listed under Wisconsin Statute 70.395. Some of these mining-related activities include protective services, such as police and fire services, associated with the mine; highways repaired or constructed due to the mine; studies and projects for local development; monitoring the effects of the mining operation on the environment; and establishing area-wide community plans for minimizing the negative impacts associated with mining. Local impact committees may apply for funds to cover operational expenses (13).

Total Net Proceeds Tax Paid by Flambeau Mining Company

During the life of the mine, the Flambeau Mining Company paid over \$14 million in Net Proceeds Tax to the State of Wisconsin. According to the Wisconsin Department of Revenue, approximately \$8.6 million of the NPT collected went into the MILIF and \$5.5 million went into the Badger Fund. Of the \$8.6 million that went to the MILIF, roughly \$8.4 million came back to the local units of government in the form of construction year payments, first dollar payments, additional payments to the County, and discretionary grants. Another \$200,000 was transferred from the MILIF to the Wisconsin Department of Commerce and given out in grants to help in the conversion of the Flambeau Mine buildings. All of the approximately \$5.5 million that went to the Badger Fund from the NPT was eventually put into the State's general fund and used for state government purposes. Per the Wisconsin Department of Revenue, no monies were collected in the Project Reserve Fund (18).

6.3 LOCAL AGREEMENT GUARANTEED PAYMENTS

As a condition of the Local Agreement between Flambeau Mining Company and Rusk County, the City of Ladysmith, and Town of Grant, supplemental First Dollar Payments and Supplemental Additional Payments to Rusk County were required to be paid by Flambeau under certain circumstances. In years when MILIF payments fell short of the statutory level, then Flambeau Mining Company was required to supplement the payments. The Local Agreement guaranteed a total of \$2.5 million to the three local units of government, however, much more than that was eventually received by the County and the municipalities.

1. Supplemental First Dollar Payments

- Payable in any year in which the First Dollar Payments from the MILIF are less than the \$100,000, indexed for inflation to 1982.
- Payable to each local unit of government in the amount of \$100,000 indexed and also indexed to the production of ore using 300,000 tons per annum as the basis. The \$100,000 indexed is multiplied by a ratio whose numerator is the number of tons of ore mined in the year and whose denominator is 300,000 tons, and then reduced by the actual First Dollar Payment made from the MILIF to the municipality or the county.

\$100,000, indexed, times (number of tons of ore mined in year/300,000) minus the actual First Dollar Payment from MILIF

- Flambeau guaranteed a total of \$1,500,000 indexed in First Dollar Payments. If by the end of the mining operations, the First Dollar Payments are less than this amount, Flambeau will pay the difference to all three local units of government.

2. Supplemental Additional Payments to Rusk County

- Payable in any year that the additional payment to Rusk County from the MILIF is less than \$250,000, indexed for inflation to 1982, beginning with the first full year of operation and continuing for at least the first four years or until the last full year of mining operations.
- Payable to Rusk County in the amount of \$250,000 multiplied by a percentage determined by the price of copper for the year in years which the price of copper falls below \$.85, this sum multiplied by a ratio whose numerator is the number of tons of ore mined in the year and whose denominator is 300,000 tons, then reduced by the actual payment the county receives from the MILIF, and then adjusted for inflation.

\$250,000 times % determined by copper price times (number of tons of ore mined/300,000) minus actual Additional Payment from MILIF (the total is further adjusted for inflation)

- The combined amount paid from the MILIF and Flambeau is not to exceed \$250,000, indexed, in any year.

6.4 NET PROCEEDS TAX RECEIPTS AND GUARANTEED PAYMENTS RECEIVED BY LOCAL UNITS OF GOVERNMENT

As a result of the Flambeau Mine operations, the local units of government in Rusk County received monetary compensation through Net Proceeds Tax funds and Local Agreement “guaranteed payments.” Table 6.1 gives a summary of mining Net Proceeds Tax payments from the state MILIF and supplemental payments from Flambeau Mining Company received by the County and municipalities. In the table, for every type of payment listed, the origin of that payment is also given.

As stated in Section 1, the amounts in Table 6.1 are approximate because, in some years, records from the communities did not agree with records from the Department of Revenue. In addition,

Kennecott Minerals Company was not able to provide any information on the supplemental payments made to the local units of government due to a change in accounting systems after 1997.

Table 6.1 Mining Tax Revenues	
Rusk County	
Construction Payment - State	\$100,000
First Dollar Payments - State	\$608,000
County Additional Pymts. - State	\$933,000
Supplemental Payments - Flambeau	\$1,865,000
Total	\$3,506,000
City of Ladysmith	
Construction Payment - State	\$100,000
First Dollar Payments - State	\$608,000
Supplemental Payments - Flambeau	\$413,000
Total	\$1,121,000
Town of Grant	
Construction Payment - State	\$100,000
First Dollar Payments - State	\$608,000
Supplemental Payments - Flambeau	\$413,000
Total	\$1,121,000
GRAND TOTAL	\$5,748,000

Sources: WI Dept. of Revenue, Rusk Co. Auditor, C. of Ladysmith

Use of first dollar payments and additional payments to the County are restricted by Wisconsin Statutes 70.395 and 70.396 to “mining-related purposes.” Statute 70.375 defines “mining-related purposes” to mean activities which are directly in response to construction, operation, cessation, or curtailment of operation, or closure of a metalliferous mine site. It also includes activities which anticipate the economic and social consequences of the cessation of mining. Further definitions of approved mining-related expenditures are listed under statute 70.395. In addition to mining-related purposes, county first dollar payments (not county additional payments) can be used for the following two items: 1) a maximum of \$25,000 annually can be distributed to

municipalities in the county where the mine is located, and 2) up to 10 percent may be placed in a county mining investment fund for investment by the State Investment Board, or they may be placed in a financial institution located in the State.

In addition to the tax receipts and pursuant to the Local Agreement, Rusk County, the City of Ladysmith, and Town of Grant received “direct guaranteed payments” from Flambeau Mining Company. These supplemental payments are over and above the Net Proceeds Tax receipts and unlike the Net Proceeds Tax receipts, these payments are not restricted in their use. As indicated in Table 6.1, the supplemental payments amounted to roughly \$2.7 million.

In addition to the tax revenues shown in Table 6.1, the local units of government applied for and received discretionary grants from the MILIF for some of the projects listed in the following Uses of Funds section. Between 1995 and 1998, the Discretionary Payments Program paid out nearly \$5.7 million in grants to the local units of government. Table 6.2 gives the specifics of how much each local unit of government received from this program, either as a group or separately.

Table 6.2 Discretionary Grants	
Recipients	Amount
C. Ladysmith & Rusk Co.	\$4,430,430
C. Ladysmith, T. Grant, & Rusk Co.	\$750,000
C. Ladysmith & LCIDC	\$380,000
C. of Ladysmith	\$24,000
Rusk County	\$100,000
Total	\$5,684,430

Source: Wisconsin Department of Revenue

In 1997 the Wisconsin Department of Commerce received \$200,000 from the Mining Investment and Local Impact Fund to fund a program called the Mining Economic Development Grant and Loan Program. The monies were dispersed in two increments of \$100,000 each in 1999 and 2000 to help with the Flambeau Mine buildings conversion projects. More detail is included in the following Uses of Funds section.

In total, the local units of government, City of Ladysmith, Town of Grant, and Rusk County, received over \$11 million, either directly or indirectly, from the Flambeau Mining Company. From the Net Proceeds Tax paid into the State to the MILIF by Flambeau Mining Company came approximately \$8.4 million. Another roughly \$2.7 million came directly from Flambeau Mining Company to the local units of government in the form of direct, or supplemental payments.

6.5 USES OF FUNDS

The Net Proceeds Tax on mining brought an unprecedented level of funding to the local units of government for economic development. The partnerships formed during the development and execution of the Local Agreement with Flambeau Mining were strengthened in the process of planning and then undertaking projects in the County to prevent the “boom and bust” cycles that can accompany a brief mining project. Their goal was to produce long term jobs and sustainable

economic development by investing mine tax revenue to construct or renovate buildings for sale or lease to businesses (14).

Due to the local units of government having made financial commitments on their interpretation of the Net Proceeds Tax payment being made earlier than specified, they were experiencing some hardship and cash flow problems. Therefore, they requested that Kennecott advance them funds in an amount equal to the estimated guaranteed payment (with the further request that in making such calculation, Kennecott assumes that the amount paid to the local units of government by MILIF in January of the following year will be zero). Kennecott was willing to honor their requests and made advance payments in 1994, 1995, 1996, and 1997.

Use of Construction Year Payment by Rusk County

Construction year payments were made to Rusk County, the City of Ladysmith and Town of Grant in 1991 as a result of Wisconsin Statute 70.395. Rusk County used the funds to cover its expenses associated with the construction of the Flambeau Mine and to address the long term economic impacts of the mine on the County. These expenses included the renovation of a vacant industrial building, which would be leased to growing companies that would provide jobs in the future, and the preparation of an economic development plan that would identify mining-related concerns and provide a framework for long-term future economic development.

Use of First Dollar Payments, Supplemental Payments, and Discretionary Payment Program Grants

Continuing the partnerships formed during the negotiations of the Local Agreement, the local communities used this short-term boost of funds to invest in many different projects that they hoped would lead to a prosperous economic future for their residents. The City of Ladysmith and Rusk County were partners in several of these projects and the Town in one of them. Following is a list and description of those major projects that were undertaken in Rusk County that were partially or wholly funded from mine related sources (15):

Glen Flora Satellite Building – This 1996, \$300,000 project was funded entirely by mining first dollar and supplemental payments to Rusk County. The Glen Flora building is leased to a computer recycling and salvage firm called 5R Processors. At the time they moved into Rusk County and the Glen Flora building, they had 10 employees and needed to expand. In 1998, an expansion project totaling \$220,000 was undertaken. Half of the money for the expansion came from first dollar and supplemental tax payments and the other half from the County revolving loan fund. Currently, the company employs 45 people.



Figure 6.1 Glen Flora Building: 5R Processors

Fritz Avenue Manufacturing Plant Reuse – The total cost of the project was \$900,000, which included \$450,000 from an Economic Development Administration (EDA) grant to the City of Ladysmith and Rusk County and \$450,000 from mining first dollar and supplemental payments paid to the City and County. This project took a City eyesore and turned it into an attractive, modern building. Two of the three tenant spaces are leased by a textbook printer and a sign printer. On average, about 15 people are employed between the two firms.

Weyerhaeuser Satellite Building – Funding for the \$300,000 project came entirely from mining first dollar and supplemental payments to Rusk County. The building was initially leased by a medical supply firm and employed three people.

Ladysmith/Rusk County Enterprise Center – Funding for this \$1,400,000 project built in 1997 in the Ladysmith Industrial Park came from an \$840,000 EDA grant to Rusk County and the City of Ladysmith and \$560,000 of mining first dollar payments and supplemental mining tax payments to the City and the County. Currently, four of the six offices and all seven manufacturing spaces are occupied and employ about 20 people. The production spaces were specifically designed to appeal to start up and woodworking businesses.

Rusk County Airport Runway Extension Project – In 1998, the runway at the Rusk County Airport was lengthened to accommodate corporate jets at a cost of \$3,000,000. The project was funded with a \$2,400,000 Wisconsin Department of Transportation, Bureau of Aeronautics, grant to Rusk County and \$600,000 from mining first dollar and supplemental tax payments to the County.

Rusk County Airport Terminal Project – Completed in 1999, improvements to the airport included a new terminal, maintenance and hangar building, and paved access road. Funds for the \$525,680 project came from a \$473,100 grant from the mining Discretionary Payments Program to Rusk County and the City of Ladysmith and \$52,580 from mining first dollar and supplemental tax payments to Rusk County.

ADF Building Project – After a new building was completed early in 1998, Acrylic Design Fabricators, Inc. (ADF) relocated to the site. Since then, another company has also located in the building. This \$1,050,000 project was funded from a \$585,900 mining Discretionary Payments Program grant to the City of Ladysmith and Rusk County and from \$400,000 of mining first dollar and supplemental tax payments, and other City and County funds of \$64,100. Employees in the building number around 40.



Figure 6.2 ADF Building

Rusk County Forest Industry Business Park – Located next to the ADF Building, this project involved initial development of about 110 acres of industrial sites and a 20,000 sq. ft. warehouse. Funding for this \$1,250,000 project came from a \$750,000 EDA grant to the City of Ladysmith and Rusk County, a \$479,430 mining Discretionary Payments Program grant, and \$53,270 mining first dollar and supplemental tax payments to the City and the County. Approximately 70 jobs expect to be created.

Westlake Enterprises Relocation Project – Funding for the \$275,000 project came from \$125,000 in mining first dollar and supplemental tax payments to Rusk County and \$150,000 in lease revenue to the City of Ladysmith earned from the Meadowbrook Multi Tenant Industrial Center. In conjunction with the Westlake project, the Meadowbrook Center underwent a renovation and had 6,000 sq. ft of space added. The completion of the project in 1997 enabled further expansion of this service oriented operation staffed largely by developmentally disabled workers. The average number of jobs is 45.

Meadowbrook Center Addition – Completion of the 23,100 sq. ft. addition to Ladysmith’s Meadowbrook Center occurred in 2000. The \$880,000 cost of the addition was paid for by a \$380,000 Discretionary Payments Program grant and \$500,000 borrowed on behalf of the City by the local development corporation. Rockwell Automation pre-leased the building and invested at least \$1,250,000 in new fixtures and equipment to outfit the space. Fifty new jobs were created.

Conwed Designscape Relocation Project and Weather Shield Expansion Project – Although these two projects are separate projects, one is an outgrowth of the other. The two projects together is probably the most significant and successful economic development project undertaken in the area in the last 50 years and demonstrates the power of planning and perseverance by the local units of government.

Envisioned some 12-15 years prior, it began in early 1996 when the City of Ladysmith and Rusk County struck a deal with long-time furniture manufacturer, Conwed Designscape, to purchase its non-expandable 50-year old plant and to finance a new facility. The business was planning to move to southeast Wisconsin, where it had other operations. In order to deter the firm from moving, the City and the County did some creative thinking and planning. Conwed was moved into an up-to-date facility with room to grow in the Ladysmith Industrial Park. Conwed’s old plant then provided a growth opportunity for one of its equally crowded neighbors in Ladysmith’s older Worden Ave Industrial Area.

A mining Discretionary Payments Program grant of \$2,872,000 to the City of Ladysmith and Rusk County provided the entire project funding. Conwed financed an additional \$750,000 in new equipment from other sources including a Community Development Block Grant program loan of \$150,000 (since repaid) and loans from the City and County revolving loan funds. Because of this expansion project, 100 jobs remained in the area and 25 more jobs were created.

The second part of this project was undertaken in 1997 and based on the sale of the former Conwed building to Weather Shield by the City and the County. To facilitate this project, the City of Ladysmith used Tax Increment Financing revenues to relocate utilities and a Wisconsin

Department of Transportation TEA grant to construct a new access road. Weather Shield financed several million dollars in related equipment purchases and installations and building upgrades, which included 150,000 square feet of new space connecting the former Conwed building to Weather Shield's plant. This project created an additional 200 jobs for the area.

Norse Building Systems Project – This 1997 project cost \$2,200,000 and was funded by a \$750,000 mining Discretionary Payments Program grant to Rusk County, the City of Ladysmith and Town of Grant; \$300,000 mining first dollar payments to Rusk County and the Town of Grant; \$300,000 from the sale of a Ladysmith building to the local development corporation; and \$550,000 from the sale of the old Conwed plant to Weather Shield Manufacturing. The 67,750 square feet addition to the original 20,000 sq. ft. building increased usable square footage to nearly 90,000 square feet. Norse builds manufactured homes and closed wall panels and employees about 70 people.

Rusk County Visitor's Center & Rail Museum – The previous visitor's center was undersized and not a handicap accessible facility. The \$200,000 project was funded from a combination of sources: a State budget set aside; mining first dollar and supplemental payments to Rusk County; borrowing by the City of Ladysmith; with the balance from the sale of the previous building. In 1998, a new building was constructed as a replica of a vintage railroad depot alongside a rail equipment display.

Flambeau Mine Buildings Conversion Projects – In 1997, the LCIDC and Flambeau Mining Company developed a lease agreement for the reuse of the Flambeau Mine facilities. The lease is on a long-term basis for nominal consideration. During 1998, Flambeau Mining requested a modification of its reclamation plan to keep the administration building, water treatment facility, rail spur and adjacent 32 acres as an industrial outlot (1:33).

The LCIDC used a \$100,000 grant from the Department of Commerce's Mining Program, along with \$370,000 in borrowed funds to convert some of the former Flambeau facilities into a new Department of Natural Resources area service center. Completion of the interior work on the former mine administration building occurred with occupation by the DNR in the fall of 1999.

The DNR main administration offices were formerly housed in an old log-sided home dating back to 1930 and located on an old ranger station site. It was undersized and overcrowded, had steep steps, and was not handicap accessible. The building housed 12 people, so moving to the mine administration building with its 21 offices and state of the art laboratory was an ideal solution for the DNR. The City bought the old ranger station site from the DNR and has since located a new well and water tower at the location. It seems the site has the best source of water found in 30 years.

In the spring of 2000, the conversion of the west 2,880 sq. ft. of the former mine state-of-the-art water treatment plant into a DNR maintenance garage was completed. In the fall of 2000, the construction of a third building, a 7,320 sq. ft. DNR vehicle storage garage, was completed. The City financed the construction of the building and loaned it to LCIDC for \$318,000. The DNR subleases the buildings from LCIDC. Six full time jobs were created.

In the spring of 2000, using a \$100,000 grant from the Department of Commerce Mining Program along with \$25,000 in city funds, the City of Ladysmith converted the east 4,320 sq. ft. of the former mine water treatment facility into a garage and headquarters for Xcel Energy's (then Northern States Power (NSP)) local line maintenance operations. NSP was located in a former auto dealership building in a prime commercial area. Since their operation could be located anywhere, it made sense to have them move into other facilities.

Flambeau's original mine permit called for the administration building and the water treatment facility to be removed. The 1.25 mile rail spur off the Canadian National main line was also to be removed. This conversion project was successful in retaining both of these community assets.

Neilsen Ford Project – From the conversion of the mine's former water treatment plant into a line maintenance operations facility for Xcel Energy, a spinoff project resulted. Nielsen Ford was interested in the acquisition of the former NSP facility, which was a prime commercial site. NSP sold the real estate directly to Nielsen, who converted the facility into a Ford dealership. The \$1,815,000 project included \$80,000 in loans from the city, county, and regional revolving loan funds. Bank financing of \$1,100,000, along with \$300,000 of owner's equity covered working

capital needs and inventory. Twelve jobs were created. Although the Neilsen business closed in the fall of 2001, the building has been purchased and remodeled for use as a physical therapy rehabilitation clinic, so it remains in commercial use.

Additional Uses of First Dollar Payments, Supplemental Payments, and Discretionary Payment Program Grants by Town of Grant

According to Mr. Henry Golat, a member of the Town of Grant Board of Supervisors, the Town has a large balance remaining from the payments made to the Town in the form of mining first dollar and supplemental payments from the State and Flambeau Mining Company. The Board made the decision to keep a large balance in case the local water becomes contaminated some time in the future due to past mining operations. The Town would be responsible for providing good water to its residents and would need the money in the event the water would become contaminated (17). As previously noted, Flambeau must retain an \$11.7 million bond until the issuance of the Certificate of Completion. At that time, the bond can be reduced to \$2.3 million, which it must maintain for an additional 20 years.

A portion of the funds, the interest earned each year, is used to bring down the local town tax levy. With recent low interest rates, the annual amount has been quite small.

Spinoff Projects

Although the aforementioned projects can be traced directly to the use of mining related sources, many more projects cannot. They were undertaken as a result of a stronger local economy. Furthermore, in the 1990's, the national economy was also strong enough to support the level of activity. Local officials contend that the infusion of mining funds and the other funds they leveraged probably had a great deal to do with jump starting the local economy. Some of the spinoff activities include the following (15:10):

- 36 new apartments were built in 2000
- A \$6 million grocery store opened
- Two new convenience stores and a bank opened
- A new General Motors dealership opened

Public Funds and Private Investments Leveraged

As indicated in the descriptions of the projects, funding came from many public and private sources. Besides Net Proceeds Tax payments (first dollar and supplemental tax payments and discretionary grants) of more than \$8 million, nearly \$10 million came from other public sources. The EDA gave grants to three projects in the Rusk County area totaling over \$2 million. In addition to the public investments, privately funded investments equal to another approximately \$10 million were made in conjunction with the tax payments or grants for these projects. Total public and private investments made in the local economy for sustainable economic development was nearly \$28 million (15:12).

Job Creation

The mining related funds and the public and private investment leveraged by those funds created or retained many jobs in the local area. Although some of those jobs have since been lost in the

recent recession, the impact to the communities was great, and will continue to be felt. More than 500 jobs are still in existence in the area and provide economic stability to residents (15:13).

Project Income

In addition to job creation, the facilities created by the projects using tax payments, discretionary grants, or mine buildings have generated, or may generate considerable one time or annual income, for re-use in other economic development efforts. The money received in lease payments is put into a Mining Reuse Fund for new economic projects, mainly buildings. It is estimated that at the end of 2004, there will be a balance of approximately \$729,500. Eventually, as the amount builds up, a revolving loan fund may be established (19). Table 6.3 shows the estimated amount of income these facilities bring to the local units of government.

Table 6.3 Project Income				
Facility	Amount	One Time	Annual	Comments
Glen Flora Bldg.	\$300,000	x		If sold outright
Weyerhaeuser Bldg,	\$300,000	x		If sold outright
Fritz Ave Plant	\$38,000		x	Lease
Enterprise Center	\$42,000		x	Lease (1)
New Conwed Bldg.	\$160,000		x	20 year pymt.
Old Conwed Bldg.	\$500,000	x		(2)
Forest Industry Park	\$30,000		x	Warehouse (3)
Norse Building	\$150,000		x	
ADF Bldg.	\$54,500		x	20 year pymt.
Westlake Enterprises	\$15,000		x	To repay loan
Meadowbrook Addition	\$57,750		x	To repay loan
Mine Bldg. Conversion	\$50,000		x	To repay loan
Totals	\$1,697,250	\$1,100,000	\$597,250	

Footnotes: (1) Recycled into staffing and related costs.

Footnotes: (2) Recycled back into Conwed/Weather Shield project.

Footnotes: (3) Includes warehouse lease revenue, but not income from sale of sites.

Source: Al Christianson, Mining Assisted Project Summary

New Tax Base

With the construction of new buildings or expansions to existing facilities in the City and the County comes an increase in the tax base for those units of government. Table 6.4 indicates the amount of new tax base based on *estimated* equalized values.

Table 6.4 New Tax Base	
Facility	Amount
Norse Building	\$2,250,000
Conwed Building	\$2,250,000
Weather Shield Expansion	\$2,006,500
Total	\$6,506,500

Source: Al Christianson, Mining Assisted Project Summary

It is estimated that the total tax generated from the businesses identified in Table 6.4 is approximately \$170,000 annually. This new tax revenue provides for greater distribution of the total tax payments by all property owners in the community due to overall increased valuations.

The majority of new and expanded tax base has occurred in the City of Ladysmith. This is primarily due to the opportunities available to expand existing facilities and businesses and the fact that municipal infrastructure is in place. The Town of Grant participated in one development project at the county level. However, development opportunities within the Town’s business park located along State Highway 27 will provide future opportunities to expand the local tax base.

Table 6.5 New Public Building Space Added	
Project or Facility	New Sq. Ft.
Rusk County Visitor Center	2,300
Rusk County Airport Terminal Project	4,930
Rusk County Community Library	18,000
Flambeau Mine Buildings Conversion (DNR)	7,320
Total	32,550

Source: Al Christianson, Mining Assisted Project Summary

Most of the projects that were funded in part or wholly from mining related sources added new manufacturing or business space or public building space. A total of approximately 443,450 sq. ft of manufacturing or business space was added as well as roughly 32,550 sq. ft of public building space. Table 6.5 and

Table 6.6 lists in detail the project or facility and the amount of square footage added for each.

Table 6.6 New Manufacturing or Business Space Added		
Project or Facility	New Sq. Ft.	Conversion Only
Glen Flora Satellite Building	22,000	
Weyerhaeuser Satellite Building	12,000	
Fritz Avenue Manufacturing Plant reuse		x
Rusk County Enterprise Center	28,400	
Conwed Relocation Project	88,000	
Weather Shield Expansion Project	150,000	
Rusk County Forest Industry Park	20,000	
ADF Building	26,200	
Norse Building Systems Project	67,750	
Westlake Enterprises Relocation	6,000	
Flambeau Mine Buildings Conversion (Xcel)		x
Neilsen Ford		x
Meadowbrook Center Addition	23,100	
Total	443,450	

Source: Al Christianson, Mining Assisted Project Summary

Beginning with construction year payments in 1991 and continuing well into the future, the economic benefits of the Flambeau Mine tax payments and other mining related sources to the local communities and its residents continue to be felt in a better quality of life. The economy of Rusk County has benefited in ways that has made it stronger than it was in pre-mining days. Long term and sustainable economic development was the goal of both the Flambeau Mining Company and the local units of government. Cooperation and planning made it happen in Rusk County.

Partnerships

An additional benefit that came out of the Flambeau Mine project that one cannot put a price on is the partnerships that were formed or strengthened in the process of developing the projects listed in this section. The City of Ladysmith, Rusk County, and Town of Grant had been involved in negotiating and executing not only the first “Local Agreement” on mining as permitted by Wisconsin Statutes, but the first and, thus far, only such agreement developed and executed jointly by several units of local government. Furthermore, the partnerships extended beyond the local units of government to include a regional planning commission, a power utility, and various federal and state granting agencies (15:15-16).

7 COMMUNITY CONTRIBUTIONS

According to the Flambeau Mining Company Communities Relations Plan, “Sustainable development is the vision based on achieving a better quality of life for the local communities today, while preserving and increasing the ability of future generations to achieve a higher quality of life for themselves.” In addition to its environmentally responsible mining practices and the guaranteed payments for economic development, the Flambeau Mining Company demonstrated in several other ways its intention to create positive sustainable development for the residents in the communities surrounding the mine.

This section shows the ways in which Flambeau was a good corporate citizen by its donations of money, time, and equipment. Corporate policy allowed a yearly budget for charitable contributions of approximately \$30,000 for each Kennecott subsidiary, such as Flambeau Mining Company. As is discussed, there were some years in which exceptions were made to that policy and how some contributions continue today. A list of all donation recipients is not available; however, major contributions and any ongoing contributions are included. By far the largest monetary community donation was for the Rusk County Community Library.

7.1 RUSK COUNTY COMMUNITY LIBRARY

In the summer of 1994, officials at Flambeau Mining Company proposed to make a large community contribution. They wanted to find a major project, which could be partially funded by the company, and that would have a lasting effect on the County and the municipalities surrounding the mine.

According to Flambeau officials, the project chosen for the donation needed to satisfy the following criteria:

- ❖ It must serve the greatest possible segment of the community.
- ❖ It must be seen as an immediate and fundamental need by the community.
- ❖ It must have a lasting impact on the community.
- ❖ It must contribute to the development of young people in the community.
- ❖ It must be a highly visible project, both physically and editorially.
- ❖ The elected representatives must be supportive and must commit a percentage of funding, both City and County.

After assessing the community needs, two projects stood out as meeting the above criteria, a community center and a new library. At the time, there was no community center and the library was old, extremely undersized, and lacking in user facilities, including books.

The 3,880 sq. ft. City-County Library was built in 1907 with help from the Andrew Carnegie Foundation. It is located in downtown Ladysmith and considered a historically significant building. Due to the American Disability Act (ADA), the State of Wisconsin had mandated that all public buildings must be retrofitted for handicap access. To comply with the ADA requirements and State building codes, the City of Ladysmith was required to make modifications to the library. The cost to modify the building to meet code was estimated at \$200,000, including an elevator and a small building extension to accommodate handicap accessible restrooms. The library's location was also inadequate to allow much expansion.

A library consultant had been commissioned to do an analysis of the City-County Library early in 1994. As a result of the consultant's study, the need for an expanded library was indicated by the following results (16):

- ✓ The "turnover rate," a statistic frequently used as a measure of collection activity (total circulation divided by the number of circulating items held), was "four" in 1991. A turnover rate of about "two" is considered average in U.S. public libraries.
- ✓ The data suggested that there are not nearly enough volumes of material available to support the Community's library needs.
- ✓ The library was severely undersized given the size of the service population.
- ✓ The inaccessible nature of the building and the functional inefficiencies of being on two levels further taxed the library resources.
- ✓ The data suggested that the library was understaffed and not open enough hours.

The conclusion was that typically a community the size of Ladysmith and its surrounding area would have a library three times the size of the existing facility. Based on that information, it seemed apparent that the existing downtown structure was inadequate for the service population base, and, for that reason, did not warrant the \$200,000 upgrade. Unfortunately, there was insufficient funding to construct a new facility.

Flambeau Mining Company made the commitment to join Rusk County, the City of Ladysmith, and other businesses and individuals in the area to build a new facility, which would house the community library and provide activity/meeting rooms for community groups. To fund the construction of the proposed facility, Flambeau Mining Company pledged to match, up to a total of \$500,000, any other funds raised for this purpose. In addition, Flambeau offered to assist the County and City in raising the matching funds.

With Flambeau's \$500,000 and commitments of \$250,000 each of mining tax funds from Rusk County and the City of Ladysmith, combined with donations from other sources ranging from

\$0.25 to \$100,000, a new, much larger \$1.4 million library facility was built in the City of Ladysmith. Construction began in 1996, with completion in mid-1997. The 18,000 sq. ft. handicapped accessible facility includes a 9,000 sq. ft. library on the upper level and 9,000 sq. ft. of community/meeting rooms on the lower level. It is located in O.J. Falge Park on the shore of Corbett Lake, and overlooks the Corbett Lake Island covered bridge, waterfall, and pavilion.



Figure 7.1 Rusk County Community Library

Without the key gift of \$500,000 from Flambeau Mining Company, the Rusk County Community Library may still be only a dream for the residents of the communities. Truly, the new library has become a cultural center for the area. Recently, the library hosted a traveling Smithsonian exhibit that was visited by nearly 2,500 people. Only six libraries in the state were given the privilege of hosting this exhibit.

The new library provides services to 15,000+ citizens of Rusk County in addition to the thousands of requests for information and materials from other libraries. According to the library director, usage has gone from an average of 90 patrons a day at the old library to 400 patrons a day at the new library.

Increased usage brings increased operating costs. According to the Ladysmith City Administrator, funding of the library is a high priority for the City and the County as it is by far the most popular service provided by these units of government. The Rusk County Community Library Foundation was established for the purpose of developing a permanent endowment to benefit the library and its needs. Although the library is primarily funded from County and City Funds, the Foundation helps to provide for projects, children's programs, new acquisitions, and emergency support.

An unexpected spin off benefit of the new library facility was the remodeling of the former library in downtown Ladysmith. It has been refurbished into a beautiful bed and breakfast establishment.

7.2 EDUCATIONAL

Flambeau Mining Company valued excellence in local education and made contributions in several different formats. This section discusses the ways that Flambeau supported, and continues to support, local students and schools.

Scholarships

Flambeau Mining Company initiated a college scholarship program to provide financial assistance to dependents of employees in the fall of 1994. First time or currently enrolled full time students of an accredited college were eligible for the program. Scholarship amounts ranged from \$1,000 to \$3,000 per student per year and were awarded to dependents of current or retired employees.

Scholarships were awarded for attendance at an accredited two or four year college or university or a technical or business school, which is approved by an appropriate governmental agency or state department of education or other reputable agency. The majority of students that received the scholarships had graduated from local high schools and were enrolled in schools in either Wisconsin or Minnesota. Scholastic merit was the primary basis of the award.

In 1998, Flambeau Mining Company established another scholarship program to support local students. Four annual grants of \$500 each are provided to Ladysmith High School, Bruce High School, Weyerhaeuser High School, and Flambeau High School for award to students advancing to college level education. Although Flambeau had no specific achievement threshold in mind, they prefer the candidate to be pursuing courses in science, engineering, environmental studies, or business related subjects. The annual awards are to continue for 20 years.

Mount Senario College, located along the Flambeau River opposite the Flambeau Mine site, started receiving contributions from the Flambeau Mining Company as early as 1988. Some of the contributions were in the form of gifts and others were to be used for scholarships. Since Mount Senario College closed its doors in 2002, only partial records could be found, thus, the total amount is not known, but is estimated to be over \$25,000.

Intern Program

Beginning in 1993 and continuing until the mine closed in 1997, Flambeau Mining Company hired summer interns that were children of Flambeau employees and through the University recruitment program for a total of 18 interns. Four of the 18 interns were children of employees and 12 were from the local area. Generally, the interns that were children of employees returned for subsequent summers. This was also true for some of the other students who lived locally. A couple of non-local interns had worked in previous years on other company properties such as Kennecott Utah Copper. Students were able to gain valuable experience as well as earn money towards their continuing education.

Interns at Flambeau worked in many different departments and areas of the company depending on their educational interests. Job responsibilities included: Assist Controller, Assist HR/Safety, Assist Mine Planning, Lab Technicians, Assist Environmental Department, General Site Maintenance, Research Lab/Technical, Visitor Center Attendant, and Assist Geology/Pit Control. Intern wages were based upon job responsibility, company standard wages for corresponding job responsibilities, and the completion of their degree. Annual salaries were in the range of \$15,000 to \$30,000.

Further job opportunities were available for these local students/interns, if they were interested in taking advantage of them. For example, one summer intern, a local geology major, became a full time employee of Flambeau Mining Company after college graduation. After the Flambeau Mine closed, the past intern now Flambeau employee was given other employment opportunities within Kennecott. She went to work at the Greens Creek Mine, located on Admiralty Island near Juneau, Alaska.

Other Educational Donations

The Flambeau Mining Company made several donations to local schools, some of which included money for recreational equipment. In 1996, the City of Ladysmith applied to the Wisconsin Department of Natural Resources for aid in the acquisition and development of local parks. A contribution of \$25,000 by Flambeau Mining Company was used as part of the match for this grant application. Playground equipment was purchased with the funds for use at the Ladysmith Elementary School. Additionally, in 1997, Flambeau donated \$8,000 for playground equipment for the Bruce Elementary School.

Flambeau Mining Company made a donation of a greenhouse to the Flambeau High School Greenhouse Project in 1997 at a cost of \$3,800. Students at the school raised over 2,000 plants that year, which included many native grasses and wildflowers that were later transplanted by the students to the reclaimed mine site. Since that time, Flambeau High School students have participated in the reclamation of the Flambeau Mine on an annual basis. Students have gathered

native seed in the local area, raised native plants in the greenhouse, and planted native plants on the reclaimed mine site and adjoining reclaimed gravel quarries.

In an effort to continue to provide opportunities to local high school students to learn about reclamation, native plant diversity, and horticultural techniques of native plant species, the Flambeau Mining Company expressed an interest in establishing a similar relationship with Bruce High School and their greenhouse project. During 2000, Flambeau Mining Company donated \$500 towards the Bruce High School Greenhouse project. Production was scheduled to begin for the 2002 growing season and the students involved in the Bruce High School Greenhouse Project were looking forward to also becoming involved in the reclamation of the Flambeau Mine site.

Each year the mine was in operation, the Flambeau Mining Company made a contribution to the local Junior Achievement program in Rusk County. Over \$20,000 was donated to help hundreds of area students receive a unique learning experience regarding the U.S. free enterprise economy.

In 1999, a University of Wisconsin-Madison geophysical professor and students conducted geophysical measurements over the top of the backfilled pit to gain experience with their testing equipment and interpretation of results. Flambeau Mining Company paid for the hotel costs for the group. As a result of the successful experience with the geophysical students and professor, Flambeau initiated communication with the local college, state universities, and other educational facilities to encourage the use of the Flambeau Reclaimed Mine site as an educational facility.

As a result, groups of students from many areas of the State visited the mine site. For example, University of Wisconsin-Platteville reclamation students toured the reclaimed mine site at least annually and in 2001, University of Wisconsin-Madison graduate students conducted a study of depth readings over the backfilled pit as part of their thesis work.

Many other smaller contributions were made to local area schools for numerous projects, events, and fundraisers, such as graduation, prom, yearbook, field trips, computer equipment, and books.

In addition, Flambeau provided, and still provides, educational materials upon request to members of the surrounding communities, such as mineral samples, videos, brochures, etc.

7.3 OTHER COMMUNITY CONTRIBUTIONS

Flambeau Mine Visitor's Center

Management at Flambeau Mining Company felt it was their responsibility to keep the people of Rusk County fully informed about the mine project from the time they began studying the site, throughout the permit process, during construction when they gave site tours to about 1,200 people, and while the mine was in operation. To that end, in the spring of 1993, the Flambeau Mining Company opened a Visitor's Center at the Flambeau Mine site. The Center rested atop the topsoil storage area and provided a panoramic view of the open pit mining operations. It was designed to introduce the Flambeau Mine project to people in the local and statewide communities who had little or no firsthand information about how mines operate and/or who may have had misinformation about mining in general, in particular the Flambeau Mine and Wisconsin's mining regulations. It served to show visitors how the Flambeau Mine is environmentally responsible, economically beneficial, and community oriented. Furthermore, information and exhibits were provided to help visitors understand that mining is an essential activity because minerals are a vital component of our society today.

Displays told the story of mining, including its history, why mining is done, and introduced the visitor to modern mining operations. A brief summary of the history of the Flambeau Mine project from discovery to permitting was shown, as well as an explanation of its philosophy to commit to safe and responsible mining as the first mine to earn permits under Wisconsin's stringent new mining regulations. Other exhibits show the details of the mining process, the size of the pit, and how much ore is produced daily, monthly, and throughout the life of the mine.

An open house was held at the mine every year for all residents of the local communities. In addition, site tours for groups were given at any time upon request. Many classes from local elementary, junior high and high schools came on field trips to tour the mine site. Upon request,

teachers were provided with an “*Out of the Rock*” kit containing a book, video, several posters, and a tote bag. Over 90 ready to use, hands-on integrated learning activities on topics such as rocks, minerals, mining, geology, the environment, and economics formed the 544 page volume for K-12 that was part of the kit.

Many college professors, particularly in geology, from all over the state and out state brought their classes to the mine for an educational experience. Additionally, professional geological organizations, Department of Natural Resources personnel, and many other types of professional groups toured the mine and/or visited the Visitor’s Center. Groups interested in revegetation and environmental issues continue to make site visits.

The Flambeau Mine Visitor’s Center drew over 2,000 sightseers to the mine site during the first two weeks it was open in 1993. Visitors to the Center came from as far away as Venezuela and from as near as one of the homes next door to the mine site. Open seven days a week during the summer, it became the top tourist attraction in the area and drew over 120,000 visitors to its educational center and scenic overlook above the mine.

While the Flambeau Visitor’s Center was open at the mine site, it drew more visitors than the City/County Visitors Center in Ladysmith. In 1998, the Flambeau Mine Visitor’s Center was donated to the Rusk County Historical Society and relocated to its museum grounds, where it continues to tell the Flambeau Mine story.

Donations of Land

Before mining began, Flambeau owned approximately 2,700 acres in Rusk County. In the mid 1990s, Flambeau Mining Company gave 80 acres of land to the City of Ladysmith and Rusk County. The parcel was immediately west of the existing Ladysmith Industrial Park and just opposite the Wisconsin Central railroad tracks. Two sites have been sold and one site was used for construction of its own building (the ADF Building mentioned in Section 6). Of the 80 acres, 65 acres are left and 15 acres have been sold; however, 5 to 10 acres are unusable wetlands.

Another parcel of land amounting to 58 acres was given by Flambeau Mining Company to the Town of Grant. An additional 22 acres was bought by the Town of Grant from Flambeau bringing the contiguous parcels up to 80 acres in total. The 80-acre parcel named the Grant Business Park, is located south of the mine site along Highway 27. Prior to the tornado in September 2002 that struck the downtown area of Ladysmith, only one business, N. Machine, was located in the Grant Business Park. After the tornado, several businesses from Ladysmith relocated to the Town's property rather than rebuild in downtown Ladysmith.

In 2002, the Flambeau Mining Company donated a six acre parcel of land along the Flambeau River valued at \$15,700 to the City of Ladysmith to be used for construction of the City's Riverview Trail System. Also in 2002, Ladysmith received a DNR matching grant to complete the Riverview Trail. The Trail was built in 2004 in the City's buffer zone between the Ladysmith Industrial Park and the Flambeau River. The trail through the buffer area should provide a safer, as well as a more scenic option, to a route presently used by walkers, joggers, and bikers. The trail will eventually connect with the four miles of trails on the reclaimed mine site.

Miscellaneous Contributions

During the construction period of the mine, a tanker truck, originally bought by Flambeau Mining to be used in dust suppression, was given to the City of Ladysmith. Since the City does not have tankers, it gave the truck to a rural community fire department outside the City. The value of the tanker truck at the time was \$55,000.

In early 1997, Flambeau Mining Company made a \$10,000 contribution to the Time-Out Program. It is a domestic abuse and direct service program for victims of domestic violence and sexual assault. At the time, the program served five area counties, including Rusk County.

After the mine closed and reclamation began, the Flambeau Mining Company continued to make charitable contributions to groups in local communities and to the local units of government. Following is a list of several donations not previously mentioned:

- In 2001, Flambeau Mining donated \$2,500 to the Rusk County Historical Society toward the construction of a reception/display building with restrooms at the entrance of the museum grounds.
- In 2001, Flambeau donated a high capacity portable pump previously used on the mine site to the Bruce Community Volunteer Fire Department and \$500 to the Rural Community Fire Department towards the purchase of a new fire truck.
- After a devastating tornado hit the City of Ladysmith in 2002, Flambeau donated \$5,000 to the Ladysmith Tornado Relief Fund. In addition, the company donated several pieces of equipment and over 60 man hours to the cleanup effort.
- Many other local community and charitable contributions too numerous to mention individually were made by Flambeau, including children's sporting organizations like hockey and little league, fundraisers for local residents or families in need, the local Jaycees' and Kiwanis' organizations, environmental fundraisers, emergency and fire equipment improvements, and local art organizations.
- Although not a monetary contribution, the Flambeau Mining Company continued its open door policy for several years after closure and reclamation. Mine personnel conducted numerous tours of the mine site and made presentations for schools, career fairs, and assorted groups in the communities. In addition, Flambeau Mining Company continues to provide educational materials upon request to members of the surrounding communities, such as mineral samples, videos, brochures, etc.

8 LAND USE ANALYSIS

The Flambeau Mining Company currently owns approximately 2,074 acres in the Town of Grant and 103 acres in the City of Ladysmith (Map 2.3). These 2,177 acres are located in Sections 9, 10, 16, 17, 20, and 21 of Township 34 North – Range 6 West of Rusk County, which includes the mine site minus the leased industrial outlot. This property is to be held in company ownership through the Certificate of Completion. A small portion of the above land will continue to be leased for crop production to local farmers. Management of this land is contracted to a local realty firm (2).

During 2002, Flambeau sold 381 acres of property in the Town of Flambeau, but retained the mineral rights. Flambeau Mining sold 119 acres from sections 8 and 17 in the Town of Flambeau during 2003, and again retained all mineral rights (2). During 2004, Flambeau Mining Company sold 170 acres to the City of Ladysmith and 48 acres to the Ladysmith Community Industrial Development Corporation following the County's and Town's waiver of their rights of first refusal. These properties are located in Section 10, which is east of the reclaimed mine site (2). Overall land use around the reclaimed mine site is depicted in Map 8.1.

Flambeau Mining Company still owns 16 residences near the mine site along Highway 27, Blackberry Lane, and Kennecott Road. Fourteen of the 16 homes are rented to tenants and the other two are used for an office and storage. Management of these residences is contracted to a local realty firm, whom will also handle their sale when appropriate. No final disposition of most of these properties is planned before the completion of all revegetation activities and a ground water assessment is made at the site, which would not be prior to 2006 (2).

8.1 RECREATIONAL TRAILS

Reclaimed Mine Site Trails

After completion of mining operations, the mine site was returned to its approximate original contours. The 181-acre site now contains 8.5 acres of high quality wetlands including a 3.5 acre pond, a savannah prairie, and stands of trees and shrubs. About 500 trees were planted on the reclaimed mine site from the Flambeau Mine's temporary nursery plantation. About 150 trees were moved from the construction area and local stock nurseries contributed about 100 more trees to the nursery.

After site re-contouring and initial revegetation was completed in 1998 on the reclaimed mine site, an easement agreement was signed with the City of Ladysmith for trail development on the mine site. In partnership with the surrounding communities, Flambeau Mining Company developed a four-mile system of conservation nature trails on the 150-acre site, which can be extended into surrounding forests and reclaimed gravel pits (Map 8.1). Besides scenic views associated with the adjoining river frontage, the area is being maintained as a prairie by occasional controlled burning. Because prairie cover is typically not found in far northern Wisconsin, trails here provide users with an opportunity to enjoy this cover type. The former Visitor's Center parking lot was retained to serve as a trailhead. Bluebird nesting boxes were installed on the reclaimed mine site to provide nesting habitat and opportunities for trail users to observe nesting bluebirds. There are also a variety of other birds and wildlife to be seen at the reclaimed mine location.

The goal of the trail system is to promote educational opportunities for school and special interest groups, to show the Flambeau Mine site as an example of responsible reclamation, and to promote tourism in Rusk County. The trail system includes interpretative signage explaining the Flambeau Mine project, environmentally responsible mining, reclamation, wetlands, prairies, geology, etc. Trails will be primarily maintained by Flambeau Mining for four years, or until the Wisconsin Department of Natural Resources issues the Certificate of Completion, which is estimated to be in 2006.

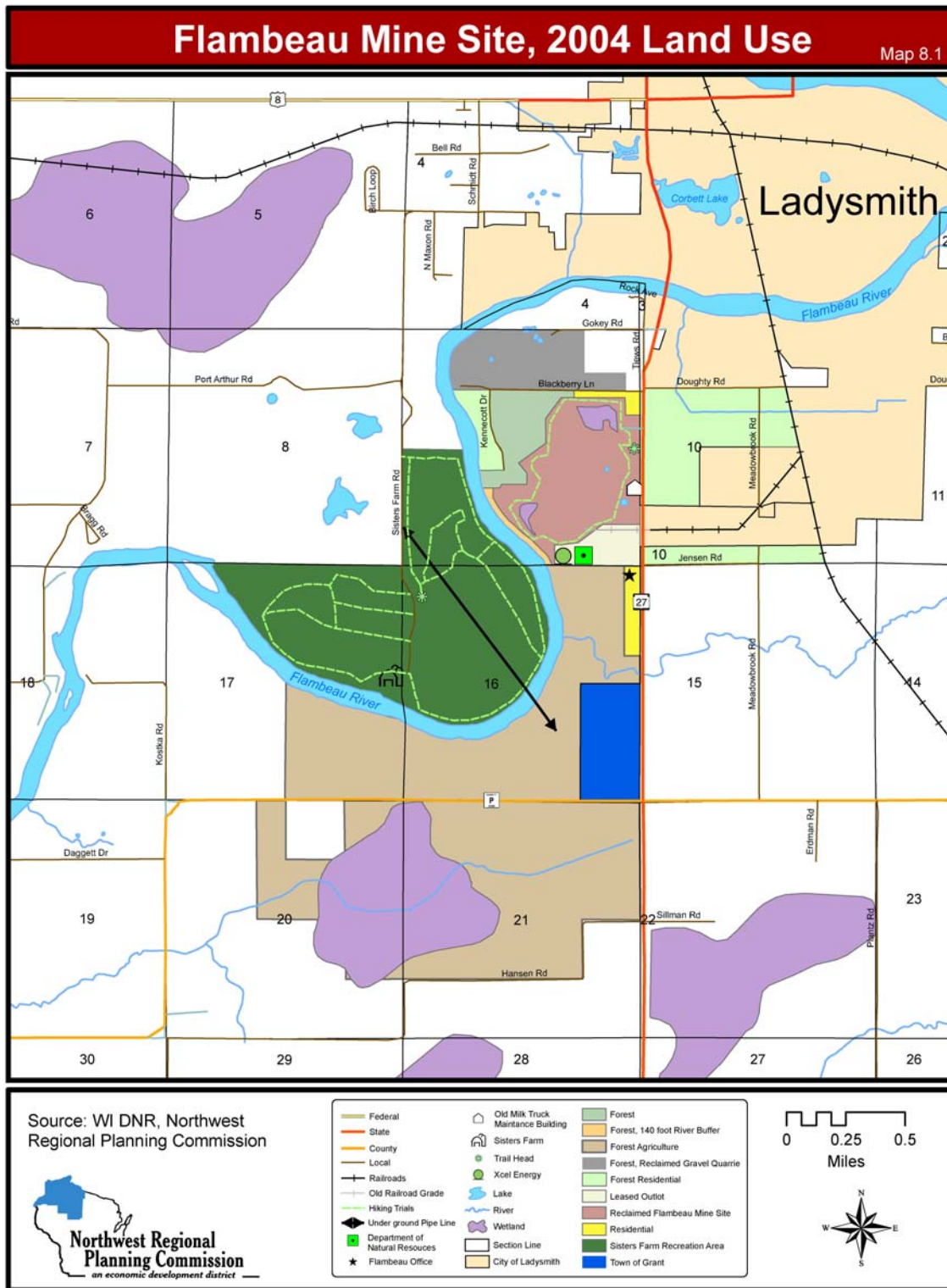




Figure 8.1 Entrance to Reclaimed Flambeau Mine Site

During late September of 2001, a community open house was held to celebrate the grand opening and dedication of the conservation trail system on the reclaimed Flambeau Mine site. Nearly 400 members of the local communities attended the dedication ceremony, enjoyed lunch, and took a walk on the trails (2).



Figure 8.2 Recreational Trail on Reclaimed Mine Site; Mine Buildings in Background

Other Recreational Trails

The Sisters' Farm recreation area (approximately 500 acres), located on the opposite side of the Flambeau River from the mine site, is owned by the Flambeau Mining Company. The City leases approximately 80 acres west of Sisters' Farm Road from Flambeau Mining Company, on which about two miles of non-motorized trails are located along scenic ridges overlooking some sloughs and the Flambeau River. These trails are known as the "Sisters' Farm Ski Trails" after the former Order of the Servants of Mary farm on which the property was once a part. The farm provided food for their local convent. This area is located about 1¼ mile south of the City off Port Arthur Road. Late in 1995, the City's lease for this land was extended for an additional 20 years until 2015.



Figure 8.3 Sign for Sisters' Farm Trails

The City of Ladysmith also has a 20 year easement and license agreement from Flambeau Mining Company on approximately 300 acres east across Sisters' Farm Road. About three miles of additional non-motorized trails have been built there, which can be used in conjunction with

the Sisters' Farm Trails. This agreement effectively doubled the trail network adjacent to the Flambeau River. This provides a longer circuit for skiing and biking. In 2001, additional off road parking was built to serve these and the Sisters' Farm Trails.

While an easement and license agreement exists between Flambeau and the City of Ladysmith, the Ladysmith Area Trails Association (formerly Rusk County Trails Association) works to further develop trails and maintain the existing trails in the Sisters' Farm area during the cross country ski season. In 2001, Flambeau donated \$1,000 to the Rusk County Trails Association for widening of the Sisters' Farm Trails to better accommodate skate skiing and towards general maintenance of the trails. The Trails Association sponsors a mountain bike race on the Sisters' Farm Trails that draws nearly 1,000 racers. Flambeau continues to discuss with the community the retention of the Sisters' Farm area in a natural state to further develop nature and single track trails and maintain wildlife habitat.

8.2 FLAMBEAU RIVER FRONTAGE

So that present and future generations can enjoy the Flambeau River in its natural state, Kennecott Minerals expressed its continued commitment to protect the Flambeau River in a letter dated August 15, 2000. The company stated its desire to work with the Wisconsin Department of Natural Resources to protect the undeveloped river frontage on company-owned property located along the Flambeau River as part of the Wisconsin Northern Rivers Initiative.

In addition to the continuation of environmental protection of the Flambeau River, Flambeau Mining Company considers the maintenance of the aesthetic and natural beauty of the river as an important component to preservation of the riverway. Significant financial gain could have been realized by Flambeau if the company's decision would have been to sell river frontage. As an example, in 2004, there were two vacant lots for sale along the Flambeau River near the mine selling for \$94,900 and \$60,000 having acreage sizes of .37 acres and .50 acres, respectively. Instead, the ability of the public to use the area for recreational purposes preserves the area and maintains the river bank stability, as well as preserving the picturesque views of the shoreline from the water.

9 PUBLIC FACILITIES AND SERVICES ANALYSIS

No public utilities were extended to the Flambeau Mine site. The mine used an existing well that had been used for domestic purposes. For large volumes of water, the mine used water from the Flambeau River.

This section discusses the construction, use, and reclamation of the railway spur that was built for use by the Flambeau Mine. In 1998, Flambeau Mining Company made a request for modifications to its reclamation plan. The Department of Natural Resources approved the modifications that included the retention of the mine buildings, rail spur, and land for industrial development by the LCIDC.

9.1 RAILWAY SPUR

According to the Local Agreement, “Except as otherwise allowed in this Agreement, all transportation of Ore away from the site shall be via railroad. It is agreed that the primary means of transporting Ore from the Mine to off-site facilities for smelting, processing and refining shall be via railway. To this effect, the Operator agrees that it shall, before Mining and extraction begin, take the necessary steps to have constructed and place into operation a spur line connecting the Mine with the main line of what is presently the Wisconsin Central, Ltd., east of the Mine.” Thus, Flambeau Mining Company constructed a 1.25 mile rail spur off the now Canadian National main line at a cost of approximately \$1,250,000.

On site ore processing was a major concern of the local residents. Due to exceptionally high grade ore at the Flambeau Mine (averaged over 10% copper), Kennecott was able to ship it off site for processing. After mining, the ore was taken to a crusher where it was reduced to a form that was easily transportable. From there it was shipped by train to a processing facility in Canada.

The original mine permit called for the rail spur, along with the mine buildings, to be removed during reclamation. During 2003, the Wisconsin Department of Natural Resources released a portion of the rail spur from reclamation requirements following a request made by the Ladysmith Community Industrial Development Corporation. The DNR was satisfied that the portion of the rail spur east of the highway was being used for alternate purposes and would not need to be removed and re-vegetated. In 2004, about 55 acres of land in the vicinity of the rail spur was sold by Flambeau Mining Company to the City and LCIDC. Previously, approximately 75 acres along the rail spur had been purchased by the City and LCIDC.

The southern half of the Rusk County Forest Industry Park, where the rail spur is located, is intended for use by the forestry or secondary wood industries. That area was recently leased to a company called Sappi Fine Paper North America for log storage. Logs are harvested in the area, stored by Sappi, then loaded on to the railroad, and shipped to Cloquet, Minnesota where Sappi's mill is located.

The remaining rail spur located west of the highway had not yet met the requirements for use and it was determined that an alternate use was not likely. As a result, the Conditional Land Use Permit giving a five year window to the City or County to find someone who would build on the nine-acre site and use the rail spur had lapsed and the portion west of Highway 27 was removed.

The western stretch of rail spur had been impacted by ore handling activities and the gravel and ballast underlying the rail and ties required characterization prior to determining whether the material would be reused or disposed. In July 2003, Flambeau did a sampling of the gravel and ballast. With DNR approval of their plan, Flambeau proceeded to excavate two feet of gravel and ballast and dispose of the material at a licensed disposal facility. The rail and ties were removed by Volkmann Railroad Builders for recycling and reuse in the fall of 2003. In November, approximately 7,400 tons of material was sent to the disposal facility for use in road building within the facility.

In the fall of 2003, approximately 200 feet of rail and tie was removed east of State Highway 27. After characterization of the ballast and underlying materials, the top layer of fractured rock

ballast was removed from the site for incorporation into local construction projects. In the spring of 2004, final contouring and the application of topsoil taken from the western portion of the industrial outlot was done to the rail spur areas east and west of State Highway 27. Native wildflowers and grasses were planted to complete the reclamation.



Figure 9.1 End of Railway Spur East of State Highway 27

10 MINE FACILITIES AND THEIR REUSE

Flambeau Mining Company requested modifications in 1998 to its reclamation plan that would provide benefits to the surrounding communities. The Wisconsin Department of Natural Resources approved the modifications that included the retention of mine buildings, rail spur, and land for industrial development by the Ladysmith Community Industrial Development Corporation. This section discusses the use and reuse of the facilities on the Flambeau Mine site.

10.1 WATER TREATMENT FACILITY AND ADMINISTRATION BUILDING

One of the major concerns of many residents in local communities surrounding the Flambeau Mine was the protection of the Flambeau River water quality and its ecosystem. In addition and of equal importance, was the protection of the groundwater and area wells.

Wisconsin law required that any water discharged from the mine site meet very strict standards, and in some cases, standards that exceed Wisconsin's own drinking water standards. To meet those stringent standards, Flambeau Mining Company designed a state-of-the-art water treatment facility utilizing new technology that allowed Flambeau Mining to deliver on its commitment of environmental protection. Any water that came in contact with 1 percent or more sulfur was treated at the water treatment plant before it was discharged into the Flambeau River. The facility neutralized acids and removed minerals because the treated water had to be extremely clean to protect even the tiniest and sensitive organisms in the Flambeau River's ecosystem. The facility delivered water that met, or in some cases, surpassed the water quality standards established to protect water, fish, and animals.

During the life of the mine, the water treatment facility produced over 600 million gallons of high quality water that was discharged into the river (1:33). Besides exceeding DNR permit standards, the water exceeded local drinking water purity standards.

After mine closure and reclamation, the Ladysmith Community Industrial Development Corporation leased the water treatment facility along with the rail spur, the administration building, and an adjacent 32 acres as an industrial outlot from Flambeau Mining Company on a long-term 30-year agreement. The LCIDC has an additional 30-year renewal option on the industrial outlot.

Due to local concerns about its possible re-opening of the mine in future years, Flambeau Mining Company was required to dismantle and remove the water treatment facility equipment. In 1998, the Flambeau water treatment plant was closed, cleaned, and dismantling of the equipment began. Most of the equipment removed from the treatment facility was used for scrap material or sold to other facilities outside the area. Decommission and removal of the plant's equipment was completed in the spring of 1999.

At a cost of approximately \$2 million dollars to construct the water treatment facility, the potential reuse of the facility for other purposes associated with the water treatment equipment could have had significant impact in attracting additional businesses and jobs to the area. However, due to the requirement that all water treatment equipment be removed, all potential for the water treatment facility equipment was negated. Saving the building shell has resulted in the building's occupancy by the DNR and Xcel Energy.

In 2003, the removal of the railway spur west of State Highway 27 was completed, again due to the original agreements noting the removal of the rail spur if no reuse of the line was found between 1998 and 2003. Most of the rail spur east of State Highway 27 has been preserved due to the rail lines ability to provide service to customers located in the Rusk County Forest Industry Park.

On April 1, 1999, the 32 acre industrial outlot was leased to the LCIDC for a 30 year term. Subleases were developed between the LCIDC and the DNR and Xcel Energy for the mine buildings. Interior renovations to the former mine administration building were completed in 1999 for the relocation of the Wisconsin DNR Ladysmith Service Center.



Figure 10.1 Wisconsin Department of Natural Resources Ladysmith Service Center

Conversion of about 3,000 sq. ft. of the former water treatment facility into a DNR maintenance garage was finished in spring of 2000. Approximately 4,000 sq. ft. of the former water treatment plant was converted into a garage and headquarters for Xcel Energy's local electric line maintenance equipment and operations. That project was also completed in spring 2000.



Figure 10.2 DNR Garage in Forefront and Xcel Energy Line Maintenance Garage

City of Ladysmith officials indicated during a recent interview that there were some decisions made regarding the long term land use plan for the mine that perhaps did not provide the most ideal outcomes for the communities. For example, the development of the physical facilities—the wastewater treatment plant and the administration building—perhaps should have been designed for long term use and adapted for mining use. Moreover, leaving the open pit and allowing it to fill up with water for use as a lake may have had good results versus complete backfilling of the pit. A good example of where that course of action has been successful is the Wazee Lake Recreation Area in Jackson County, which was created from a discontinued open pit mine. After closing, it was filled up with water to create “the clearest, cleanest, and deepest lake in Wisconsin, per the Jackson County Forestry and Parks Department (6:27). According to information on its website, Wazee Lake is fast becoming one of the most popular scuba diving sites in the Midwest. Other activities exist on site for additional recreational enjoyment including many miles of hiking and gravel surfaced bicycle trails that wind through a mosaic of prairie and forests.

11 SURVEY RESULTS

The overall operations of the Flambeau Mine had an impact on the community for a relatively short period of time. While the reclaimed mine site is still present, the work force is not. As the City of Ladysmith, Town of Grant, and Rusk County move into the future, the physical presence of the mining site will remain. This section reviews the results of surveys sent to residents and businesses in the City of Ladysmith and Town of Grant.

11.1 COMMUNITY SURVEY

As part of the Socioeconomic Study, a survey of local residents in the City of Ladysmith and the Town of Grant was conducted. The purpose of the survey was to gauge the opinions of local residents and property owners as to the overall impact of the Flambeau Mining Company operations. This “impact” is intended to provide local residents, property owners, local units of government, and Kennecott Minerals with opinions relating to the mining operations and the effect on social and economic factors.

Methodology

A survey database was established using information provided by the City of Ladysmith and Rusk County. In October 2004, 100 percent of the residential addresses identified in the database were mailed a survey. This database included year-round and seasonal residences or out-of-state property owners. The survey also included a postage-paid return envelope. No follow-up surveys or contacts were initiated as part of the survey.

The survey was designed to gather information on the socioeconomic aspect of the mine. Although there were some questions relating to the environment, the survey was not designed to gauge the environmental questions associated with the Flambeau Mining Company operations, rather these environmental questions related more towards the social and economic aspects of this study.

Combined Ladysmith and Grant Survey Results

A total of 1,131 surveys were distributed to property owners within the City of Ladysmith and 444 surveys were distributed to property owners within the Town of Grant. Overall response rates were 24.7 percent and 31.5 percent for the City of Ladysmith and Town of Grant, respectively. An analysis of the combined City and Town survey results is summarized below.

A greater percentage of survey respondents from the City of Ladysmith (90.2%) versus the Town of Grant (80.6%) lived in Rusk County during operations at the Flambeau Mine. Combined, 86.9 percent of all respondents lived in the County during mining operations.

If the respondent lived in the City of Ladysmith, length of residency ranged from 1 year to 88 years, while in the Town of Grant, length of residency ranged from 1 year to 81 years. The combined median number of years residing in both the City and Town is 26 years while the mean is 29.36 years.

Prior to the mine's construction phase and during mine operations, the Flambeau Mining Company engaged the public and provided financial incentives to the municipalities of Ladysmith and Grant and Rusk County. The question, "How would you rate the Flambeau Mining Company as a corporate citizen providing long-term benefits to the local economy," found the majority of responses were excellent and good. A total of nearly 73 percent responded excellent (36.3%) and good (36.5%), 13.7 percent responded fair, and 13.5 percent responded poor.

A set of questions included response categories of strongly agree, somewhat agree, somewhat disagree, and strongly disagree. Representation of the survey responses below combined strongly agree and somewhat agree to form agree, and somewhat disagree and strongly disagree to form disagree.

Socioeconomic Study of the Flambeau Mine

A majority of the respondents (70.7%) agreed that the Flambeau Mining Company improved the well being of people in the City of Ladysmith and Town of Grant, while nearly 21 percent disagreed. Almost 9 percent did not know.

A critical component to the permitting process of the Flambeau Mine was the potential negative impact of the mine operations. Survey responses concerning the environment found 80.9 percent agreed that the Flambeau Mining Company protected the environment at the Flambeau Mine site. Just over 10 percent disagreed, while 8.6 percent did not know.

The survey statement, “Because of the Flambeau Mine, my local government is better off now than before the mine was developed,” found 58.4 percent of respondents agreed and 26.3 percent disagreed. Nearly 15.3 percent did not know if their local government was better off than before the mining operation. Of the respondents that live in the City of Ladysmith and the Town of Grant, nearly 57 percent agreed their local government is better off, 29 percent disagreed, and 14 percent did not know.

Nearly 59 percent of respondents agreed and 30.3 percent disagreed with the statement, “Because of the Flambeau Mine, long-term economic benefits in the local communities have been enhanced.” Just over 10 percent did not know.

The survey statement, “Because of the Flambeau Mine, my community is better off now than before the mine was developed,” found 64.1 percent of respondents agreed, 27.6 percent disagreed, and 8.3 percent did not know.

Seventy-two percent of respondents agreed and 18.7 percent disagreed with the statement, “The Flambeau Mining Company interacted constructively and equitably with local communities during and after the Flambeau Mine.” Slightly more than 9 percent did not know.

The survey statement, “Flambeau Mining Company improved the well-being of people in Rusk County,” found 59.8 percent of respondents agreed, 29.1 percent disagreed, and 10.7 percent did not know. Of the total persons residing in both the City and Town versus the combined survey

Socioeconomic Study of the Flambeau Mine

sample that included non-resident responses, a higher percentage responded that the Flambeau Mining Company improved the well being of people in Rusk County. Slightly more than 64 percent (64.1%) agreed, 28.3 percent disagreed, and 7.6 percent did not know.

Fifty-three percent of respondents agreed and 27.6 percent disagreed with the statement, “The Flambeau Mining Company effectively engaged stakeholders and the local governments to allow the community to participate in the decision making process.” A high percentage responded as did not know (22.4%), most likely due to most citizens being removed from the local government process.

The statement, “Were you concerned about the impact to the environment prior to or during mine construction,” found 67.2 percent of respondents agreed while 32.8 percent disagreed. Seventy-two percent responded “Yes” and 27.9 percent responded “No” to the question, “If concerned, did the mining company adequately address your concerns?”

During the permitting phase and throughout the operations of the Flambeau Mine, the Flambeau Mining Company made certain promises to the people of Rusk County. Following are the questions and responses on that subject:

- The question, “Did the Flambeau Mining Company keep their promise to protect the environment,” found 88.7 percent of respondents felt Flambeau Mining Company kept its promise and 11.3 percent felt the Flambeau Mining Company did not keep its promise.
- The question, “Did the Flambeau Mining Company keep their promise to provide economic benefits,” found 77.3 percent of respondents felt Flambeau Mining Company kept its promise and 22.7 percent felt Flambeau Mining Company did not keep its promise.
- The question, “Did the Flambeau Mining Company keep their promise to reclaim the Mine site,” found 93.0 percent felt Flambeau Mining Company had kept its promise and 7.0 percent felt Flambeau Mining Company did not keep its promise.

Socioeconomic Study of the Flambeau Mine

The survey question, “If another ore deposit were found in the vicinity of your community, would you welcome Flambeau Mining Company back to mine it,” found 75.2 percent of respondents answering “Yes” and 24.8 percent answering “No.”

During mine construction and operations, the Flambeau Mining Company provided roughly \$11.4 million to the City, Town, and County in either direct payments or through the Mining Investment and Local Impact Fund. The question, “How much in total do you think local governments (Grant, Ladysmith, and Rusk County) received in mining taxes and proceeds from the Flambeau Mining Company while in operation,” found the following responses:

- 29.7 percent: \$1,000,000-\$4,999,999
- 17.2 percent: \$500,000-\$999,999
- 15.4 percent: \$100,000-\$499,999
- 11.0 percent: \$5,000,000-\$9,999,999
- 9.1 percent: \$10,000,000-\$14,999,999
- 7.3 percent: less than \$100,000
- 5.5 percent: more than \$20,000,000
- 4.8 percent: \$15,000,000-\$20,000,000

The survey statement, “Have you used the recreational trails constructed on the reclaimed site of the Flambeau Mine,” found 31.1 percent had used the trails while 68.9 percent had not used the trails.

Less than 1 percent (0.5%) of the respondents were under the age of 25 and 2 percent were between the ages of 25-34. The 35-44 age group had a response rate of 13.8 percent. The age group, 45-54, had the highest response rate at 26.1 percent, while the 55-64 age group had the second highest response rate at 22.9 percent. The 65-74 age group had a response rate of 19.2 percent, while the 75 and older age group had a response rate of 15.5 percent.

Socioeconomic Study of the Flambeau Mine

One and two person households made up nearly 70 percent (69.5%) of the total survey respondents. While 12.4 percent of the respondents are three person households, the remainder of households (18.1%) is four persons or more.

In summary, the general conclusion of the survey is positive regarding the attitude towards the Flambeau Mining Company, its operations at the mine site, and involvement in the participating communities. A majority of survey respondents (70.7%) stated the Flambeau Mining Company improved the well-being of people in the both the City of Ladysmith and the Town of Grant. On the other hand, a similarly worded question regarding the well-being of people in Rusk County found only 59.8 percent of survey respondents stating that the Flambeau Mining Company improved the well-being of people in Rusk County.

11.2 BUSINESS AND COMMERCE SURVEY

During the planning and permitting phase of the Flambeau Mine, local citizens and representatives were concerned about the boom–bust cycle in employment that may result from the hiring of employees and potential spin-off of new businesses. In an attempt to assess the impact of the mine to local businesses, a survey was distributed to businesses located in the City of Ladysmith and Town of Grant.

Methodology

A survey database was established using information provided by the City of Ladysmith and Rusk County. In November 2004, 100 percent of the businesses identified in the database were mailed a survey. The survey also included a postage-paid return envelope. No follow-up surveys or contacts were initiated as part of the survey.

Combined Ladysmith and Grant Business Survey Results

A total of 19 surveys were distributed to property owners within the Town of Grant and 245 were distributed to owners in the City of Ladysmith. Overall, a total of 95 responses (6 from the

Socioeconomic Study of the Flambeau Mine

Town of Grant and 89 from the City of Ladysmith) were returned, resulting in an overall response rate of 36 percent.

Eighty-seven percent of survey respondents answered 'Yes' and 13 percent answered "No" to the question, "Was your business in existence during the operation of the Flambeau Mine between 1991 and 1998."

To the survey question, "Were you expecting to get any business from the operations at the Flambeau Mine," 44.9 percent responded "Yes" and 55.1 percent responded "No."

To the survey question, "Did the Flambeau Mining Company or its contractors or subcontractors purchase goods and materials from your business," 44.3 percent of respondents answered "Yes" and 55.7 percent responded "No."

The statement, "Overall, did the presence of the Flambeau Mine benefit your business," found 12.5 percent of respondents had significant benefit, 53.5 percent had somewhat of a benefit, 30.0 percent not at all and 5 percent did not know.

The question, "Did your business hire additional employees as a direct result of the presence of the Flambeau Mine," found 6.3 percent (5 businesses) hired additional employees. The businesses ranged in type by excavation (sand/gravel), petroleum marketer, property rentals, real estate, and retail electronics.

Seven businesses (9.1%) responded "Yes" to the question, "Since the Flambeau Mining Company completed its reclamation project (1998), has your company had to permanently reduce its employee size." Reasons provided as to why the businesses reduced employee size included: two businesses permanently reduced their size due to the Flambeau Mine ceasing operations, two businesses because of the September 2002 tornado, one business due to regional or national economics, and four for other reasons. Under the "other" response, only two respondents identified the reason, which included automation and trade with other countries.

Socioeconomic Study of the Flambeau Mine

From the survey, the question, “Approximately how many FTE employees (including yourself) did your business have in November 1997,” found a majority of businesses (53.8%) had 1-5 employees, 14.1 percent had 6-10 employees, 9 percent had 11-15 employees, 3.8 percent had 16-20 employees, and 19.2 percent had 21 or more employees. A total of 78 businesses responded to the question.

The survey question, “Approximately how many FTE employees (including yourself) did your business have in November 2004,” found that 55.1 percent of businesses had 1-5 employees, 19.1 percent had 6-10 employees, 4.5 percent had 11-15 employees, 5.6 percent had 16-20 employees, and 15.7 percent had 21 or more employees. A total of 89 businesses responded to the question.

In summary, nearly half the survey respondents had expected to get business from the Flambeau Mining Company and nearly half reported they did get business. Some companies that had expected to get some sales did not get any, and some that did not expect to get any sales did get some business. Due to the nature of the mine operations, not all local services could meet the needs of the mining operation resulting in some outside services and purchases.

Of the businesses that had to permanently reduce their workforce, only two identified that one of the reasons was the Flambeau Mine ceasing operations. One of those businesses also listed the 2002 tornado and regional or national economics as reasons for having to reduce staff.

12 SUMMARY

Findings resulting from the social and economic implications of the mine vary; as does public opinion as to how the Flambeau Mining Company interacted with the community or how much income the company made on the copper, gold, and silver taken from the mine. Major findings associated with the Socioeconomic Study are summarized in this section.

Development of the Flambeau Mine from discovery in 1968 to completion of reclamation in 1999 spanned some 31 years. While the first 24 years of the mine entailed developing planning documents, providing information on the future mine operations, preparing environmental documents, and obtaining permits, the time between 1992 and 1999 saw the removal of ore and final reclamation of the Flambeau Mine site. Delays in the mining operation due to environmental concerns and low copper prices were some of the factors that resulted in the 31 years from discovery to reclamation.

The signing of the Local Agreement between Kennecott Minerals and surrounding communities took place August 1, 1988. As part of the agreement, a state-of-the-art water treatment facility was built on site to protect and maintain the high quality of the Flambeau River, which is located 140 feet from the mine site. Throughout its operation, the Flambeau mine complied with all environmental regulations and permit conditions.

Kennecott Minerals Company made an initial investment of \$60 million during mine development and initial startup, which included building the water treatment plant. Net sales revenue totaled \$341 million with net income of \$126 million after operating costs and taxes. Operating costs were largely for payroll, material, supplies and services purchased in the local communities, transportation, and environmental protection. Flambeau paid \$64 million in local, state, and federal taxes. After mining was completed in 1997, approximately another \$20 million was spent on mine site reclamation.

During the life of the mine, the Flambeau Mining Company paid over \$14 million in Net Proceeds Tax to the State of Wisconsin. Of the \$8.6 million, or 60 percent of total NPT paid, that

went to the Mining Investment and Local Impact Fund, roughly \$8.4 million came back to the local units of government in the form of construction year payments, first dollar payments, additional payments to the County, and discretionary grants. Another \$200,000 was transferred from the MILIF to the Wisconsin Department of Commerce and given out in grants to help in the conversion of the Flambeau Mine buildings. Another roughly \$2.7 million came directly from Flambeau Mining Company to the local units of government in the form of direct guaranteed payments. In total, the local units of government: City of Ladysmith, Town of Grant, and Rusk County, received over \$11 million, either directly or indirectly, from the Flambeau Mining Company.

Approximately \$5.5 million, or 40 percent, of the Net Proceeds Tax collected from Flambeau Mining Company went into the Badger Fund. All of those monies was eventually put into the State's general fund and used for state government purposes.

The City of Ladysmith, the Ladysmith Community Industrial Development Corporation, and Rusk County aggressively solicited existing and prospective manufacturing clients to expand and develop economic opportunities made available to the communities through mining impact funds and direct guaranteed payments. As a result of local and community development projects, it is estimated that over 500 jobs were created from payments made to the Town of Grant, City of Ladysmith, and Rusk County.

A secondary benefit resulting from the mining impact funds and supplemental payments was the ability of the local communities to seek other state and federal grants. It is estimated that an additional \$20 million in public and private financing was obtained to enhance the economic conditions of the communities.

The City of Ladysmith and the LCIDC gained a significant amount of land for continued economic development opportunities. Land was granted or acquired from the Flambeau Mining Company for the purpose of developing and expanding business and industrial development. These lands are adjacent to existing industrial parks and the rail spur once used to move ore from the mine. Through the purchase and gift of land from Flambeau Mining Company, the Town of

Grant established an 80-acre business park. This business park is available to commercial and industrial development.

Reuse of the Flambeau Mining Company buildings as commercial and industrial facility space not only allowed for the expansion and relocation of two businesses to the renovated mine facilities, but allowed for expanded development opportunities within the City at the companies' previous locations. Leasing the buildings to the LCIDC and the ability to develop the full 32-acre industrial outlot provides yet another opportunity for continued economic development.

Dismantling the water treatment facility after mine closure was called for within the Local Agreement and Conditional Land Use Permit. At a cost of nearly \$2 million to develop, this state of the art facility had the potential for reuse by another business. Removal of this asset has been identified by local officials as something that could have been done differently within the Local Agreement.

A 1.25 mile railway spur used to remove the ore from the mine site was built by Flambeau at a cost of roughly \$1.2 million. According to the Local Agreement, the rail spur was to have been removed after closure. An amendment to the agreement was completed that retained all but 200 feet of the rail spur east of State Highway 27. This resulted in a regional pulp mill using the spur as a log siding for the shipment of logs to its mill in a neighboring state.

Significant economic development strides were accomplished during and after the time the Flambeau Mine was in operation. This was largely due to the local units of government having the foresight and ability to utilize the MILIF and direct payments from Flambeau. Access to this grant money also allowed the jurisdictions to leverage other significant funds as previously noted. Access to these funds resulted in approximately 443,450 square feet of new manufacturing space. In addition, funds were used to convert vacant buildings into space for manufacturing or business use.

Improvements to existing buildings and development of new manufacturing space can also impact the overall tax base (revenue). Three major developments within the City of Ladysmith

were estimated to have a net impact of \$6.5 million towards the City's tax base. As a result, approximately \$170,000 annually will be shared by taxing jurisdictions.

Several of the economic development projects were packaged in a manner that allowed for lease payments or direct loan payments that will come back to the local communities. These repayments are placed in a Mining Reuse Fund for new economic development projects. At the end of 2004, it is estimated that the Mining Reuse Fund will have a balance of approximately \$730,000.

The Town of Grant has limited its expenditure of funds from the MILIF and direct guaranteed payments. Use of funds has been limited to one joint economic development project (Norse Building Systems) and to the development of its 80-acre business park. Information from the Town was requested as to their fund balance and use of funds, but no data was provided. According to a town representative, the Town is retaining the funds for a potential environmental contamination of the local drinking water supply.

Efforts were made by Flambeau Mining Company to be a good corporate citizen. Many donations of money, land, time, and equipment were given to area residents, local groups, and the local units of government. A major contribution of \$500,000 towards the construction of a new community library in the City of Ladysmith made a much needed facility become a reality. Moreover, the majority of the rest of the funding for the library came from mining tax funds.

In addition to the library contribution, several donations of land from Flambeau Mining Company were given to the City and the Town for recreational and economic development purposes. Trail systems were, and still are, being developed on and around the reclaimed mine site. Business and industry parks were able to be developed and or expanded in the City of Ladysmith and Town of Grant due to the land donations.

Besides the contributions made by the Flambeau Mining Company to support local students and schools, many educational opportunities became available due to the presence of the Flambeau Mine. Internships were available to children of employees and local area students. Valuable

experience was gained by the students, as well as earning a good wage. Job opportunities were also made available to those students/interns that were interested. Scholarships were awarded to dependents of employees during the life of the mine. Furthermore, in 1998, another scholarship program was established to support students from four local high schools, which will continue for 20 years.

While the Flambeau Mine was in operation, people and groups from all over the state, neighboring states, and the world came to tour the mine site and visit the Flambeau Visitor's Center. Over 120,000 people, local and otherwise, visited the Center with its scenic overlook and educational center. In addition to attracting tourists by the sheer physical presence of the mine, Flambeau Mining Company contributed monetarily to the Rusk County Development organization to promote tourism.

Recreational opportunities at the reclaimed mine site and at other Flambeau properties provide opportunities for residents and visitors of Rusk County to enjoy several quiet sports activities. Through continued partnerships between the Flambeau Mining Company, local outdoor clubs, and local units of government, continued planning is underway to link the overall recreational trails and facilities to provide one integrated system.

Throughout northern Wisconsin and Rusk County, development of shore land areas is in high demand. Flambeau Mining Company owns a significant amount of frontage along the pristine Flambeau River. Flambeau could have made a decision to lot off and sell a majority of the river frontage areas for residential development. However, the company committed to preserving the shore land areas under their ownership. This decision continues to protect the stability of the river bank and preserve the scenic qualities of the frontage along the Flambeau River.

Rusk County is a sparsely populated rural county in northwestern Wisconsin that suffers from low wages, a high unemployment rate, and low incomes. Because the Flambeau mine only employed on average about 60-70 employees, the socioeconomic impacts on the surrounding communities was negligible (in terms of population growth, demand on public services, etc.) However, these mining jobs paid higher than average wages and provided health insurance and

other benefits for families. Due to the multiplier effect, it is estimated that for every dollar in salary paid to people at the mine, \$2.00 to \$3.00 more circulated through the Rusk County economy in the form of tax payments and purchases of other goods and services.

Surveys were sent to property owners and businesses in the City of Ladysmith and Town of Grant to gauge their opinion as to the overall impact the Flambeau Mine operations had on their communities and businesses. Overall, attitudes towards the Flambeau Mining Company and its operations at the Flambeau Mine were positive.

Following are several key findings from the community survey sent to the property owners in the City of Ladysmith and Town of Grant:

- Respondents agreed that the Flambeau Mining Company improved the well being of the people in both the City of Ladysmith (73.0%) and the Town of Grant (65.9%).
- Of the 178 respondents (66.2%) from the City of Ladysmith that stated they were concerned about the impact to the environment prior to or during mine construction, 131 (73.6%) responded that the Flambeau Mining Company adequately addressed their concerns.
- Of the 92 respondents (69.2%) from the Town of Grant that stated they were concerned about the impact to the environment prior to or during mine construction, 63 respondents (69.2%) responded that the Flambeau Mining Company adequately addressed their concerns.
- The question, “If another ore deposit were found in the vicinity of your community, would you welcome Flambeau Mining Company back to mine it,” found 75.7 percent of respondents from the City of Ladysmith and 74.2 percent from the Town of Grant replied “Yes.”

- The question, “Did the Flambeau Mining Company keep their promise to protect the environment,” found that 88.7 percent of respondents felt Flambeau Mining Company had kept its promise.
- The question, “Did the Flambeau Mining Company keep their promise to provide economic benefits,” found that 77.3 percent of respondents felt Flambeau Mining Company had kept its promise.
- Ninety-three percent of respondents felt that Flambeau Mining Company did keep its promise to the question, “Did the Flambeau Mining Company keep their promise to reclaim the mine site.”
- To the question, “How much in total do you think local governments (Grant, Ladysmith, and Rusk County) received in mining taxes and proceeds from the Flambeau Mining Company,” only 9.1 percent chose the correct range of \$10,000,000-\$14,999,999. The largest percentage of respondents (29.7%) thought the local governments had received only \$1,000,000-\$4,999,999.

Following are several key findings from the business and commerce survey sent to the business owners in the City of Ladysmith and Town of Grant:

- To the survey question, “Were you expecting to get any business from the operations at the Flambeau Mine,” 44.9 percent responded “Yes” and 55.1 percent responded “No.”
- To the survey question, “Did the Flambeau Mining Company or its contractors or subcontractors purchase goods and materials from your business,” 44.3 percent of respondents answered “Yes” and 55.7 percent responded “No.”
- The statement, “Overall, did the presence of the Flambeau Mine benefit your business,” found 12.5 percent of respondents had significant benefit, 53.5 percent had somewhat of a benefit, 30.0 percent not at all and 5 percent did not know.

An unexpected benefit for the local units of government and residents in the area that came out of the Flambeau Mine project is the partnerships that were formed or strengthened in the process of developing the projects that were undertaken with funding from mining related sources. Rusk County, the City of Ladysmith, and Town of Grant negotiated and executed not only the first “local agreement” on mining as permitted by Wisconsin law, but the first and, thus far, only such agreement developed and executed jointly by several units of government.

Successful economic development projects for the local units of government, which in turn benefited all residents of the area, grew out of the partnerships that formed during this time period. Monies that came out of the Flambeau mining operations made it all come together.

The Flambeau Mine project provides a good example of protecting the environment and providing economic and social benefit to the communities surrounding the mine. Throughout the life of the mine, all environmental regulations were complied with and permit conditions were met. Environmental protection and monitoring of the Flambeau River and local groundwater will continue for many years. Sustainable economic development was achieved with investments in economic projects by the local units of government from Net Proceeds Tax proceeds and the leveraging of other public and private monies. Donations to the local communities and organizations by Flambeau Mining provided social benefits still being enjoyed today by area residents.

13 WORKS CONSULTED

1. Kennecott Minerals Company. 2001 Social and Environment Report. April 2002, 1, 32-35.
2. Flambeau Mining Company. Kennecott Flambeau Mining Company Communities Relations Plans. Published each year since 1998.
3. The Flambeau Mine Story. Kennecott Minerals Company. Buchanan Film Company. Videotape, 22 min.
4. Northwest Regional Planning Commission (NWRPC), 2003 Comprehensive Economic Development Strategy, June 2003.
5. Schilling, Robert, New Mines Development, Kennecott Copper Corporation, "Flambeau: A Case Study in Developing a Copper Mine in Wisconsin." Seminar on Mining in Wisconsin, Milwaukee, WI, November 18, 1976.
6. University of Wisconsin-Madison 3 Week Intersession Study: Department of Rural Sociology students with assistance from William R. Freudenburg, Ph. D. The Socioeconomic Impacts of Mining in Wisconsin, A Report to the Wisconsin State Legislature, Assembly Natural Resources Committee. Summer 1995, 1-48.
7. Wisconsin Department of Workforce Development: Labor Market Information (WDWD). Rusk County Workforce Profile. October 2002, 1-9.
8. Wisconsin Department of Workforce Development: Labor Market Information (WDWD). Rusk County Workforce Profile. July 1999, 1-7.
9. Wisconsin Department of Workforce Development: Labor Market Information (WDWD). Workforce Development Area Profile, Northwest Wisconsin. January 2003, 1-8.
10. "Local Agreement Provides Safeguards for Communities." The Flambeau News, 28 June 1990.
11. Local Agreement Between Rusk County, The Town of Grant, The City of Ladysmith and Kennecott Explorations (Australia) Ltd. For Development of the Flambeau Mine, August 1988, 1-52.
12. Flambeau Mining Company. A Pocket Guide to the Flambeau Mine.

13. Wisconsin Department of Revenue, Division of Research and Analysis. A Summary Report on: The Net Proceeds Tax on the Mining of Metalliferous Minerals, The Mining Investment and Local Impact Fund and Board, The Distributions from the Mining Investment and Local Impact Fund. May 1991, 1-6.
14. “Mining Economics.” Wisconsin State Journal. August 31, 1997.
15. Alan Christianson, “Mining Assisted Project Summary” (City Administrator, City of Ladysmith), 1-16.
16. Gary F. Milne Rojek, TSP Architects and Engineers (Letter to Alan Christianson). April 11, 1994.
17. Henry Golat, Town of Grant Board, telephone conversation, 17 November 2004.
18. Blair Kruger, Wisconsin Department of Revenue, telephone conversation, 30 November 2004.
19. Andy Albarado, Rusk County Development, telephone conversation, 12 November 2004.
20. Kennecott Minerals, Eagle Project Update 5: September 2004, September 2004, 1-4.

LOCAL AGREEMENT

BETWEEN RUSK COUNTY, THE TOWN OF GRANT,

THE CITY OF LADYSMITH

AND

KENNECOTT EXPLORATIONS (AUSTRALIA) LTD.

FOR

DEVELOPMENT OF THE

KENNECOTT FLAMBEAU MINE

August 1988

LOCAL AGREEMENT

INDEX

<u>Definitions</u>		<u>Page</u>
Section 1	DNR PERMITS/PERFORMANCE BOND	5
" 2	MINING PERMIT	5
" 3	PROJECT OVERVIEW	6
" 4	SETBACKS	8
" 5	GATES AND VISITORS OBSERVATION TOWER	9
" 6	SECURITY FENCING	9
" 7	CONSTRUCTION SUPERVISION/INSPECTION	9
" 8	HOURS OF OPERATION	9
" 9	ACCEPTABLE WASTE TYPES	9
" 10	OFF-SITE ACCESS ROADS	10
" 11	TRUCKING RESTRICTIONS	11
" 12	HIRING OF EMPLOYEES	12
" 13	GROUNDWATER MONITORING WELLS	13
" 14	TESTING/GUARANTEE OF PRIVATE OFF-SITE WELLS	13
" 15	COMPENSATION FROM LOSS IN PROPERTY VALUE DUE TO PROXIMITY OF MINE	15
" 16	LOCAL MINING IMPACT COMMITTEE	18
" 17	LEACHATE STORAGE AND TREATMENT	20
" 18	EMERGENCY EQUIPMENT AND PLAN	21
" 19	SUCCESSION OF AGREEMENT	22
" 20	CLOSING PLAN	23
" 21	MUNICIPAL NEGOTIATION AND RELATED PROFESSIONAL EXPENSES	28
" 22	MUNICIPAL LIABILITY	28
" 23	OPERATOR RESPONSIBILITY DURING OPERATION AND AFTER CLOSURE OF THE MINE	29
" 24	RENEGOTIATION	30
" 25	GRIEVANCES	33
" 26	ADDITIONAL INFORMATION	33
" 27	CONDITIONAL USE PERMIT	34

<u>Definitions</u>	<u>Page</u>
" 28 LIMITATIONS ON OTHER CONTRACTS	35
" 29 ENFORCEABILITY OF THIS AGREEMENT IN THE EVENT THAT THE MINE IS NOT LICENSED	36
" 30 RUSK COUNTY MINING IMPACT FUND	36
" 31 LOCAL GOVERNMENTS WILL NOT OPPOSE THE MINE	46
" 32 INAPPLICABILITY OF RUSK COUNTY MINERAL MINING CODE	47
" 33 DEFAULTS	48
" 34 ABILITY OF PARTICIPATING LOCAL GOVERNMENTS TO PARTICIPATE IN NR132 HEARING PROCESS	48
" 35 DISPUTES	49
" 36 INVALIDATION	49
" 37 LAW	50
" 38 NOTICES	50
" 39 MODIFICATIONS	51
" 40 TITLES ARE ILLUSTRATIVE OF CONTENT ONLY	51
" 41 LEGAL AUTHORITY	51
" 42 DATE	51

EXHIBITS

- A. Plot Plan showing the Active Mine Area
- B. Legal description of the land where the Mine is
 located
- C. Map showing location of groundwater monitoring
 wells
- D. Map showing Area covered by Well Guarantee
- E. Map showing Area covered by Property Guarantee
- F. Premises Used as Basis For Agreement
- G. Waivers and Variances approved by Local Impact
 Committee
- H. Conditional Use Permit
- I. Letter dated July 13, 1988 from L.E. Mercado to W.G. Thiel with
 attached Kennecott letter dated July 12, 1988 regarding Two Tier
 Testing

AGREEMENT BETWEEN RUSK COUNTY, THE TOWN OF GRANT,
THE CITY OF LADYSMITH
AND
KENNECOTT EXPLORATIONS (AUSTRALIA) LTD.

WHEREAS, the County of Rusk, the Town of Grant and the City of Ladysmith have formed a Local Impact Committee for, among other things, the purpose of representing local governments to protect local interests while developing workable rules under which the mining project proposed by Kennecott Explorations (Australia) Ltd. (Kennecott) can proceed in Rusk County;

WHEREAS, portions of Sections 9, 10, 16, 17, 20 and 21, T-34N, R6W Rusk County in the Town of Grant have been identified as a site with a mineral deposit;

WHEREAS, Kennecott owns the mineral deposit and is interested in developing such deposit into an Open Pit copper mine;

WHEREAS, Rusk County, the Town of Grant and the City of Ladysmith have exercised the authority granted in section 144.838 and 144.839, Wisconsin Statutes, by establishing a Local Impact Committee to negotiate with Kennecott relative to the proposed copper Mine;

WHEREAS, Rusk County, the Town of Grant and the City of Ladysmith have exercised the authority granted in section 144.838 of the Wisconsin Statutes by appointing two members each to the Local Impact Committee; and

WHEREAS, the Town of Grant, Rusk County, City of Ladysmith, and Kennecott are desirous of completing these negotiations in a timely and equitable fashion.

NOW, THEREFORE IT IS AGREED, by and between the Town of Grant, Rusk County, the City of Ladysmith and Kennecott that the following definitions shall be used to interpret the meaning of items contained within this Agreement.

"Active Mine Area" shall mean the operations area of the Operator's land including the Open Pit, itself, as well as the water treatment facility, crushing and loadout facility, runoff catchment, administration center, stockpiled material for backfill, overburden, topsoil and settling ponds, as identified with reference to Exhibit A, but excluding the railroad spur and utility lines.

"Active Mining" shall mean and include all phases of construction and operation of the Mine.

"Baseline Monitoring Program" shall mean that period of time and that phase of the proposed mining operation during which baseline data, as defined in Sec. NR132.03(2) is being collected and analyzed.

"DNR" shall mean the Wisconsin Department of Natural Resources.

"Downgradient Wells" shall mean all wells located west and northwest of the Open Pit, between the Pit and the Flambeau River and as far north as Blackberry Lane.

"Earthen construction" shall mean the berm which the Operator shall construct in the Active Mine Area to contain wastes and wastewater treatment ponds.

"Emergency" shall mean, for the purposes of section 10, only those times when due to strikes, acts of God, accidents or force majeure, the railway line serving the Mine cannot transport Ore away from the Mine.

"EPA" shall mean the United States Environmental Protection Agency.

"Gossan" shall mean gold bearing ore.

"Hazardous Waste" shall have the meaning set forth at Sec. 144.43(2), Wisconsin Statutes.

"Leachate" shall have the meaning at Sec. NR182.04(26).

"Local Impact Committee" shall mean the committee designated by the Town of Grant, Rusk County and the City of Ladysmith to negotiate, subject to each of the parent municipality's satisfaction, this Agreement, and any successor committees hereto, whether designated pursuant to Secs. 144.438 or 66.30, Wisconsin Statutes, or under other statutory authority.

"Metallic Mineral" shall have the meaning at Sec. NR132.03(9).

"Mine" shall mean all of the operations associated with the Open Pit mine sought to be developed under this Agreement by Kennecott.

"Mine Operation" shall mean that phase of the mining project which shall begin after the necessary DNR permits have been granted and after construction has been concluded, to consist of the process, over several years of time, of the extraction and of the shipping of Ore. It shall end with the conclusion of the Ore extraction process, shipping of the Ore and the commencement of the closure.

"Mineral Deposits" shall mean the body of Ore from which Kennecott proposes to extract copper and gold.

"Mining" shall have the meaning at Sec. NR132.03(11).

"Mining Operation" shall mean and include all phases of construction, operation and closure of the Mine.

"Open Pit" shall mean that area on the surface of Operator's land which the Operator intends to excavate and from which Ore will be extracted.

"Operator" shall mean and include the following: The person applying for (Applicant) all necessary local, state and/or federal permits with which to operate the Mine subject to this Agreement, the Owner of the land on which the Mining Operation will take place and the Owner of the Ore extracted therefrom.

"Operator's Rentals" shall mean those houses, business buildings, other structures, and real estate owned by the Operator, but rented or leased by it to third parties for their use and occupation.

"Ore" shall have that meaning set forth at Sec. NR132.03(17).

"Owner," "Applicant" or "Operator" shall mean Kennecott.

"Participating Local Governments" shall mean the Town of Grant, the County of Rusk and the City of Ladysmith, all of which are located in the State of Wisconsin.

"Pollution" shall have the meaning set forth at Sec. 144.01(10), Wisconsin Statutes.

"Secured Area" shall mean all of the Operator's land situated inside of the Security Fence.

"Security Fences" shall mean a fence capable of preventing human beings from intruding into the Active Mine Area, to consist generally of a six (6) foot high chain link fence with three strands of wire on the top.

"Temporary Closure" shall mean an unanticipated cessation of Active Mining operations not to exceed six (6) months whether caused by a strike or strikes, force majeure or other reasons.

"Test Materials" shall mean the equipment, supplies, chemicals and/or other items necessary to take and test water samples.

"Ton" shall mean 2000 American pounds.

"Town Board" shall mean the Board of the Town of Grant, Rusk County, Wisconsin, and where the circumstances dictate, it shall refer to the City Council of the City of Ladysmith.

"Town Officials" means any person legally holding the elective offices of Town Chairman, Town Supervisor, Town Clerk, Town Treasurer and Town Assessor. For purposes of this Agreement, said term shall also include officials of the City of Ladysmith occupying the same or similar positions, whether elected or appointed, under circumstances wherein such interpretation should be given to the term.

"Well Cluster" shall mean 2 or more wells installed within 10 feet of each other at the ground surface and constructed to varying depths.

IT IS FURTHER AGREED THAT:

1. DNR PERMITS/PERFORMANCE BOND

The Owner or Operator of the Mine will secure all necessary licenses and permits from the DNR. The Operator will furnish a copy of the performance bond or other approved security set by the DNR to the Local Impact Committee

2. MINING PERMIT

Operation of the Mine shall comply with all DNR regulations in NR 132 applicable to the Mine and associated facilities except as to exemptions from such regulations as may be granted to the Operator by the DNR in accordance with NR 132.19, Wis. Adm. Code, in which cases the Operator shall comply with such alternative regulations, if any, as are imposed by the DNR. The Local Impact Committee will be provided copies of all pertinent documents which Kennecott provides to the DNR pertaining to any

request for an exemption. A copy of the mining permit and plan of operation, and any modifications thereto, if any, submitted to and approved by the DNR as a requirement for licensing will be made a part of this Agreement.

The Operator shall take preventative measures to minimize surface water runoff or erosion and to accomplish that purpose will finish grading and will seed completed areas of the Mine in accordance with the closing plan made a part of this Agreement.

3. PROJECT OVERVIEW

Project Scope and Limitations:

- a. The Mine, inclusive of appurtenant structures and facilities, but excluding the railroad spur, access roads, and utility feed lines, shall be situated on land whose legal description is as set forth in Exhibit B. It shall consist of an Open Pit, from which the Operator intends to extract topsoil, overburden waste rock and Ore, the purpose of which Open Pit shall be to remove Ore containing copper, silver and gold. The topsoil, waste rock and overburden shall be stored for use in restoration of the Open Pit during the Mine's closure phase.
- b. Dimensions of the Open Pit and Active Mine Area: the Open Pit shall be no greater than 40 acres, more or less, in size and shall be excavated to a depth of no more than 225 feet, more or less, below the grade existing on the site as of January 1, 1988.
- c. Limitations: The Mine herein described shall be subject to the following limitations:
 - (1) There shall be no conversion from an Open Pit to deep shaft mineral mining.

- (2) There shall be no smelting, concentrating or refining of Ore on the Operator's land or in Rusk County.
- (3) There shall be no material expansion of the Mine without first reopening this Agreement and any zoning land use permits granted in accord herewith. "Material expansion" shall mean any substantial increase or variation in the size, scope or intent of the Operator as to the instant Mining Operation which varies with the description of the project as herein contained and as correspondingly established in the DNR permit process. "Substantial increase or variation in the size, scope or intent of the Operator" shall be further defined as any such increase or variation in the size, scope or intent as to the instant Mining Operation which shall exceed in excess of ten (10) percent (%), the parameters for the project as set forth in paragraph 3 b. of this Agreement. It shall not include minor variations on either the size in acres or depth of the Open Pit as evidenced by the approximate dimensional criteria set forth at b. above, nor shall it include variations in annual activity during the Mine Operation phase of the project due to production fluctuations. Material expansion shall not pertain to amounts of Ore shipped in any year nor over the life of the project.
- (4) The Active Mine Area shall, at all times during the construction, operations and closure phases of the project, be enclosed by the Security Fence, entry through which shall be via secured gates.
- (5) The Operator shall install, maintain and utilize surface water containment systems and a water treatment plant to protect the groundwater and surface

water of Rusk County in accordance with DNR specifications.

- (6) The topsoil, waste rock and overburden removed from the Open Pit shall be stock piled for use in site restoration during the Mine closure phase.
- (7) Except as otherwise allowed in this Agreement, all transportation of Ore away from the site shall be via railroad.
- (8) Such other and further limitations as are expressed in this Agreement or by the DNR shall also apply to the proposed Mine.
- (9) The restrictions herein enumerated as to hours and days of operation.
- (10) 300,000 Tons of ore per year shall be the approximate projected amount of ore to be shipped from the Mine each year.

d. The Mine and operations related thereto shall consist of three (3) phases, those being: (1) Construction; (2) Mine Operation; and (3) Closure.

4. SETBACKS

Structures in the Active Mine area shall be kept at least 250 feet from adjacent property owned by others except for the distance from the Flambeau River and other streams within the Active Mining Area and from roads and shall at no time exceed 225 acres. The total Open Pit area shall not exceed 40 acres. The 250 foot buffer to adjacent property shall be maintained in existing natural vegetation to act as an aesthetic, visual barrier. The Open Pit contemplated herein shall be excavated no

deeper than approximately 225 feet below the grades existing at the Active Mine Area on January 1, 1988.

5. GATES AND VISITORS OBSERVATION AREA

The Operator shall construct and maintain gates of sufficient strength to control access to the Mine. The gates shall be closed and kept locked by the Operator except during the hours of operation.

The Operator will provide an area to allow visitors to park and observe the Mining Operation.

6. SECURITY FENCING

Security Fences shall be used to surround the Active Mine Area to prevent unauthorized entry. These Security Fences shall be in place prior to operation, and maintained and used during the life of the Mine. Commencing with construction start up and continuing through closure of the Mine, the Operator shall repair the Security Fences as needed.

7. CONSTRUCTION SUPERVISION/INSPECTION

All earthen construction of the Mine, its storage areas and wastewater treatment ponds shall be under direct supervision/inspection of a registered professional engineer.

8. HOURS OF OPERATION

Blasting, crushing and rail shipping operations shall be conducted during daylight hours, Monday through Saturday only.

9. ACCEPTABLE WASTE TYPES

The only non-hazardous wastes to be stored at the Mine are those wastes as defined by DNR and generated by the operations. The Operator shall not accept, receive, store or dispose of any Metallic Mineral from any other mine without Local Impact Committee approval, except those materials necessary for operation of the Mine and facilities. No Hazardous Waste, as

currently defined by the DNR according to NR 181.12, regardless of quantity, shall be accepted, received, stored, disposed of or transported to the Mine and Operator agrees that it shall not, at any time, apply to the DNR for a Hazardous Waste permit to store, or to dispose of any material currently defined as Hazardous Waste, at the Mine, or at any location in Rusk County.

This section does not preclude on-site storage of fuels, lab chemicals and blasting materials, provided they are contained in secured areas. This section also shall not apply to any precipitate resulting from water treatment activities.

10. OFF-SITE ACCESS ROADS

During the life of the Mine, Operator, its employees and agents transporting Ore to and from the Mine by truck shall be limited to access, to and from the Mine, from State Highway 27 via Blackberry Lane, a town road as of the time of execution of this Agreement, unless a new access road is constructed entirely at the expense of the Operator. Use of Jensen Road, Meadowbrook Road and Doughty Road, lying to the east of State Highway 27, for Ore hauling purposes, shall be limited to those emergency situations when the rail spur serving the Mine is impassible or inoperable and only for the purpose of gaining access to and from the main railway line to which said spur line is connected. The Operator shall construct, maintain and repair, to Town Road Standards as established by the Wisconsin Department of Transportation, and as amended or revised from time to time, those portions of the designated access road which are under Town jurisdiction and which are used by trucks for transporting Ore to or from the Mine to the extent that they remain as public roads. The Operator may contract with the Town, any other municipality or private firms for said maintenance and repair, including such graveling, grading and snow plowing as is necessary. Said maintenance and repair responsibilities shall continue throughout the period of active Mining. Notwithstanding the language above, the primary means of transporting Ore to

and from the Mine shall be by rail. The use of trucks for transporting Ore to and from the site shall be limited to emergency situations, or for special shipments of Ore containing significant amounts of gold bearing Gossan if required for special shipments. The use of trucks to transport to and from the Mine during the closure phase shall be negotiated separately prior to the end of the active Mining phase.

Emergency situations, as that term is used herein, shall not include the closure of the rail line or lines over which the Ore is intended to be transported for periods of time in excess of one month whether due to employee strikes, weather or other conditions, either within or outside of the control of the said rail line or rail lines, nor shall such conditions exist if the railroad, currently the Wisconsin Central, Ltd., or its successor in interest, to which the Mine spur line would be connected, abandons its line to which the spur is connected. Under any of the circumstances herein described, the Operator agrees to confer with the Local Impact Committee as to alternative means of transportation and their environmental, social and governmental effects and means of minimizing the same.

The restriction in sections 10 and 11 to the effect that conditions are imposed upon the use of trucks for the hauling of Ore to and from the Mine shall not apply with respect to sample shipments for testing purposes or other small shipments which are capable of being transported in trucks whose gross loaded weight does not exceed 10,000 pounds.

11. TRUCKING RESTRICTIONS

In the event that trucks are used as referred to under section 10, such use shall be subject to the following restrictions:

- (a) No trucks shall transport Ore on Town roads during any other than daylight hours.

- (b) This section and section 10 shall also apply to any Town roads which are ultimately annexed by the City of Ladysmith.
- (c) The Operator shall clean all truck tires before such trucks exit on to any hard surfaced public road.
- (d) The Town Board may set speed restrictions on any Town Roads or Town roads which are ultimately annexed by the City used for transporting Ore, pursuant to s. 349.11, Wisconsin Statutes.
- (e) Any trucks transporting Ore on public roads shall be maintained to minimize leaks and shall be covered.
- (f) All internal haul roads at the Mine site shall be restricted to prevent any public access.

It is agreed that the primary means of transporting Ore from the Mine to off-site facilities for smelting, processing and refining shall be via railway. To this effect, the Operator agrees that it shall, before Mining and extraction begin, take the necessary steps to have constructed and place into operation a spur line connecting the Mine with the main line of what is presently the Wisconsin Central, Ltd., east of the Mine.

12. HIRING OF EMPLOYEES

Over the life of the operation, Kennecott shall, in accordance with applicable law, assure that after the start of Ore shipments, an average of 75% of the mine workers shall be persons who have resided in or within 10 miles of Rusk County for a period of at least one year prior to hiring, whether hired directly by Kennecott or by any contractor/subcontractor hired by Kennecott. Contracts awarded by Kennecott shall contain local hiring goals for this purpose.

13. GROUNDWATER MONITORING WELLS

Not less than 6 groundwater monitoring Well Clusters shall be constructed within the Active Mine Area as indicated in Exhibit C. These wells are to be tested on at least a quarterly basis during the Baseline Monitoring Program, construction, and operation. In the event that a background of ground water contamination or content of minerals or other substances is ascertained which exceeds any applicable state or federal health standards, which discovery is made during base line testing, the well owner or owners shall be notified. Monitoring after closure shall be in accordance with the DNR approved reclamation plan. If testing of Downgradient Wells indicates that water quality does not meet primary and secondary drinking standards and if water quality indicates a significant deterioration from the background testing required herein, written notice shall be immediately sent by the Operator to all existing Downgradient Well owners within the area indicated on Exhibit D, attached hereto, informing them of the results and requesting permission to test their wells within 48 hours.

14. TESTING/GUARANTEES OF PRIVATE OFF-SITE WELLS

In addition to monitoring wells on the Mine site and surrounding the Mine site in accordance with this Agreement and DNR regulations, the Operator will also pay for and be responsible for the following:

- a. The Operator shall test all existing active wells with respect to both quality and quantity, to establish background data, including those serving the Operator's rentals, within the area indicated on the map attached hereto as Exhibit D, at least twice prior to construction of the Mine and provided the owners not party to this Agreement give permission.
- b. If, after commencement of mining, any well tests within the area indicated on Exhibit D indicate contamination or

Pollution, or if recommendations are issued by DNR not to use such well or wells for human consumption, Operator shall immediately following such discovery and also at least once a year thereafter test all active wells within the area indicated on Exhibit D and continue such testing for 20 years thereafter, unless it is proven that the contamination or Pollution is not caused by the Mine, or such condition is corrected, in which case such further testing shall no longer be required, or such requirement is waived, in writing, by the Local Impact Committee provided for herein. Such waiver shall not be unreasonably withheld.

- c. Appropriate records shall be maintained and kept during this time period. The results of all tests on and off site shall be filed with the Town Clerk and Local Impact Committee.
- d. The parameters to be tested are: field ph, field conductivity, acidity, chemical oxygen demand, iron, hardness, alkalinity and chlorides. Tests are to be conducted in accord with standard EPA or DNR approved methods. If the tests indicate a significant adverse change in any of the parameters from the baseline data the Operator will perform additional tests for other elements such as sulfates, arsenic, cadmium, chromium, lead, mercury and zinc to determine the cause of the change.

Test materials shall be furnished by the Operator, who shall be responsible for taking samples.

If during the period commencing with the start of the Mining Operation and ending 20 years after the Mine ceases to operate any well within the area indicated on the map attached as Exhibit D has evidence of contamination, Pollution or has written recommendations by the DNR not to be used for human

consumption, it shall be presumed that failure of the well has occurred and that failure was caused by the Mine, unless Operator, at its own expense, proves otherwise. Owners who do not grant the Operator permission to test their wells as indicated in a., above, shall not be eligible for relief granted hereunder.

Where well failure is presumed, as indicated above, the Operator shall, upon notice by the Town Board, provide an alternate and adequate source of water for domestic consumption, and for livestock consumption where applicable. In addition, the Operator shall assume all municipal responsibility under Sec. 144.855 (4) Wis. Stats., for any damage to those owners' water supplies, until such time as responsibility is proven otherwise. As used in this sub-section, "municipal" shall include the Town of Grant as well as the City of Ladysmith.

If the Operator undertakes the municipal responsibilities under Sec. 144.855 (4) Wis. Stats., and provides an alternate source of water and it is later determined by the DNR or a court that the Mine is not the cause of damage to a private water supply, the Operator may elect to be reimbursed for all the costs of supplying water, during a period not exceeding one year, under this Agreement by the third party to whom such water was supplied. The Operator shall have no responsibility to furnish compensation or an alternative supply of water under these provisions unless the party to whom compensation is provided or to whom the water is supplied signs an agreement with the Operator acknowledging the Operator's right to reimbursement.

15. COMPENSATION FROM LOSS IN PROPERTY VALUE DUE TO PROXIMITY OF MINE

During the period commencing with the start of the Mining Operation and ending 20 years after the Mining Operation ceases, any private land owner or tenant, or his or her successor in interest utilizing a well or wells located within the area set

forth in Exhibit E, who feels they have suffered a tangible, monetary loss as a direct result of their proximity to the Mine, may appear at any regularly scheduled meetings of the Local Impact Committee to present any claims of loss in property value due to their proximity to the Mine and which loss exceeds any other prevailing losses to similar property values in the County. The Local Impact Committee will hear all testimony relative to the compensation claim. An investigation may also be made of the facts in the claim independently by the Local Impact Committee.

Prior to construction of the Mine, and with the cooperation of landowners within the above-mentioned area, the Operator, at his own cost, shall have all properties in the subject area and three comparable properties outside the subject area, but in Rusk County, appraised by an independent appraiser to establish base information. Any property owner or his or her successor in interest refusing to cooperate by allowing their property to be appraised shall not be eligible to seek relief under this section at a later date. If the Local Impact Committee does not agree with the appraisals, the Local Impact Committee shall obtain an independent appraisal. The cost of the appraisal shall be paid for in equal shares by the Participating Governments and reimbursed from the payment required in Section 21 herein. If two appraisals are not within 10% of one another, the Operator or the Local Impact Committee can request a third appraisal be made by a mutually acceptable appraiser. The average of the third appraisal and the closest appraisal will be used as the basis and the party whose appraisal is not used will pay for the third appraisal.

If any such claim cannot be settled through a meeting between the claimant, the Operator and the Local Impact Committee, claimants must supply a new appraisal from a licensed appraiser substantiating, in writing, the reasons for such loss in property values. The Operator, at its expense, shall also have a new

appraisal prepared by a licensed appraiser again substantiating, in writing, reasons for any loss or in dispute of any loss in value of the subject property. The Local Impact Committee shall then have a review appraisal made of these two appraisals to determine whether there has been any decrease in value of the subject property solely due to its proximity to the Mine and to determine just compensation for any such loss in value substantiated by the Reviewer. The Local Impact Committee shall hire the review appraiser. These appraisals and reviews shall be conducted in accordance with DNR appraisal and review appraisal guidelines in effect at the time such reviews or appraisals are done or some other appropriate guidelines as agreed to by the parties.

If, based upon the review appraisal, the Local Impact Committee determines that the decrease in the value of the subject property was solely due to the proximity of the subject property to the Mine and the claim is justified, the Local Impact Committee shall determine that the amount of compensation representing the difference between the property without proximity and with proximity to the Mine shall be paid to the claimant. If a compensation award is made to the claimant, the Operator shall reimburse the claimant for appraisal costs in the manner indicated below. If no compensation is awarded, the claimant shall not be reimbursed for appraisal costs and shall reimburse the Operator for the Operator's appraisal costs. The Local Impact Committee shall have the power to assess Local Impact Committee costs and fees for conducting any investigation, in addition to compensation awarded.

The affected property owners shall have the right to elect to receive monetary damages if the property is sold in an arms length transaction, for the subject property's reduced market value due to the proximity to the Mine substantiated by the respective appraisals, unless the Operator, at its option, purchases the affected property from the claimant at its

equalized valuation in the year preceding any determination of Loss. The equalized valuation for such purposes shall be calculated by the Town Assessor in the usual manner and shall not reflect any loss in value due to proximity to the Mine.

16. LOCAL MINING IMPACT COMMITTEE

Within ten days after the date of this Agreement, the County, Town and City shall establish a successor Rusk County Mining Impact Committee (Committee or Local Impact Committee) consisting of the chief elected official of the Town, County and City or their designee(s) who possess no conflict of interest relative to the Mine. For purposes of this Agreement, "conflict of interest" shall be defined as meaning that no member shall own real estate within one mile of the Mine, nor shall he or she be married to or related by blood to any person with a fee simple interest in real estate situated within one mile of the Mine or employed at the Mine. Any two members shall establish a quorum. Said Committee may hold such public meetings noticed pursuant to the Open Meeting Law as it deems to be appropriate. One or more of said meetings each year shall include a public forum to discuss concerns or problems with the operation of the Mine. This reference to public meetings shall not be construed as prohibiting the Committee from transacting business in closed session, where deemed appropriate and necessary by it, in accord with Sec. 19.85, Wis. Stats.

To assist the Local Impact Committee in its monitoring efforts and in order for the Local Impact Committee to maintain familiarity with the ongoing status of the mining operation, the following information will be provided by the Operator on an annual basis, if generated no more than one (1) time per year, or on a semi-annual basis, if generated more frequently than on an annual basis:

- a. Verifiable information as to the amounts and types of Ore removed on an annual basis.

- b. Copies of reports between the Operator and the DNR.
- c. Copies of complaints that are received by the Operator from citizens, neighbors, local law enforcement officers, and the DNR.
- d. Notice of any significant change in operational plans for the proposed site.
- e. Copies of insurance certificates pertaining to the proposed site.
- f. Such information as is necessary to update the Participating Local Governments officials as to any substantial changes in organizational structure of the Operator and the impact of such organizational changes on the Mining Operation.

The Local Impact Committee, at its discretion, shall also review, discuss, and inspect the site during reasonable time and with reasonable notice, hold public meetings and report findings to the Participating Local Governments on the following:

- a. Any complaints or complaints received by the Operator or Committee from citizens relative to the Mine and this Agreement.
- b. Specific compliance by the Mine Operator with this Agreement and DNR regulations.
- c. Potential dangers, imminent hazards or public nuisances and recommended actions to mitigate them.
- d. All other items that are pertinent to the Mine including transportation to and from, construction, operation, maintenance, closure and long-term care of the site.

Copies of the official minutes of all such meetings shall be provided to the Operator within 10 days of meetings. This requirement shall not apply to the minutes of closed sessions, if any are held by the Committee, which shall be subject to release to the Operator in accord with Sec. 19.35 (1) (a), Wis. Stats., or when the need to maintain confidentiality no longer exists.

The expenses of the Local Impact Committee shall be paid by the Operator and per diem for each member shall be \$20.00 per meeting, plus verifiable travel expenses. Such reimbursement of Local Impact Committee costs by the Operator shall not exceed a \$750.00 cap, annually. The per diem fee and reimbursement cap shall be increased annually by four percent (4%) commencing the year after the Mine begins operations, for not more than 20 years after the Mine ceases operations.

The Operator agrees to on-site inspection of the Mine by the Local Impact Committee and/or the Grant Town Board upon reasonable notice and a representative of the Operator will accompany the inspector at all times.

17. LEACHATE STORAGE AND TREATMENT

During the life of the Active Mining operation and during any period of Temporary Closure, the Operator shall continue to collect, pump to its wastewater treatment facility, and treat all waters which come into contact with sulfide mineralization which is of such characteristics so as to warrant treatment pursuant to NR 132. The Operator shall not dispose of, store or treat outside the Mine site any Leachate that has been removed from the Mine except Leachate treated pursuant to a WPDES/NPDES permit, nor shall the Operator accept, receive, store or treat at this Mine site any Leachate from any other mine. Any drippings resulting from spraying Ore in rail cars to control dust shall not be classified as Leachate for purposes of this section. Ice, snow and water from precipitation which may

accumulate in rail cars during the course of loading and/or shipping, shall also be exempt from classification as Leachate.

To facilitate collection and treatment of water which comes in contact with potential sulfide mineralization and can produce a leachate that does not meet State standards the Operator agrees that it shall store the waste rock, which is removed from the Open Pit, and contains sufficient sulfides that when leached by rain water will produce a discharge which is greater than the State standards will allow, on sites within the active mine areas specifically prepared for such storage. Said sites shall be lined to prevent seepage into the water table from occurring and shall be equipped with water collection pipes and equipment into which the water shall be channeled for treatment through the waste water treatment facility.

18. EMERGENCY EQUIPMENT AND PLAN

The Operator shall maintain a reliable communication system at the Mine using radio and/or telephone, so that contact can be made with the providers of emergency services, should the need arise.

The Operator will provide an emergency/security lighting system at the Active Mine Area during the hours of darkness.

The Operator shall prepare and issue to the Local Impact Committee an Emergency Preparedness Plan prior to filing a mining permit application with the DNR. Comments from the Local Impact Committee will be reviewed and incorporated if mutually agreed upon.

The plan submitted shall identify hazards peculiar to this Mine, such as steep slopes, blasting and heavy equipment use and, additionally, shall provide information to emergency responders as to chemicals or other materials stored on premises which may present particular fire fighting hazards. In addition, the plan

shall detail how emergencies associated with hazards associated with the Mine shall be dealt with by the Operator and shall include special instructions to any local governments responsible for administration of emergency responses. With respect to the emergency plan to be developed by the Operator, reasonable recommendations of the Participating Local Governments shall be incorporated into the plan.

19. SUCCESSION OF AGREEMENT

This Agreement shall be binding on all parties, their heirs, successors or assigns until its termination by mutual consent of the parties or at the expiration of the mining permit granted to the Operator by the DNR pursuant to NR 132, Wis. Adm. Code, whichever first occurs. This Agreement shall run with the land and a short form of this Agreement giving notice of this Agreement shall be recorded in the appropriate tract in the office of the Register of Deeds. All sections of this Agreement relating to closure, long-term care, insurance, sale or lease of the Mine or its operation, escrow funds, renegotiation, liability, guarantees, and related matters shall survive the termination of this Agreement for the period of years set forth therein. If at the termination of this Agreement the Operator seeks to continue Mining at this location, the Operator shall, in addition to all other requirements imposed by law, regulation and ordinance, agree to enter in negotiations on a new agreement with the Participating Local Governments. Owner may assign this Agreement, without the consent of the Participating Local Governments to a related company of Operator. A related company shall be a subsidiary or parent company of Operator or a sister company of Operator having the same ultimate parent company as Operator's parent company. The Operator may also assign this Agreement to a third party, other than a related company, subject only to submission to the Participating Local Governments of proof of the proposed assignee's financial capacity to assume all of the Operator's obligations hereunder. At a minimum, the assignee shall demonstrate compliance with Sec. 144.87 (2) (e), Wis.

Stats. Upon presentation of proof of financial capability, the Participating Local Governments shall not unreasonably withhold consent to assignment.

20. CLOSING PLAN

The Operator of the Mine, prior to commencing operation, shall file with the Local Impact Committee a copy of a closing plan for the Mine. The plan, at a minimum, shall contain a detailed finish grade plan and a landscape planting plan with types of vegetation indicated. In addition, the Operator shall provide a plan for future disposition of the land. These plans may be the same as those submitted to DNR.

After completion of the present planned Mine Operation, Kennecott will consider several options for disposition of Kennecott-owned property and facilities in Rusk County such as, continuing to maintain ownership, leasing portions to the Participating Local Governments for use as an Industrial Park, or selling the property and facilities. Prior to the sale to third parties of any property owned by Kennecott in Rusk County at this time, or the sale to third parties of any Kennecott-owned facilities or structures required for the Mine Operation, the Participating Local Governments will be given the first right of refusal based on the highest bid received. This excludes the internal transfer or assignment of property or facilities to a related company of Kennecott, which related company shall include a parent company, subsidiary company of Kennecott or parent or a company having a common parent with Kennecott. In the event of an internal transfer, the assignee will assume the obligations of the assignor.

The Participating Local Governments either jointly or individually will be given the first option or right of first refusal to match a bonafide offer to purchase the industrial site situated in the Active Mine Area, provided that in the Operator's sole opinion the separate sale of any portion thereof does

not adversely affect the sale or value of other property owned by the Operator. Said individual site shall include, but not be limited by reference thereto, the following:

- (1) An area of land whose approximate dimensions are: Commencing at the Northwest corner of the intersection of Jensen Road and S.T.H. 27, thence Northerly 1000 feet; thence Westerly 1500 feet; thence Southerly 1000 feet; thence Easterly 1500 feet to the point of beginning, including the Operator's water treatment facility, crushing and ore loading facilities and administration center, among other structures but not including any portion of the Open Pit Mine or waste rock storage area.
- (2) The building formerly known as the "H & H Hauler's Building" plus adjacent land, five hundred (500) feet to its North, South and West and East to the right-of-way of S.T.H. 27.
- (3) The building formerly known as the "Grow Cheese Factory," plus adjacent land of the Operator, sufficient in the area to meet minimal requirements for industrial use under the Rusk County Zoning Code.

In addition, the industrial site shall also include the railway Spur Line connecting the Active Mine Area with the main line of the Wisconsin Central, Ltd.

Prior to the sale or dismantling of any equipment or facilities on the mine site the Participating Local Governments either jointly or individually will be given the first option or right of first refusal to match a bonafide offer to purchase any or all of the equipment and facilities, provided that in

Kennecott's sole opinion the separate sale of a specific item does not adversely affect the sale or value of other items. The equipment and facilities include such items as the fencing, pumps, water treatment facilities, crushing equipment, electrical equipment, piping, building (temporary and permanent), the rail spur, and the railroad right of way east of S.T.H. 27.

In the event Kennecott sells any property, equipment, or facilities to another mining company Kennecott will transfer the Participating Local Governments' option or right of first refusal as part of the sale. If the property is not to be used again for mining, Kennecott will use reasonable efforts to help the Participating Local Governments in finding a purchaser for the property.

Prior to the sale of the industrial site at the N.W. corner of the intersection of S.T.H. 27 and Jensen Road, if extended westerly to the Flambeau River, or the sale or dismantling of any equipment or facilities identified above, the Participating Local Governments either jointly or individually shall be given the first option or right of refusal to lease the industrial site and some or all of the equipment and facilities. The lease agreement will state that the users of the property will not resist, delay or interfere with any future mining operation on property presently owned by Kennecott in Rusk County, will not file any complaints against Kennecott or successors who may buy the property with respect to development or operation of any mine facility on Kennecott's property, will vacate the premises, upon ninety (90) days written notice to be exercised at the Operator's sole discretion whether at or before the end of an express term of occupancy and that its operations on premises shall be such that it is capable of physically vacating the premises within such period, and will carry full liability insurance in an amount sufficient to satisfy Kennecott. If Kennecott elects to sell the industrial site along with other

property owned by Kennecott, Kennecott will use its best efforts to provide the Participating Local Government or Governments who are leasing the property and/or equipment an opportunity to meet with the potential buyers to discuss for a period not exceeding 30 days any arrangement between the potential buyer and the Participating Local Government or Governments which would not affect the sale but could be satisfactory to the Government or Governments.

The Operator agrees to donate to the Participating Local Governments, subsequent to the reclamation of the site of the Mining Operation controlled by this Agreement, that parcel which it owns East of the main line of the Wisconsin Central, Ltd., South of Doughty Road and North of Jensen Road provided the Participating Local Governments agree that the users of the property will not resist or delay further development of the Flambeau Ore deposit and will not file any complaints against Kennecott or subsequent mining companies with respect to development or operation of a mining project because of the proximity, use or impact of the further development to the said parcel.

The Operator further agrees to lease to the Participating Local Governments the following parcels which it owns for \$1.00 and other consideration.

- (1) A parcel on the North side of the former "Sisters Farm," lying West of the Flambeau River, for use and development as an outdoor recreation area;
- (2) River Frontage adjacent to the end of Blackberry Lane at the Flambeau River for park purposes.

The lease agreement will include the provisions identified above for the leasing of the industrial site.

The Operator, although recognizing the positive economic and social impacts which its Mine will make upon the community and the citizens

represented by the Participating Local Governments, agrees to duly consider the potential of donating other real estate from its holdings adjacent to the Active Mine Area to one or more of the Participating Local Governments or, in other ways, of benefiting the community. The Operator, in its sole discretion, agrees to contemplate these potentials, for the purpose of promoting, after cessation of Mining Operations, the interests of the community in which the contemplated mine will be situated.

Except as provided in this Agreement, any party, their successors and assigns, who acquires all or a portion of the Kennecott property and facilities located in Rusk County, shall not be permitted to use the property and facilities in a manner inconsistent with Kennecott's obligations pursuant to this Agreement and all applicable Federal, State and local laws, and such party will not oppose Kennecott's sale of remaining properties and facilities, and such party shall assume responsibility for the following obligations: (a) environmental, (b) all obligations resulting from the use of the property and facilities subsequent to the transfer of the property and facilities from Kennecott to such third parties, and (c) damage or injury to Kennecott caused by such third parties who have acquired the property and facilities in the event such third parties interfere with or adversely affect Kennecott's closing plan facilities. Such acquiring parties will permit Kennecott, upon reasonable notice, to have full access to the property and facilities to facilitate Kennecott's compliance with its obligations pursuant to this Agreement and all applicable Federal, State and local law.

It is further understood that the reference in the paragraph immediately above to environmental responsibility shall be limited to the liability of a successor in interest for environmental damage which occurs from and after the date of its assumption of ownership and use as a result of said successor's use of a specified portion of the Operator's property. It shall

not be interpreted as transferring or assigning to such transferee any of the Operator's environmental obligations under this Agreement or under Federal or State laws or regulations pertaining to the Operator's Mining Operation, closure of the mine or reclamation of the Active Mining Area.

21. MUNICIPAL NEGOTIATION AND RELATED PROFESSIONAL EXPENSES

The Operator shall reimburse the Participating Local Governments for municipal costs and expenses incurred by them during negotiations or as a result of the Operator's intent to locate a Mine in the Town regardless of whether the Mine actually is constructed or operated. While these funds may be used to hire professionals to assist in the negotiation process, the funds shall not be used to encourage, devise, initiate, continue or otherwise pursue legislation, rulemaking or litigation to prohibit the project. The costs and expenses to be defrayed shall be limited to the sum of \$60,000.00 to cover such legal, engineering, per diem and related expenses as have already been incurred as of the date of this Agreement or are anticipated to be incurred by the municipalities. The Applicant shall provide this sum in equal portions to the Participating Local Governments within thirty (30) days of the date of executing of this Agreement by all parties.

22. MUNICIPAL LIABILITY

The Operator agrees to indemnify and hold harmless the Participating Local Governments, their officers, agents or employees from any and all liability, loss or damage the Participating Local Governments or their officers, agents or employees may suffer as a result of any claims, demands, costs or judgments against them arising in any way from negotiation of this Agreement, or from actions brought against the Participating Local Governments from persons suffering injury or property damage as a result of the transportation to the Active Mine Area and from the Active Mine Area by the Owner or Operator or the agents or contractors of either, construction, operation, maintenance,

closure and long-term care of the Mine, provided, however, such liability, loss or damage was not caused by the negligent or willful or wanton misconduct of the Participating Local Governments or their Town Officials or agents or employees. This Agreement to indemnify shall be for a period of 25 years. The Operator also agrees to support, defend and/or reimburse the Participating Local Governments for seventy-five percent (75%) of their respective reasonable legal expenses with regard to the above mentioned actions provided, however, such proceeding is not brought by any person or group of which any Participating Local Governments, Town Official or Member of the Local Impact Committee, or person negotiating this Agreement on behalf of the City, Town or County is a member or has given financial or legislative support of any kind to such person or group.

23. OPERATOR RESPONSIBILITY DURING OPERATION AND AFTER CLOSURE OF THE MINE

To evidence its commitment to long-term care of the Mine, as required under the Wisconsin Administrative Code, including subsequent amendments thereto, the Operator shall provide the Participating Local Governments with the following documentation:

- a. After issuance of the mining permit by the DNR, but prior to commencing mining, a certification to the Participating Local Governments that a bond payable to the DNR in the amount required under NR 132 or other appropriate security as required by NR 132 has been secured.
- b. Thereafter, the Operator shall annually certify to the Participating Local Governments that it is in compliance with NR 132, including any amendments thereto.

The Operator further agrees not to seek an exemption from NR 132.13(3) or (4) and to maintain the bond or other security in accordance with NR 132.13-(3) and (4) for thirty (30) years after closure which period shall commence 90 days after completion of the backfilling of the Mine, unless the Committee

receives a copy of the request to be exempted and concurs in writing, with a DNR conclusion to grant exemption. Such concurrence shall not be unreasonably withheld.

24. RENEGOTIATION

At any time, after the DNR grants of a mining permit under NR132 Wis. Adm. Code to the Operator, the Participating Local Governments or Kennecott may cause this Agreement to be opened for renegotiation by serving a petition upon the other party alleging the existence of one of the following conditions, provided that said petition or petitions are based upon findings made by or statements contained within correspondence to or from persons possessing the professional expertise to make such findings or statements, including but not limited to attorneys, engineers and hydrogeologists.

- a. A feasibility study or any engineering or financial report disclosing any significant adverse environmental or economic impact not contemplated at the time of negotiation of this Agreement which has the potential to cause significant damages to the environment and/or expand significantly the financial burdens of any of the Participating Local Governments.
- b. Expansion of more than ten percent (10%) of the area disturbed by the Operation in the Active Mine Area by the Operator, or the intention by the Operator to expand the site beyond the particular design described herein or the acquisition whether by purchase or gift, by the Operator, of a significant amount of additional real property or interest in additional real property adjoining the real property acknowledged by the parties to be the site of the Mine at the time of execution of the Agreement.
- c. The Participating Local Governments reserve the further right, not to be limited by or to be construed as falling

under subparagraph a., above, to invoke their rights under NR 132 Wis. Adm. Code and Sec. 144.836, Wis. Stats., to provide comments or evidence to the DNR in any hearing or hearings on a mining permit application in the event all of the following conditions occur:

- . . There is a substantial change in any of the environmental or financial premises listed in Exhibit F, upon which the Agreement is based.

- . The change will have a significant adverse effect on the Participating Local Governments or their residents or reduce the Operator's requirement to protect the environment below the requirements of federal and state statutes and regulations.

- . The change is made between the time of execution of this Agreement and the DNR grant to the Operator of a mining permit under NR 132 Wis. Adm. Code.

If the above conditions all occur, the Participating Local Governments will also have the right to reopen specific affected provisions of this Agreement, with the exception of Paragraphs 27 and 31, for purposes of addressing such significant adverse effects. This right to reopen specific affected provisions of this Agreement, with the exception of Paragraphs 27 and 31 may also be invoked by the Participating Local Governments in the event that subsequent to execution, the Operator seeks to procure a waiver from or variance from any Wisconsin Administrative Code provision other than those identified in Exhibit G, which variance requests are acknowledged by these Participating Local Governments as having been made known to them prior to execution of this Agreement and as to which they have no objection. This right is reserved relative to variances pertaining to construction, operation and closure of the

Mine and only if such waiver or variance has an adverse effect on the local community or reduce the Operator's requirement to protect the environment. As is set forth with respect to renegotiation of the Agreement under sub-paragraph a., above, the Agreement reopening process shall be based solely upon findings made by or statements contained within correspondence to or from persons possessing the professional expertise to make such findings or statements, including but not limited to attorneys, engineers and hydrogeologists. In the event that the Participating Local Governments seek to invoke the rights set forth herein, prior written notice of the specific provision(s) as to which Agreement reopening is demanded or, alternatively, with respect to additional variance or waiver requests beyond those specified in Exhibit G, upon notice thereof from the Operator, prior notice as to the refusal to agree to said further waivers or variances beyond those expressed in Exhibit G and/or to the amount and time period of the performance bond shall be communicated to the Operator. In the event that reopening is demanded, it shall be with reference to specific clauses of the Agreement only. All rights, obligations and responsibilities of the Operator and Participating Local Governments not affected by said clauses shall continue in full force and effect.

- d. If at any time the Mine ceases operations for longer than six months which cessation is not caused by a labor dispute, economic shutdown or force majeure.
- e. In the event that uranium or thorium, or either of them, are discovered within the Mine site at levels above natural background which would render them to be merchantable and subject to possible mining by the Operator.

For the purposes of implementing this sub-paragraph, the Operator shall notify the Participating Local Governments upon its acquisition of information or formulation of an intent, either of which falls within the categories at a to e above.

Within thirty (30) days of receiving documented invoices, after entering into renegotiation of this Agreement, the Operator shall reimburse the Participating Local Governments for seventy-five (75%) percent of justifiable municipal costs and expenses incurred as a result of such renegotiations. Said costs and expenses may include but are not limited to: (1) attorney and consulting fees, (2) per diem costs of municipal officials and employees and (3) per diem costs of the Committee. Such reimbursements shall not exceed the cap of \$5,000.00 unless another amount is specified within any renegotiated agreement. During any renegotiation proceedings initiated under sub-section a., above, and until the same are concluded, any item of the Agreement which qualifies under sub-section a., above is subject to renegotiation.

25. GRIEVANCES

The Operator shall respond, in writing, within thirty (30) days to any written grievance filed by Participating Local Governments' officials, relative to the operation, including during the initial construction phase.

26. ADDITIONAL INFORMATION

Before any operational plans for the proposed Mine are filed with the DNR, the Applicant shall provide the Local Participating Governments with the following information, which may be the same as that provided DNR:

- a. The names, business addresses and telephone numbers of the corporation and its corporate officers, including the name of its parent corporation.

- b. The names, addresses and telephone numbers of the legal agents for the corporations in a. above.
- c. The business address and telephone number of the corporate office most directly involved with this proposed Mine.
- d. Description of proposed site ownership.
- e. Status of any other Rusk County mine sites under construction by the Applicant and locational information about them.
- f. Reference from corporate bond counsel, if available.
- g. Description of any civil criminal violations the Applicant has had within this State, with DNR or other state or local agencies or government.
- h. Name of the responsible corporate officer for this proposed site, and names of attorneys and negotiators for the Operator, including their business addresses and telephone numbers.
- i. Types of Ores which will be removed from the proposed Mine.
- j. Estimated amount of Ore in tonnage.

27. CONDITIONAL USE PERMIT

This Agreement is contingent upon, and the parties obligations hereunder will not commence until, the occurrence of the acts or events set forth in a., b., and f., below, and is further subject to the understandings set forth in c., d., and e. below:

- a. The issuance of a conditional use permit for the Mine as provided in Attachment H.

- b. All Participating Local Governments providing adequate proof to the DNR in the form necessary to satisfy the Wisconsin Statutes and Administrative Regulations that the proposed Mine has all necessary local approvals from the Participating Local Governments.
- c. That portion of the Comprehensive Zoning Code known as the Rusk County Mineral Mining Code, Secs. 6.3 to 6.11, inclusive, shall not be applicable to the Active Mine Area, Mine, Mine Operation and Railway Spur Line.
- d. The County Shoreland-Wetland overlay zoning district is not applicable to the Active Mine Area, Mine, Mine Operation and Railway Spur Line.
- e. The zoning of the Active Mine Area and Railway Spur Line shall be under the I-1 industrial classification in the County Comprehensive Zoning Code.
- f. A representation shall be made by counsel for the Town of Grant that, in his opinion, a certain moratorium against mining adopted at the annual town meeting held on April 13, 1982, and that certain moratorium against mining adopted at the annual town meeting on April 12, 1988, as pertaining to the Mine which is the subject of this Agreement are void and unenforceable.

The above activities shall be provided in accordance and consistent with all applicable statutory provisions.

28. LIMITATIONS ON OTHER CONTRACTS MADE BY THE APPLICANT/OPERATOR
- To minimize concerns of Participating Local Governments about future operational or organizational changes, the Applicant/-Operator agrees that:

- a. This Agreement may not be assumed by a third party unless such third party is financially capable and assumes all of the obligations of Owner hereunder.
- b. The Owner may not transfer responsibility of ownership, possession or operation of the Mine to a third party unless the third party is financially capable and assumes all of the obligations of Owner hereunder.

29. ENFORCEABILITY OF THIS AGREEMENT IN THE EVENT THAT THE MINE IS NOT LICENSED

If, for whatever reason, a license is not granted by DNR to the Operator, its successors, or assigns to operate the proposed Mine, sections 21. and 22. only shall be enforceable against the Operator, and all other items shall become null and void.

30. RUSK COUNTY MINING IMPACT FUND

- a. Each of the Participating Local Governments shall in each year the Mine is in operation apply for and retain all amounts to which each is entitled under Sec. 70.395, Wis. Stats.
- b. Annually, beginning with the year in which Mine Operation commences and continuing during each calendar year of the Mine Operation, the Operator shall pay to each of the Participating Local Governments, whether each actually receives net proceeds first dollar tax shares under Sec. 70.395 (2) (d) 1. and 2., Wis. Stats., or not, the difference if the amount each Participating Local Government is entitled to receive for their use under Secs. 70.395 (2) (d) 1. and 2., Wis. Stats. is less than \$100,000 (adjusted for inflation under Sec. 70.375(6) Wis.Stats.) in proportion to the number of tons of Ore shipped in the calendar year in question versus 300,000 tons. In the event, however, that the Operator ships more or less than 300,000 tons in the calendar year in question, it shall pay to the

Participating Local Governments \$100,000, plus the inflation factor under Sec. 70.375[6], Wis. Stats., multiplied times a ratio whose numerator shall be the number of tons actually shipped and whose denominator shall be 300,000, less their first dollar payment entitlement, plus inflation factor for that calendar year. This annualized payment shall be subject to the minimum operations gross payment required under c., below. However, the Operator will not pay any portion of the difference which results from tax credits the Operator receives from payment of any new pre-operations tax payments which are required by new tax laws. For the purpose of this paragraph, it is assumed that the Operator will invoke its right to annex at least 15% of the mineable Ore body to the City of Ladysmith, thus making the City eligible for receipt of first dollar payments under Sec. 70.395 (2) (d) 2., Wis. Stats.

- c. It is the Operator's intention to provide to the Participating Local Governments a minimum gross payment which shall consist of the first dollar payments, adjusted for inflation under Sec. 70.375 (6), Wis. Stats., which each is actually entitled to receive pursuant to Sec. 70.395 (2) (d) 1. and 2., Wis. Stats., to the extent that tax monies are actually generated from the net proceeds tax, in sufficient amounts so as to cause the specified first dollar payments or portions thereof to be made to the Participating Local Governments, and additional payments, to be provided directly by the Operator to them, resulting in a minimum gross payment by the Operator to the Participating Local Governments over the operating life of the Mine in the amount of \$1,500,000.00, adjusted for inflation in accord with Sec. 70.375 (6), Wis. Stats. (1985-86) provided no actions are taken by the State of Wisconsin or the Participating Local Governments which prevent the Operator from Mining the Ore Body. This cumulative payment shall be in addition to and not in lieu of any other tax

shares which each of or any one of the Participating Local Governments may receive pursuant to Sec. 70.395 (2) (d) 1m., or 5. or (g), or (h), Wis. Stats, except as otherwise provided herein at d., below. This cumulative payment over the operating life of the Mine shall constitute a minimum guarantee of first dollar payments only under Sec. 70.395 (2) (d) 1. and 2., Wis. Stats. In addition, said cumulative payment shall be made by the Operator to the Participating Local Governments whether or not one or more of them is ineligible to receive first dollar payments under Secs. 70.375 to 70.395, Wis. Stats., and whether or not said statutory sections and the Wisconsin net proceeds tax on mineral extraction, whether in its present form or as amended, remain law throughout the operating life of this Mine.

- d. Commencing with the first full calendar year of Mine Operation and continuing for not less than four (4) years or until the last full calendar year of Mine Operation, whichever is later, the Operator shall guarantee to Rusk County payment of up to its maximum entitlement to tax proceeds under Sec. 70.395(2)(d)1m., Wis. Stats., should the actual tax proceeds entitled by the County from the State of Wisconsin thereunder be less than the maximum entitlement of the County in any or all of those years. This guarantee shall be conditioned upon and subject to the following qualifications:

(1) For each calendar year subject hereto, the guarantee payment shall be based upon the average yearly Comex price of copper for the year in question. In accord with the following chart, depending upon the average Comex copper price, should the County be entitled from the State an amount less than its maximum entitlement of \$250,000.00, the Operator shall guarantee payment to the County in the

amount of \$250,000.00 multiplied by the percentage listed opposite the copper price in question, as modified by the terms of (2), (3) and (4) below.

(2) The annual guarantee, as conditioned under (1) above shall be subject to the following multiplier: the sum arrived at under (1) shall be multiplied times a ratio whose numerator shall be the actual number of tons of Ore shipped from the Mine in the calendar year in question and whose denominator shall be 300,000 tons of Ore.

(3) From the net sum arrived at upon application of (1) and (2) above, there shall be deducted the actual amount of tax collections the County is entitled to receive from the State of Wisconsin under Sec. 70.395(2)(d)1m., Wis. Stats., for the calendar year in question. The resulting sum, subject to (4), shall be paid directly from the Operator to the County.

(4) The guaranteed payments determined under this paragraph shall be further adjusted for inflation in accord with Sec. 70.375(6), Wis. Stats.

COMEX COPPER PRICE

Cents per pound of copper	Percentage
Less than 65	0
65 but less than 70	20
70 but less than 75	40
75 but less than 80	60
80 but less than 85	80
85 or greater	100

The Operator further agrees that pursuant to Sec. 70.395(2)(d)5c, Wis. Stats., the Operator will make a one-time only construction period payment, and pursuant to Sec. 70.395(2)(dg), Wis. Stats., the Operator will deduct the gross amount of said construction period payment from its tax liability under Sec. 70.395, Wis. Stats., for other than the maximum amount of first dollar payments. The Operator will use its best efforts to distribute such tax credits to minimize the impact on the taxes the County is entitled to receive under 70.395(2)(d)1m., Wis. Stats.

- e. The Operator, in its capacity as owner of the real property, in which the Mine is situated, shall exercise the right granted at Sec. 66.021, Wis. Stats., to petition to annex the following described property to the City of Ladysmith:

A parcel of land located in Sections 9 and 10, Township 34 North, Range 6 West, Rusk County, Wisconsin, described as follows:

Commencing at the northeast corner of the Southeast Quarter of the Northeast Quarter (SE $\frac{1}{4}$ -NE $\frac{1}{4}$) of said Section 10, also being the point of beginning of this description; thence westerly along the sixteenth line to the West right-of-way line of the Wisconsin Central Railroad Ltd.; thence southerly along said west right-of-way line to a point approximately 1250 feet North of the south line of said Section 10, said point also being North 40,500 feet as based upon the Flambeau Mining Corp. mine coordinate system; thence West, assumed bearing, 900 feet along the mine grid line of North 40,500 feet; thence South 300 feet; thence West 400 feet; thence North 300 feet to the mine grid line of North 40,500 feet; thence West to a point approximately 1380 feet North of the south line of said Section 9 and 1300 feet West of the east line of said

Section 9, said point being more particularly described as North 40,500 feet and East 40,100 feet, mine coordinates; thence South 45° West approximately 980 feet to Section 404 of the Flambeau Mining Corp. Baseline; thence approximately North 45° West 860 feet along Section 404 of said Baseline; thence South 45° West 600 feet to the center of the Flambeau River; thence South 45° East approximately 800 feet to a point, said point being more particularly defined as North 39,500 feet and East 39,000 feet, mine coordinates; thence East approximately 500 feet to a point, said point being more particularly defined as North 39,500 feet and East 39,500 feet, mine coordinates; thence approximately North 45° East 425 feet to a point, said point being more particularly described as North 39,800 feet and East 39,800 feet, mine coordinates; thence East 625 feet to a point, said point being more particularly described as North 39,800 feet and East 40,425 feet, mine coordinates; thence South 300 feet to a point approximately 380 feet north of the south line of said Section 9 and approximately 1050 feet West of the east line of said Section 9, said point being more particularly described as North 39,500 feet and East 40,425 feet, mine coordinates; thence East to the east line of said Section 10, said course being more particularly described as East along grid line North 39,500 feet, mine coordinates; thence North along the east line of said Section 10 to the point of beginning.

The purpose of this requirement shall be to enable the City of Ladysmith to be deemed eligible for first dollar payments under Sec. 70.395 (2) (d) 2., Wis. Stats. said property description is presumed to contain at least fifteen (15) percent (%) of the mineable Ore body which is the subject of this Agreement. Should the description not contain 15% of the mineable Ore body, it shall be the sole

responsibility of the Operator to prepare a legal description of real estate which contains that minimum % for purposes of annexation to the City.

- f. For the purpose of applying c., above as concerning the attribution of the inflation factor against the minimum gross payment due to the Participating Local Governments, the following shall control. In a given calendar year, the base payment, defined as \$100,000 multiplied by the number of local governments who are considered Local Participating Governments with respect to paragraphs a, b, and c of this section 30 in proportion to the number of tons of Ore shipped in the calendar year in question versus 300,000 tons (hereinafter "base payment"), shall have added to it the indexed amount calculated under Sec. 70.375 (6), Wis. Stats. For each calendar year in which a base payment is made, the appropriate indexed amount shall be added thereto. When the base payments made equal \$1,500,000.00, the Operator shall have satisfied its obligation hereunder.
- g. In addition to the above described payments from the Operator to the Participating Local Governments, in the event that the Operator fails to exercise its right at all or prior to the commencement of Ore extraction, as to annexation of land to the City of Ladysmith, for the purposes of application of paragraphs a., b., c. and f., the City of Ladysmith shall be considered to be a Participating Local Government and the minimum gross payment called for at Paragraph b. shall not be reduced due to the City's ineligibility to receive first dollar payments under Sec. 70.395 (2) (d) 2., Wis. Stats. However, the City of Ladysmith shall not be considered a Participating Local Government with respect to paragraphs a, b, c and f, of this Section 30 if the City does not approve an annexation requested by the Operator which includes at least 15% of the Mineral Ore Body. If the City of Ladysmith is not

considered a Participating Local Government with respect to paragraphs a, b, c and f of this section 30, the minimum gross payment of \$1,500,000 referred to in paragraphs c, f and o will be reduced to \$1,000,000.00.

- h. The Participating Local Governments may, at their sole discretion, waive all or any portion of the payments to such Participating Local Governments, which payments are required hereunder, if they determine that presently unanticipated benefits of mining will provide offsetting long-term benefits to their respective Participating Local Governments.
- i. Funds received under this paragraph 30. shall not be used to devise, initiate, continue or otherwise pursue legislation, rulemaking or litigation to suspend Mining Operations.
- j. It is further understood and agreed upon that as to payments called for under this Agreement which are in addition to and beyond those payments received by the Participating Local Governments through and under the net proceeds tax under Secs. 70.375 to 70.395, Wis. Stats., the said additional payments may be used by each Participating Local Government Unit in any governmental or proprietary manner which it may legislate and shall not be limited to Mining related purposes.
- k. The Operator will use all reasonable efforts to support the Participating Local Governments to cause a change to Sec. 70.395 (2) (d) 1m. and Sec. No. 70.396 (1) Wis. Stats. to eliminate the requirement that the County use amounts received from the Net Proceeds Taxes for Mine related purposes or enable it and/or the City or Town to develop sinking funds from which to meet unanticipated local costs associated with the operation and closure of the Mine. In

addition, the Operator will use all reasonable efforts to support the Participating Local Government's efforts to receive the full share of the net proceeds first dollar taxes which they are entitled to under Sec. 70.395(2)(d) 1 and 2 Wis. Stats., and will contribute 50% of the reasonable legal fees associated with such an effort up to a maximum of \$25,000.00.

1. In the event that during the Mine Operation phase the Operator, for reasons unrelated to this Agreement, avails itself of its ability to submit a petition for annexation or if its land is subject to a petition of a third party for annexation to the City of Ladysmith, which petition is adopted by the said City and as a result of which annexation less than 15% of the mineable Ore body remains in the Town of Grant, the Operator, despite said Town's ineligibility to continue receipt of first dollar payments under Sec. 70.395 (2) (d) 2., Wis. Stats., shall continue to treat the Town as a Participating Local Government and the annual payment and minimum gross payment called for at paragraph b. and c. shall not be reduced due to the Town's ineligibility to receive first dollar tax proceeds.

- m. The guarantees expressed in this section shall be binding against the Operator; provided, -however, that no actions shall be taken by the State of Wisconsin or the Participating Local Governments which will prevent the Operator from mining the Ore body and shipping Ore from it. In the event of such action, during the pendency of the halt to the Mining and shipping of Ore, if it is temporary in nature or, if permanent from and after its inception, the guarantees shall be ineffective and not binding upon the Operator. As to Ore shipments made before and/or after such a halt, all responsibilities of the Operator under this section shall be met by it.

n. (1) Wherever, in b., c. and d., above, the words "entitled" or "entitlement" are used with reference to a conditioning of the Operator's guarantee of first-dollar payments, it is understood and agreed upon between the parties hereto that said words refer solely to circumstances in which either the State of Wisconsin or its local impact board refuse, in a given year, to appropriate to one or more of the Participating Local Governments all or part of their first-dollar payment entitlements under Sec. 70.395(1)(a)(2)(d)1. and 2. and (e) Wis. Stats., for failure of the local government in question to have used past first-dollar payments in a manner consistent with law or where Participating Local Governments have been required to return previously appropriated first-dollar payments to the State of Wisconsin. Only under these express circumstances shall the Operator's minimum gross payment guarantee be reduced and then only to the extent of the deficiency in entitled first-dollar payments received or retained in accord with Sec. 70.395(1)(a)(2)(d)1. and 2. and (e), Wis. Stats., which deficiency is caused by the non-appropriation of or return to the State of first-dollar payments by the Participating Local Governments in question.

(2) It is the further understanding and agreement of the parties hereto that Sec. 70.395(1), Wis. Stats., calls for the payment of net revenue taxes collected by the Department of Administration to the extent of the first-dollar payments or 60 percent of the total tax collected, whichever is greater, into the investment and local impact fund, from which, in turn, the Department of Administration, upon certification of eligibility, shall distribute first-dollar payment monies to the Participating Local Governments under Sec. 70.395(2)(d)1. and 2., Wis. Stats., adjusted for inflation under Sec. 70.395(1)(c), Wis. Stats., as modified

by Sec. 70.395(2)(e), Wis. Stats. Thus, should the Operator pay, in any given year of operation, less than the amount required to fully fund the maximum legal levels of participation by each of the Participating Local Governments in first-dollar payments, as determined with reference to Sec. 70.395(1)(a), Wis. Stats., the minimum gross payment over the operating life of the Mine shall not be reduced.

- o. If upon the conclusion of the shipping of Ore from the Mine, the total of the annual base payments are less than \$1,500,000.00, which is the required minimum gross payment under c., above, the Operator shall, within three (3) months next following the final yearly base payment, which consist of the underlying first-dollar payment and the Operator's guarantee payment, pay to the Participating Local Governments the difference between \$1,500,000.00 and the total of the annual base payments made. Added to this payment shall be the inflation factor in accord with Sec. 70.375(6), Wis. Stats.

31. LOCAL GOVERNMENTS WILL NOT OPPOSE THE MINE

Except as provided herein, the Participating Local Governments and parties negotiating this Agreement agree not to oppose the Mine or to take any action which would serve to unreasonably delay the construction of the Mine. The Participating Local Governments also agree to take all action necessary to assure that the Applicant is able to obtain all approvals, permits, licenses and moratorium removals, which may be necessary to assure that the Mine can be constructed and is able to commence operation.

The local permits, approvals and licenses herein above referred to are expressly identified as follows: (a) The conditional land use permit to be issued by Rusk County pursuant to its authority under Sec. 59.97, Wis. Stats. (b) Building permits

consistent with applicable state and local regulations as may be required for the erection for structures. (c) Sanitary permits under state and local regulations as may be required. (d) Ratification by the Town of Grant in accord with Sec. 59.97 (5) (e) 6., Wis. Stats., of that change in zoning district boundaries incorporated by reference in the conditional use permit set forth at (a) above. (e) In the event of annexation of a part of the real properties subject to this Agreement to the City of Ladysmith, ratification by the said City of the terms of the conditional use permit as governing its zoning control of the Operator's land use thereupon.

The moratoriums are certain moratoriums against Mining adopted at the annual town meetings held on April 13, 1982 and April 12, 1988 as pertaining to the Mine which is the subject of this Agreement. Counsel for the Town of Grant represents that it is not necessary to remove these moratoriums as these certain moratoriums are void and unenforceable.

As to the permits which may be required under sub-clause (b) and (c) above, upon compliance of the Operator with state and local regulations, both of a procedural and substantive nature, the requisite permits shall be granted by the Participating Local Government in control of the same.

This affirmation shall include any and all local permits, approvals, licenses and moratoriums necessary for operation of the Mine, but shall not include any state or federal permits required to be obtained by the Operator in connection with the Mine. It shall be the Operator's sole responsibility to ascertain the need for and to apply for and procure any such permits.

32. INAPPLICABILITY OF RUSK COUNTY MINERAL MINING CODE

- a. That portion of the Comprehensive Zoning Code known as the "Rusk County Mineral Mining Code," which consists of

Sections 6.3 to 6.11 inclusive of the Comprehensive Zoning Code shall not be applicable to the Active Mine Area, Mine, Mine Operation, and railroad spur.

- b. The County Shoreland-Wetland overlay zoning district is not applicable to the Active Mining Area, Mine, Mine Operation, and railroad spur.
- c. Zoning of the Active Mine area and areas encompassing the railroad spur shall be I-1.

33. DEFAULTS

In the event either party is in default in the observance or performance of any of the covenants or obligations contained in this Agreement, the nondefaulting party may give the defaulting party written notice of the default specifying the details of the same. The defaulting party shall have two weeks to remedy any default in payment of monies or a reasonable time of not less than two months within which to remedy any other default described herein or to commence action in good faith to remedy such default. Unless the defaulting party shall so comply the nondefaulting party may pursue any remedy it may have in equity or at law. If the nondefaulting party obtains a judicial determination that this Agreement should otherwise be terminated because of such default, the defaulting party shall have a reasonable time of not less than two months after such determination within which to remedy such default or to commence action in good faith to remedy such default before any such termination may be declared.

34. ABILITY OF PARTICIPATING LOCAL GOVERNMENTS TO PARTICIPATE IN NR132 HEARING PROCESS

Nothing in this Agreement shall be interpreted as restricting or prohibiting the Participating Local Governments from participating in the DNR permit granting process, with respect to this

proposal to mine, providing, in the course of such participation, input or evidence to be considered by the DNR in its review and permitting process under NR132 Wis. Adm. Code. The sole restriction imposed hereunder upon the Participating Local Governments, should they chose to so participate, is that they shall not, in the course thereof, renounce, repudiate, or reopen this Agreement or any other permits and local approvals granted by them hereunder, except as such right or option may be made available to them under Section 24.

35. DISPUTES

The parties will use their best efforts to resolve disputes arising over the interpretation of this Agreement. In the event of such disputes, the party noting the dispute shall give the other party written notice of such dispute. Upon receipt of such written notice, the party receiving the notice shall have thirty (30) days to respond in writing to the original party. Thereafter, the parties shall meet together in good faith and use their best efforts to resolve the dispute in question. Either party may, at its sole expense, invite third parties, including technical consultants and others, to comment upon the dispute and the other party shall give due consideration to such comments. If the parties have not resolved the dispute within ninety (90) days of the date of the first written notice of the dispute, or by a later date, if agreed upon by the parties, either party may pursue any remedy it may have in equity or in law.

36. INVALIDATION

Invalidation of any item of this Agreement by a court, except paragraphs 27, 31 and 32, shall not invalidate the remainder of this Agreement. Invalidation of either paragraphs 27, 31 or 32 shall invalidate the entire Agreement except paragraphs 21 and 22.

37. LAW

This Agreement shall be interpreted under the laws of the State of Wisconsin.

38. NOTICES

Unless otherwise dictated within this Agreement, either expressly or by reasonable implication, and unless otherwise dictated pursuant to state or federal laws, rules or regulations governing the instant Mining Project, notices required or deemed appropriate under the terms of this Agreement shall be provided in writing and served personally or by mail upon the following designated representatives of the parties hereto:

- (1) Upon Kennecott Explorations (Australia) Ltd., at 1515 Mineral Square, Salt Lake City, Utah 84112, Attention: Project Manager - Flambeau.

With a copy to:

Kennecott, 10 East South Temple Street, Salt Lake City, Utah 84133, Attention: Assistant Chief Counsel.

- (2) Upon Local Impact Committee, to the Chairman thereof.
- (3) Upon Rusk County to the Chairman of the Board of Supervisors at the Rusk County Court House, Ladysmith, Wisconsin 54848.
- (4) Upon the Town of Grant, to the Chairman of the Town Board.
- (5) Upon the City of Ladysmith, to the Clerk-Administrator at Ladysmith City Hall, Ladysmith, Wisconsin 54848.

It shall be the responsibility of each of the Participating Local Governments to promptly advise the Operator of the names and addresses of their designated representatives, as changes in

said positions occur, from time to time. Prompt notice of a change in its designated representative or representatives shall be given by the Operator to each of the Participating Local Governments and the Local Impact Committee, as well.

39. MODIFICATIONS

There shall be no modifications to this Agreement, except those which are mutually agreed to by all of the parties hereto in which are reduced to writing and executed with the same formality as this Agreement.

40. TITLES ARE ILLUSTRATIVE OF CONTENT ONLY

Titles to sections, paragraphs and/or other subdivisions within this Agreement are for illustrative purposes only and shall not be construed as limiting or expanding the intent of the substantive language set forth thereunder.

41. LEGAL AUTHORITY

This Agreement is entered into by the Participating Local Governments in accord with the authority granted to each such unit pursuant to Secs. 59.07, 59.97, 60.22, 62.11, 66.30, 144.838, 144.839 (laws of 1987-88, Wis. Stats).

42. DATE

This Agreement is dated as of the 1st day of August, 1988.

RUSK COUNTY

By

Joseph P. Kaiser

TOWN OF GRANT

By

Melanie Meyer

Charles G. [unclear]

Robert Plant

-51 Tom R. [unclear]

CITY OF LADYSMITH

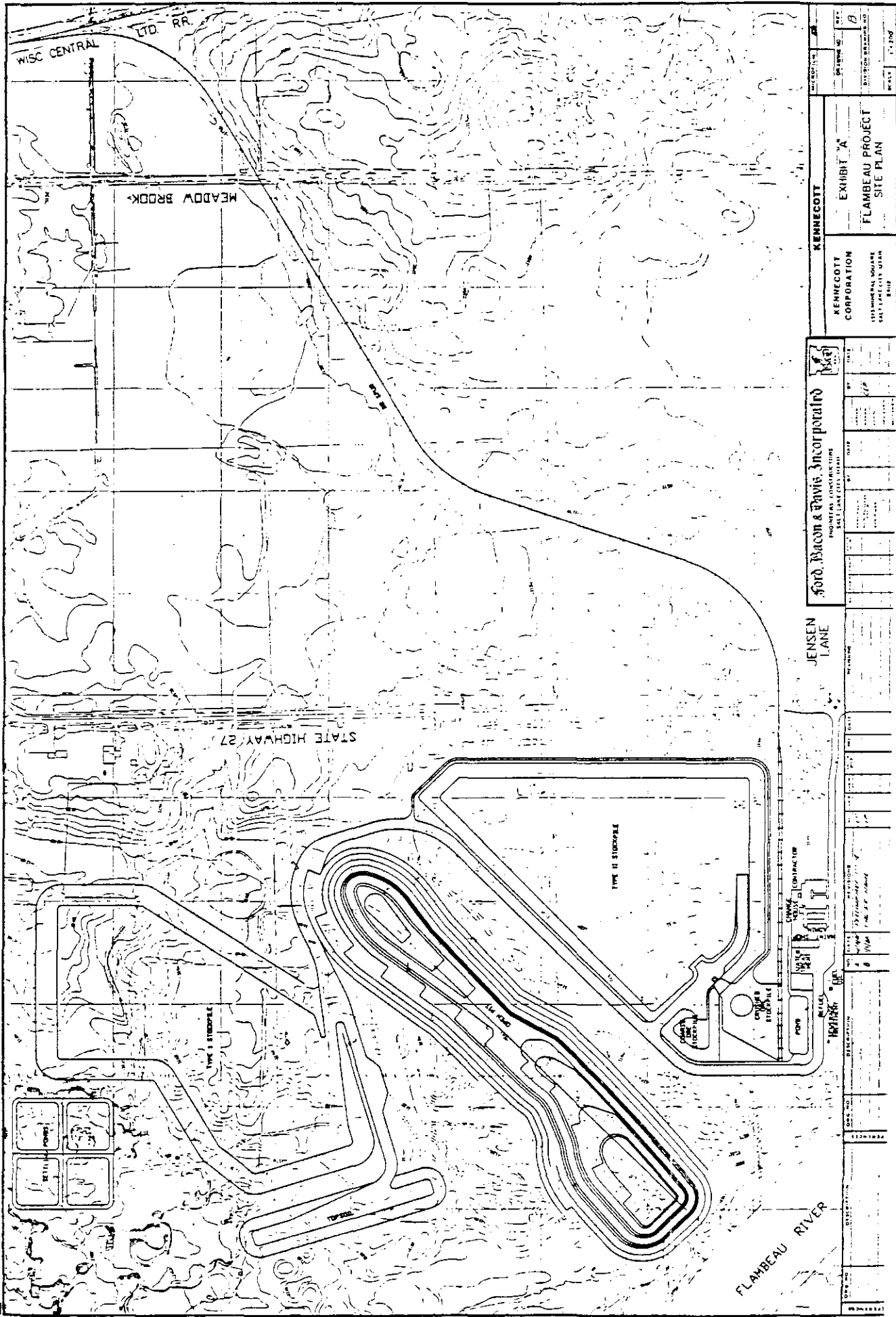
By *Patryk*

KENNECOTT EXPLORATIONS (AUSTRALIA) LTD.

By *Jerry White* *ECG*

EXHIBITS

- A. Plot Plan showing the Active Mine Area
- B. Legal description of the land where the Mine is located
- C. Map showing location of groundwater monitoring wells
- D. Map showing Area covered by Well Guarantee
- E. Map showing Area covered by Property Guarantee
- F. Premises Used as Basis For Agreement
- G. Waivers and Variances approved by Local Impact Committee
- H. Conditional Use Permit
- I. Letter dated July 13, 1988 from L.E. Mercado to W.G. Thiel with attached Kennecott letter dated July 12, 1988 regarding Two Tier Testing



KENNECOTT CORPORATION		EXHIBIT "A"	
1155 HEMLOCK SQUARE SALT LAKE CITY, UTAH 84119		FLAMBEAU PROJECT SITE PLAN	
KENNECOTT		DATE: 11-2-70	

Ford, Bacon & Davis Incorporated		PROJECT NO. 70-100	
ENGINEERS, ARCHITECTS, PLANNERS SALT LAKE CITY, UTAH		DATE: 11-2-70	
BY: [Signature]	DATE: 11-2-70	BY: [Signature]	DATE: 11-2-70

NO.	DESCRIPTION	DATE	BY
1	PRELIMINARY	11-2-70	[Signature]
2	FINAL	11-2-70	[Signature]
3	REVISION		
4	REVISION		
5	REVISION		
6	REVISION		
7	REVISION		
8	REVISION		
9	REVISION		
10	REVISION		
11	REVISION		
12	REVISION		
13	REVISION		
14	REVISION		
15	REVISION		
16	REVISION		
17	REVISION		
18	REVISION		
19	REVISION		
20	REVISION		

EXHIBIT B

LEGAL DESCRIPTION OF THE LAND WHERE MINE IS LOCATED

FACILITIES ON LAND: Mine, appurtenant structures and facilities, but excluding the railroad spur, access roads, and utility feed lines.

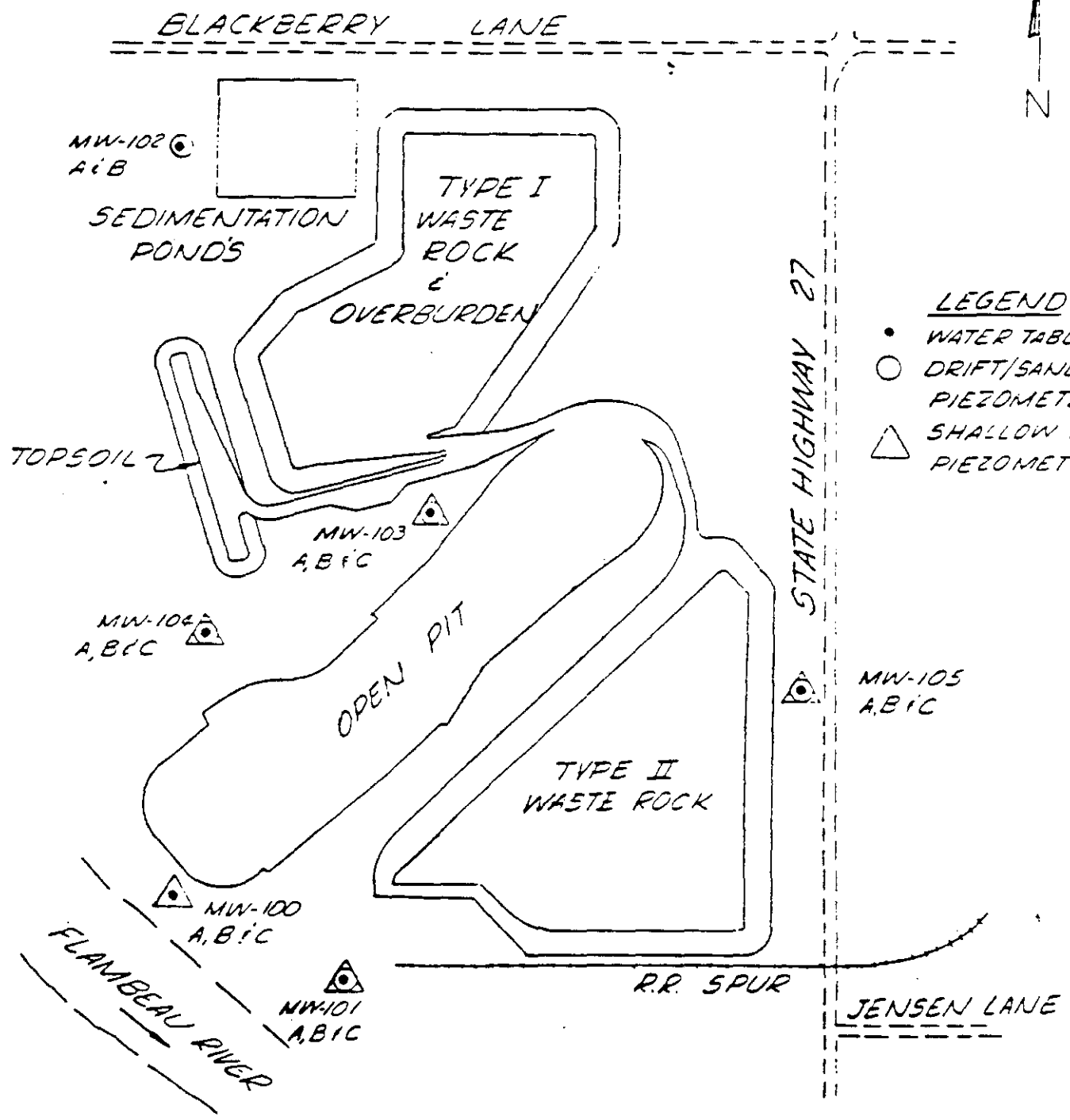
LEGAL DESCRIPTION: All that part of Section 9, Township 34 North, Range 6 West, Rusk County, Wisconsin, lying East of the Flambeau River and South of Blackberry Lane.

LEGAL DESCRIPTION OF THE RAILROAD SPUR

This permit also authorizes construction and operation of an approximately one mile long railroad spur to be located in part of Section 10, Township 34 North, Range 6 West, Rusk County, Wisconsin, lying west of the main line of the Wisconsin Central Railroad Ltd. as generally shown in the scale map of the site plan, Exhibit A.

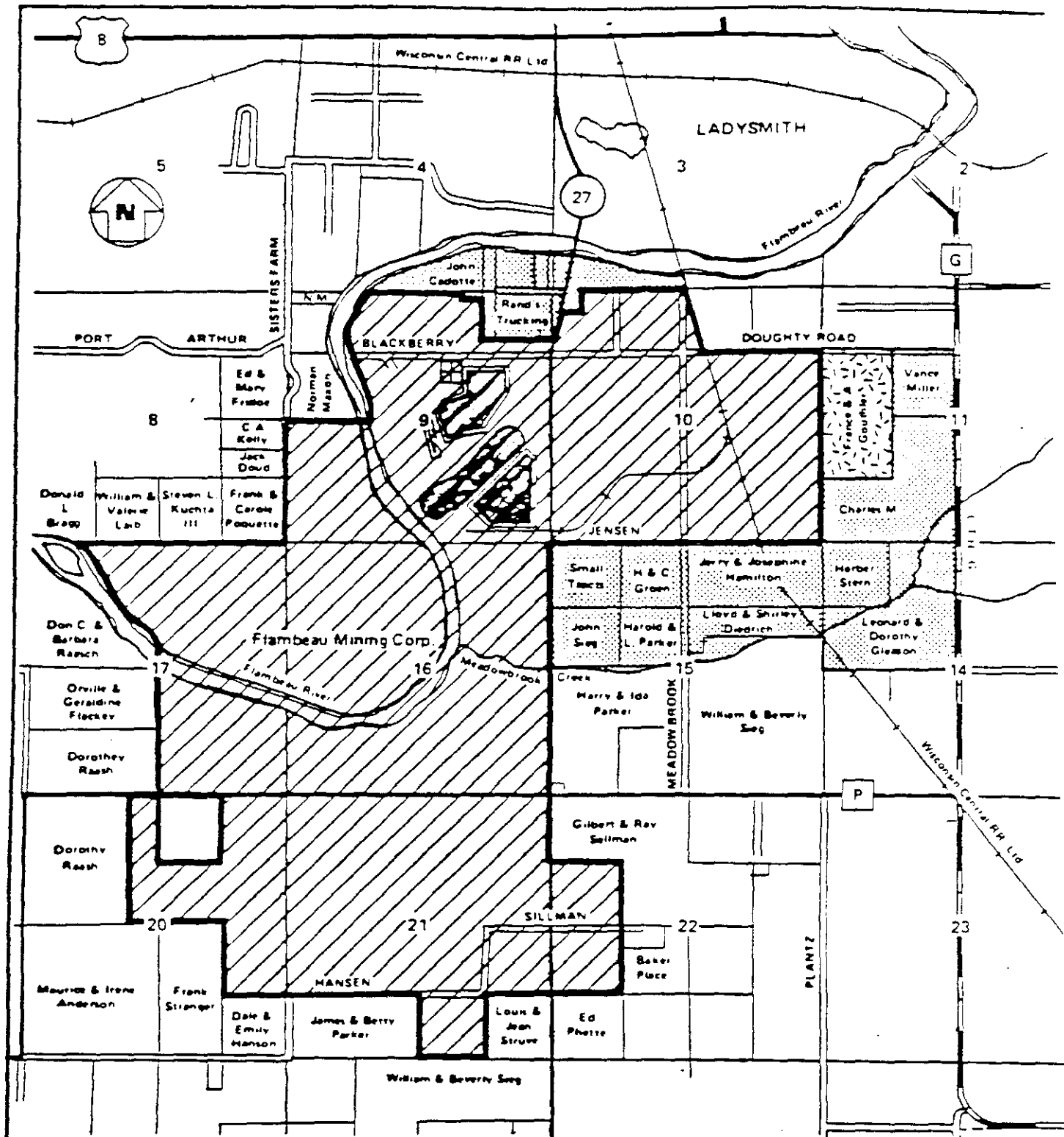
It is understood by the County that until the DNR issues to the permit holder its NR132 permit, the legal description of the railroad spur line will be tentative only. It is possible that the DNR may approve of an alternate right-of-way, in which instance, without the need for further approval from the Zoning Committee, the official County zoning map shall be change to reflect the relocated railway right-of-way and its zoning district designated under Section (5) of this permit.

Kennecott is the legal and equitable owner of all of the above mentioned land.



- LEGEND**
- WATER TABLE WELL
 - DRIFT/SANDSTONE PIEZOMETER
 - △ SHALLOW BEDRO. PIEZOMETER

KENNECOTT FLAMBEAU PROJECT	
EXHIBIT C	
GROUNDWATER	
MONITORING WELL LOCATIONS	
SCALE: NONE	DATE: 6-22-88
PREPARED BY: FORD, EASON & DAVIS, INC.	



LEGEND




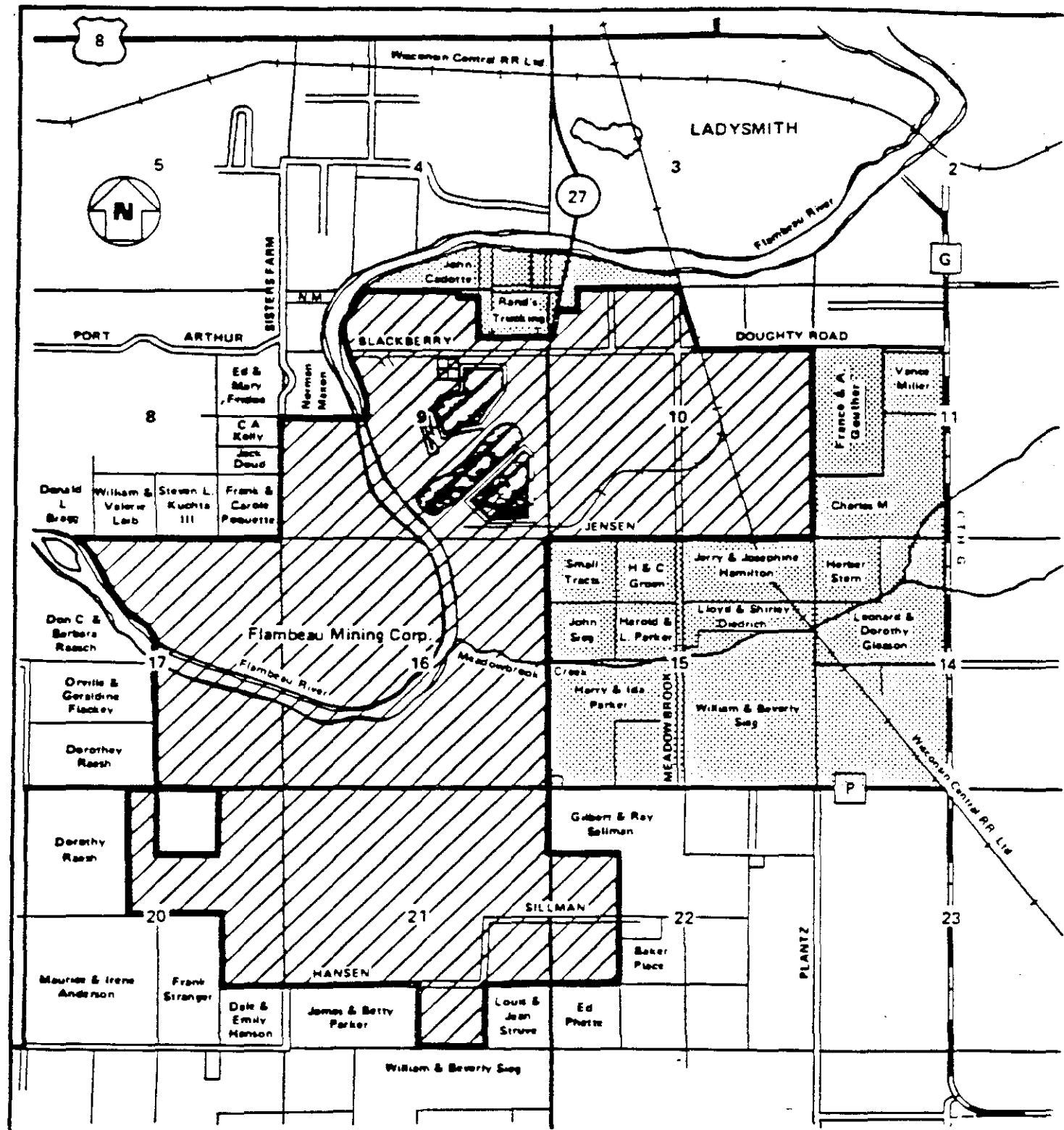
-  Kennecott Owned Property
-  City Water can be Provided
-  Areas to be Covered by Well Guarantee

EXHIBIT D
WELL GUARANTEE – LOCATION MAP
FLAMBEAU MINING COMPANY

June 1988



LEGEND



-  Kennecott Owned Property
-  Areas to be Covered by Property Value Guarantee

EXHIBIT E
LOCATION MAP
PROPERTY VALUE GUARANTEE
FLAMBEAU MINING COMPANY

EXHIBIT F

PREMISES USED AS BASIS FOR AGREEMENT

1. Operation of the Mine shall comply with all DNR regulations in NR132 applicable to the Mine site and facilities except as exemptions from such regulations may be procured by Kennecott in accordance with NR132.19.
2. Operator shall take preventative measures to minimize surface water runoff or erosion by finish grading and seeding completed areas of the Mine in accordance with the closing plan made part of this Agreement.
3. The Open Pit shall be not greater than 40 acres, more or less, in size and shall be excavated to a depth of no more than 225 feet, more or less, below the grade existing on the site as of January 1, 1988.
4. The Open Pit Mine shall not be converted to a deep shaft mineral mine.
5. There will be no smelting, concentrating or refining of Ore on the Operator's land or in Rusk County.
6. The area disturbed by the operation in the Active Mine Area will not be expanded by more than 10%.
7. The Active Mine Area shall at all times during the construction, operations and closure phases of the project, be enclosed by the Security Fence, entry through which shall be via secured gates. The gates shall be closed and kept locked by the Operator except during the hours of operation.
8. Operator shall install, maintain and utilize surface water containment systems and a water treatment plant to protect the groundwater and surface water of Rusk County in accordance with DNR specifications.
9. The topsoil, waste rock and overburden removed from the Open Pit shall be stockpiled for use in site restoration during the Mine closure phase.
10. Primary means for transportation of Ore away from the site shall be via railroad and except as otherwise allowed in this Agreement, all transportation of Ore away from the site shall be via railroad.

11. Blasting, crushing and rail shipping operations shall be conducted during daylight hours, Monday through Saturday only.
12. The only non-hazardous wastes to be stored at the Mine are those mine wastes as defined by DNR and generated by the operations, except those materials necessary for operation of the Mine and facilities.
13. No Hazardous Waste, as currently defined by the DNR according to NR180.04(27) shall be accepted, received, stored, or disposed of or transported to the Mine. On-site storage of fuels, lab chemicals and blasting materials will be allowed provided they are contained in secured areas.
14. No less than six groundwater monitoring Well Clusters shall be constructed within the Active Mine Area. These wells are to be tested on at least a quarterly basis during the Baseline Monitoring Program, construction, and operation. Monitoring after closure shall be in accordance with the DNR approved reclamation plan.
15. During the life of the Active Mining operation and during any period of Temporary Closure, the Operator shall continued to collect, pump to its waste water treatment facility, and treat all waters which come into contact with sulfide mineralization which is of such characteristics so as to warrant treatment pursuant to NR132.
16. After issuance of the mining permit by the DNR, but prior to commencing mining a certification to the Participating Local Governments that a bond payable to the DNR in the amount required under NR132 or other appropriate security as required by NR132 has been secured.
17. The Operator agrees to maintain a reclamation bond or other security in accordance with NR132.13-(3) and (4) for thirty (30) years after closure which is 90 days after completion of the backfilling of the Mine unless the Committee receives a copy of the request to be exempted and concurs in writing with the DNR conclusion to grant exemption.
18. Environmental Premises.
 - a. Operator will abide by all applicable federal and state laws, rules and regulations as to control, containment, elimination of or limitation of air, water, ground and noise pollution or contamination.

- b. In accordance with the applicable federal and state laws, rules and regulations, it is the Opreator's intent to (i) protect ground and surface water resources from contamination which may arise in the course of the Mining Operation, that could result from contact by water with sulfide bearing rock formations associated with the mineral ore body to be mined, which protection shall take the form of collecting and treating surface, ground and precipitation water which may potentially be so contaminated before discharging the same onto the surface of the ground, into surface waters or into the ground; (ii) conduct its operations in all three (3) phases of the project in such a manner as to minimize adverse physical impact on land owners in the Town of Grant and City of Ladysmith; (iii) upon completion of mining, restore the site of the open pit, as nearly as possible, to its original grade by re-depositing, in the reverse of the order in which each such layer was removed, the waste rock, overburden and topsoil removed from the pit during the mining process and to re-vegetate the surface of the mine site; (iv) conduct blasting work in such a fashion as to minimize impact upon adjoining properties and improvements situated thereupon; (v) minimize dispersal of dust and/or other pollutants into the air in the course of Mining Operations and transportation of ore from the mine site; and (vi) retain fiscal and general management responsibility for site restoration, reclamation and environmental protection for a period of thirty (30) years next following the actual closure of the Mine.

EXHIBIT G

WAIVERS AND VARIANCES APPROVED BY LOCAL IMPACT COMMITTEE

- NR132.18(1)(c) - The setback from the river will be 140 feet compared to 300 feet specified in the regulations. In addition, variances may also be required with respect to unnamed tributaries A, B and C in the Active Mine Area.
- NR132.18(1)(d) - The proposed plan will require the construction of a dike which will partially be in the flood plain. The dike will provide additional protection against flooding of the mine during a 100 year storm.
- NR132.18(1)(e) - The setback from the highway will be 150 feet compared to the 1,000 feet specified in the regulations.
- NR132.18(1)(f) - A variance may be required with respect to the disturbance of several small wetland areas in the vicinity of the orebody.



BP Minerals America

1515 Mineral Square
Salt Lake City, Utah 84112
(801) 322-7000
FAX (801) 583-3129

BP MINERALS AMERICA

July 13, 1988

EXHIBIT I

Mr. William G. Thiel
Jordan, Herrell and Thiel
2600 Stein Boulevard
Eau Claire, Wisconsin 54701

Re: Local Agreement, Section 14.d

In accordance with the condition placed by the Negotiating Committee upon acceptance of Sec. 14.d. of the proposed Local Agreement, Mr. G. D. Schurtz, our Manager of Environmental Affairs, has prepared the attached July 12, 1988 memorandum. The memorandum affirms the representations relative to testing of substances found in well water made by Mr. Schurtz to you over the telephone on June 29, 1988 and indicates his concurrence with your understanding of his representations expressed in your letter of June 6, 1988.


Please contact Mr. Schurtz or myself if you require any additional information on our planned well water testing program.

Sincerely,

L. E. Mercado

LEM/st
Attachment

cc: H. J. Handzel, w/attach.
G. D. Schurtz, w/attach.
E. C. Tingey, w/attach.
LEM File 11.8.1.3, w/attach.

 **BP Minerals America**
1515 Mineral Square
Salt Lake City, Utah 84112
(801) 322-7000
FAX (801) 583-3129

BP MINERALS AMERICA

July 12, 1988

TO: L. E. Mercado
FROM: G. D. Schurtz
SUBJECT: GROUNDWATER INDICATORS - TWO-TIER TEST CONCEPT

The following information is to confirm Bill Thiel's and my phone discussion and the points described in his subsequent letter of July 6, 1988 regarding Section 14.d of the Local Agreement.

In the local agreement, we recommended the periodic testing of private wells for the following parameters as indicators of potential groundwater contamination:

- Field pH
- Specific Conductivity
- Acidity and Alkalinity
- Chemical Oxygen Demand
- Iron
- Hardness
- Chlorides

When appropriate water quality background data for the metals and other drinking water parameters are established at the completion of the current monitoring program, the above indicators are more than sufficient for detection of potential contamination. Changes in Iron and Chlorides would indicate water quality fluctuations and changes in the other parameters would indicate potential contamination. Both characteristics (quality and contamination) are measured since groundwater will change in quality due to normal impacts such as seasonal variation, drought, excessive rainfall, etc. A change in either characteristic in any specific sample would require more comprehensive sampling and analysis to determine the type, degree, and source of the change of either quality or potential contamination.

Any change of the Tier I indicator parameters in the routine sampling would need to be statistically evaluated against the background base in order to determine whether the change is a real or significant change, or a normal variation of background, sampling, analytical error, etc. The common procedure required by the Federal EPA and the State for testing of statistical significance in groundwater monitoring is the "Student's t-Test". Several accepted methods are available to determine the statistical significance of the position of a sample within a population of samples considered to be

normal or within the average. However, these techniques require a large number of samples to construct the statistical base to make valid comparison. In recognition of the need for a statistical procedure which could evaluate a small number of samples or a small population, the "Student's t-Test" was developed and perfected. Our monitoring program fits the small population definition in statistical terms. The procedure has been evaluated and accepted by the regulatory agencies as a valid tool for programs such as our program. I understand that a copy of the method was previously provided by you to Bill in a memo dated June 22, 1988.


In our test program, we are most concerned with the dissolved species of the chemical parameters, primarily the metals. The dissolved form is the most chemically active form since the substance is in the form of an ion, a molecule or atom having an electrical charge. Metals are cations having a positive charge. Anions such as chlorides, sulfates, hydroxides, etc., are negatively charged. Chemically, there is a strong affinity between the two to form a stable neutral product or compound. As a result, the matrix or solution in which this occurs will change in characteristics which can be measured. These characteristics include pH, acidity, alkalinity, specific conductance and chemical oxygen demand. Therefore, a measured "significant adverse change" or another way of stating it, a real change or deviation from the boundaries of the average expected value indicates the need for the next tier of testing for determination of the cause of the change.

Sulfates (SO_4) are included in the second tier of analysis because a secondary drinking water standard exists for the anion. Therefore, it is a water quality parameter. Variations of the indicators of contamination such as pH, conductivity, acidity and alkalinity would occur in the event of a change in sulfates in water quality. It is not recommended to include SO_4 in the first tier simply because our operation is not designed to contribute sulfates as potential contaminants. If we were force leaching the waste material to recover copper by acid dump leaching, then monitoring of sulfates in the first tier would be appropriate. Sulfates are more mobile in groundwater than metals and can usually be associated with increasing metals concentrations. Therefore, the anion is a good early indicator of potential metals contamination in that circumstance. However, the indicators we are using will also accomplish the same goal in our case at Flambeau.

As Bill indicated, I recommended that Section 14.d should not contain references to the state and federal regulations. The regulatory agencies have established Primary drinking water limits for health protection and Secondary drinking water limits based on welfare conditions which affect taste, odor, color, etc. Our second tier list of parameters include the majority of these substances appropriate to what might be contributed by our operations. In our permits from the state, our operation will be required to monitor and take certain defined response actions within those established limits in the groundwater hydraulically downgradient of the operation if a significant change is detected. Unless a particular substance in the background is higher than the drinking water maximums, we will not be allowed to exceed the drinking water maximums for the remainder of the parameters in the groundwater beyond our property. This is to insure the maintenance of the water quality in the event any new potable water wells are drilled downgradient in the future.

In our testing program under the local agreement, we are concerned with existing wells currently being used by the owners. Our baseline data will likely show, in those existing wells, a variation of concentrations of the drinking water parameters. Some parameters will be well within the drinking water limits and some will be above the limits but the water is still being used by the owner. I believe that our intent in the agreement is to take appropriate corrective steps if there is a significant change within that well. A "significant adverse change" in this context in the Tier II testing means a real change from the norm regardless of the specific parameter's position vis a vis the published drinking water standard. That value would then require some type of action within the boundaries of whether it be monitored more closely to the extreme of immediate well replacement. Therefore, our recommended procedure is a more protective scheme for the well owner.

Hopefully, the above is helpful. Please feel free to contact me if you have any questions.


G. D. Schurtz
Mgr, Environmental Affairs

GDS/gm

cc: Hank Handzel
J. W. Wimmer

CONDITIONAL LAND USE PERMIT

(1) GENERAL CONDITIONS.

Rusk County, a quasi-municipal corporation, duly organized under the laws of Wisconsin, hereby grants to Kennecott Explorations (Australia), Ltd., a Delaware corporation, the following Conditional Land Use Permit. Said permit is granted pursuant to the powers vested in Rusk County under Secs. 59.025, 59.07, 59.97 and 144.839, Stats., and constitutes an exercise of said county's authority to plan for and zone as to land uses within its corporate limits under the general auspices of its police powers. Said powers have been exercised in accord with Secs. 59.97, 66.30 and 144.839, Stats., and under the Rusk County Comprehensive Zoning Code, adopted April 20, 1971, as amended, from time to time thereafter, to and through the date of this permit. In addition, the Town of Grant, a civil town organized under the laws of Wisconsin, having, through its Town Board, elected to participate in County Comprehensive Zoning on or about June 14, 1982, and having elected to participate in the Local Agreement under Sec. 144.839, Wis. Stats., said Comprehensive Zoning Code and the exercise of County Zoning Powers as to the instant land use which is situated, either as a whole or in part, in the Town of Grant as of the date of issuance of this permit, is deemed to be effective under Wisconsin law.

This permit shall be interpreted and applied as a Conditional Use Permit, in accord with the definition of the term "conditional use" at Secs. 2.1(6) and 7.1 (Preamble) of the Rusk

County Comprehensive Zoning Code (hereinafter "Comprehensive Zoning Code"). As such, the Permit Holder shall strictly conform its activities and land uses to the terms of this permit.

Administration of this permit shall, at all times, be subject to the control of the Rusk County Zoning Committee, or its successor, a standing committee of the Rusk County Board of Supervisors, appointed pursuant to Sec. 59.06, Stats.

In accord with Sec. 59.97(1) and (11), and 144.839, Stats., the purpose of this permit grant shall be to promote the public health, safety and general welfare of the residents of the County, while at the same time allowing to the Permit Holder the right, subject to the limitations expressed herein, to engage in the described land use of property which it owns in Rusk County.

This permit implements a Local Agreement which was duly entered between Rusk County, the Town of Grant, the City of Ladysmith and Kennecott Explorations (Australia), Ltd., on August 1, 1988; and was duly approved of by the Rusk County Board on July 22, 1988, by the Ladysmith City Council on August 1, 1988, and by the Town Board of the Town of Grant on July 25, 1988.

(2) DEFINITIONS.

The following definitions, unless the context dictates otherwise, shall be used in interpreting and applying the provisions of this Conditional Use Permit:

(a) "Active Mine Area" shall refer to that real estate described at page 2 of the Local Agreement, whose legal description is as set forth at Sec. 3. of this permit.

(b) "Comprehensive Zoning Code" shall mean that code of ordinances duly adopted by the Rusk County Board of Supervisors pursuant to Sec. 59.97, Wis. Stats., et al., which generally governs, from a planning and zoning standpoint, the use of lands in unincorporated areas in said county in towns which have ratified said zoning code.

(c) "County" shall mean Rusk County, State of Wisconsin.

(d) "Disturbed Sites" shall mean any site which, during the course of construction, operation or closure shall have had its topography, surface grade and vegetation altered, removed, destroyed or disturbed, each of which site shall be within the Active Mine Area.

(e) "DNR" shall mean the Wisconsin Department of Natural Resources.

(f) "Local Agreement" shall mean that agreement entered into between Rusk County, the City of Ladysmith, the Town of Grant and the Permit Holder pursuant to Sec. 144.839, Wis. Stats.

(g) "Mining Activities" shall mean any and all land use activities engaged in under this permit related to a creation of, taking of ore from, and re-filling of the open pit to be situated on site and appurtenant activities and land uses associated therewith.

(h) "Mining Permit" shall mean the permit procured by the Permit Holder under Ch. NR132 Wis. Adm. Code.

(i) "Operator" shall mean the Permit Holder under this Conditional Use Permit.

(j) "Permit Holder" shall mean the individual or corporation or his or its assignee, transferee or conveyee

operating subject to this Conditional Use Permit.

(k) "Stats." or "Wis. Stats." shall mean the Wisconsin Statutes.

(l) "Type I Wasterock" shall refer to that wasterock generated in the course of mining activities and removed from the open pit which does not contain an incidence of sulfide mineralization requiring storage and treatment in the same manner as Type II Wasterock so as to prevent water contamination. Type I Wasterock shall be backfilled, subject to DNR approval, into the mine during the closure phase.

(m) "Type II Wasterock" shall refer to that wasterock to be generated in the course of the mining activities and removed from the open pit which contains an incidence of sulfide mineralization sufficient to cause a leachate which requires treatment pursuant to DNR regulations. Such wasterock shall be stored in accord with the terms of the Local Agreement and backfilled, subject to DNR approval, into the mine during the closure phase.

(n) "Wis. Adm. Code" shall refer to the Wisconsin Administrative Code.

(o) "Zoning Administrator" shall mean that administrative official or employee of Rusk County, duly designated by the county board to administer its zoning code.

(p) "Zoning Committee" shall mean that standing committee designated by the Rusk County Board of Supervisors, within its realm of delegated authority, to administer the Zoning Code on behalf of the Board of Supervisors.

(3) LEGAL DESCRIPTION OF PROPERTY SUBJECT TO THE INSTANT PERMIT

All that part of Section 9, Township 34 North, Range 6 West, Rusk County, Wisconsin, lying East of the Flambeau River and South of Blackberry Lane.

This permit also authorizes construction and operation of a rail spur, approximately one mile in length, to be located in part of Section 10, Township 34 North, Range 6 West, Rusk County, Wisconsin, lying West of the main line of the Wisconsin Central, Ltd., as generally shown in the scale map of the site plan, Exhibit "A".

It is understood by the County that until the DNR issues to the Permit Holder its NR132 permit, the legal description of the Railway Spur Line as set forth above will be tentative only. It is possible that the DNR may approve of an alternate right-of-way, in which instance without the need for further approval from the Zoning Committee, the official County zoning map shall be changed to reflect the relocated railway right-of-way and its zoning district designation under Section (5) of this permit.

(4) PERMIT HOLDER.

The Permit Holder shall be Kennecott Explorations (Australia), Ltd., a Delaware corporation, or its successor in interest. The Permit Holder agrees and understands that the rights herein afforded to it are assignable or transferable only in accord with Sec. 19 of the Local Agreement. Upon any sale, transfer, lease or assignment of rights by the Permit Holder to a third party relative to the real estate subject hereto or of the transfer of rights or responsibilities relative to the commencement, continuation or closure of any operations maintained on

said real estate in accord with this permit, all rights set forth under this permit shall then and there cease and be deemed unenforceable by the said transferee, assignee or conveyee, unless full compliance with the terms and conditions of Sec. 19 of the Local Agreement is demonstrated. All the terms and conditions of this permit shall be enforced against transferees, assignees or conveyees. The granting of this permit is based upon the underlying assumption that the Permit Holder qualifies to hold a mining permit under Sec. 144.85, Stats., continues to hold a valid mining permit thereafter and that, in the event of a sale, transfer or conveyance of the mine, that the proposed transferee, assignee or conveyee shall be in full compliance with Sec. 144.87(2), Wis. Stats. Should the DNR notify the Zoning Committee of a violation of said statute, it shall constitute cause for potential revocation of or the imposition of additional conditions hereupon in the discretion of the said committee in accord with Sec. (16) of this permit.

(5) ZONING CLASSIFICATION.

In accord with the Comprehensive Zoning Code, the zoning classification for the property described at Sec. (3), above, shall be that of the I-1, Industrial District.

(6) SETBACK REQUIREMENTS.

The following express setback requirements shall apply and pertain to land uses and the erection of structures upon the property described at (1), above.

(a) Subject to Department of Natural Resources of the State of Wisconsin (hereinafter "DNR") approval of variances under

NR132, Wis. Adm. Code, the following specific setbacks shall apply:

1. Highway setbacks from State Highway 27: 150 feet.
2. Setback from the Flambeau River; the minimum shall be as shown for the open pit on the scale map of the Active Mine Area shown in the site plan, Exhibit "A", which is 140 feet from the bank of the river as it existed on June 1, 1988.

In the absence of approval of said variances, the setbacks required under NR132, Wis. Adm. Code, shall be the minimum requirements to be met relative to the specific setbacks set forth above. Additionally, such other setbacks set forth at NR132 or variances therefore approved by the DNR, shall also apply. In addition, the following setback requirements shall be met: Setback from Blackberry Lane 63 feet from the centerline or 30 feet from the right-of-way line, whichever is greater. Minor, readily removable structures, such as open fences or signs may be placed within the setback lines. Public utility equipment without permanent foundations is also permitted. When deemed necessary by the Zoning Committee in conjunction with development, such as highway improvement programs, the Permit Holder and public utilities may be required to remove, at their own expense and without right of compensation, any such structures erected within the setback lines.

(b) In each quadrant of every street or highway intersection, there shall be designated a visual clearance triangle bounded by the street centerlines and a line connecting them 300 feet from any intersection with State Highway 27, and 200 feet

from any intersection with Blackberry Lane. If two (2) highways of a different class intersect, the largest distance shall apply to both centerlines. Within this triangle, no object over 2 1/2 feet in height above the level of the streets shall be allowed if it obstructs the view across the triangle. Posts and open fences are excluded from this prohibition.

(c) Tree trunks shall be exempt from the visual clearance provisions set forth above when they are unbranched to a height of 10 feet and located a minimum of 30 feet apart.

(d) Where different from the setbacks identified at (a), above, as to the Active Mine Area, the setback from adjacent properties set forth at paragraph 4 of the Local Agreement shall control.

(e) With respect to both setbacks and site plan approval, the scale map of the Active Mine Area is incorporated herein by reference.

(f) In the event of any conflict between the setback requirements for purposes of procuring a mining permit, as imposed upon the Permit Holder by the DNR under NR132, Wis. Adm. Code, and those set forth herein, the more strict of said setback requirements shall be enforced, except in situations where the DNR has approved a variance.

(g) It shall be required of the Permit Holder that it shall, at its sole expense, survey, mark and delineate, by the placement of appropriate, permanent markers, each of the setback lines set forth above or incorporated herein by reference, with reference to highways, the Flambeau River and such other natural

or artificial boundaries of the parcel subject to this permit as are required in order to demonstrate compliance with the setback conditions herein established.

(h) The setback requirements herein expressed shall not apply to the Railway Spur Line serving the Active Mine Area.

(i) The setback requirements set forth herein shall not apply to what is commonly referred to as the "old H & H Building," it having been located on the site subject hereto prior to the granting of this permit; provided, however, that said structure is hereby designated as a non-conforming structure. Structural repairs or alterations of it shall not exceed 50 percent of its assessed valuation as of the time it became non-conforming in June, 1982. In the event that use of the structure ceases for one (1) or more years, after ore shipment starts, it shall be considered to be abandoned and all use of it shall be permanently discontinued.

(7) FENCING AND SECURITY PROVISION REQUIREMENTS.

The Permit Holder shall, at all times, from and after commencement of construction of its mine site and appurtenant facilities, provide fencing of the Active Mine Area and/or security measures, consistent with the definition of "security fences" and Section 3(c)(4), Section 5, Sections 6 and 11(f) of the Local Agreement, each of which are incorporated herein by reference. This requirement shall apply solely with respect to the Active Mine Area. The Railway Spur Line need not be fenced outside of that location.

The maintenance of such fencing and security provisions shall be a condition of this permit to be observed at all times

until the end of the reclamation period during the closure phase of operation by the Permit Holder.

(8) TRANSPORTATION RESTRICTIONS; ACCESS RESTRICTIONS.

The following restrictions, incorporated herein by reference from the Local Agreement, shall apply regarding transportation of ore from the Active Mine Area subject to this permit and, additionally, as to the means of access to and from the Active Mine Area.

(a) The primary means of transportation from the Active Mine Area shall be via railway, in accord with paragraph 10 of the Local Agreement.

(b) Emergency means of transportation: Availability of trucks for transportation purposes, to be limited by sections 10 and 11 of the Local Agreement.

(c) Access restrictions. The means of access to the Active Mine Area shall be limited as follows:

1. As set forth at sections 10 and 11 of the Local Agreement.

2. Construction of access driveways, streets or highways:

a. Shall be subject to town road standards as to construction, maintenance and repair.

b. Zoning Code Requirements Applicable. Access roads, streets or driveways constructed from the Active Mine Area to public highways abutting the land subject to this permit shall comply with the following requirements:

<u>Highway:</u>	<u>Minimum Distance of Highway Frontage Between Access Roads:</u>
State Highway 27	600 feet
Blackberry Lane	75 feet

The maximum number of access roads, driveways or streets connecting with each public highway abutting the Active Mine Area shall be two (2). This restriction, however, shall not prohibit the construction of an additional driveway from S.T.H. 27 to be used as access to a possible mine overlook for sightseers.

(9) PROHIBITION AS TO SMELTING, REFINING OR PROCESSING OF ORE.

There shall be no smelting, refining or processing of ore extracted from the subject mine, at any location within Rusk County, Wisconsin.

(10) PARKING AVAILABILITY.

As and for each building constructed under this permit, sufficient off-street parking spaces shall be provided for employee, agent and guest automobiles and trucks. Each parking space shall be at least 200 square feet in area. The actual number of spaces required shall be determined on the basis of projected office space and the number of anticipated employees and guests. Said determination shall be reviewed by the Zoning Administrator. In addition, the Permit Holder shall provide a sufficient area or areas within the Active Mine Area for storage of or parking of trucks, graders, earth moving equipment and other vehicles which may be used from time to time on the premises for purposes associated with the mining operation.

(11) LOCATION, HEIGHT, SIZE OF BUILDINGS AND OTHER STRUCTURES.

(a) To be limited to the approved site plan locations; subject, however, to the following understanding: the site plan incorporated herein by reference is preliminary in nature only. So long as both in number, size and location, structures which are ultimately built or constructed in the Active Mine Area do not substantially change the preliminary plan or substantially alter the scope of the project, changes as to structure locations shall be allowed without further approval of the committee. Any monitoring facilities mandated by the DNR are hereby approved and are not subject to these limitations.

(b) This permit shall include authorization to the Permit Holder to erect the following structures, each of which may exceed thirty-five (35) feet in height, but shall not exceed seventy-five (75) feet in height: Crushing facilities, stacker, ambient air monitors, storage piles, radio tower, water treatment facility and other structures as may be agreed upon by the Permit Holder and the County.

(12) INCORPORATION BY REFERENCE OF ALL APPLICABLE STATE AND FEDERAL REGULATIONS AS TO COMPLIANCE THEREWITH, SUBJECT TO EXPRESS VARIANCES, IF GRANTED, BY PERMIT AUTHORITIES.

The use of the Active Mine Area shall, in addition to being subject to the express terms hereof, be subject at all times to the application of all relevant state and federal regulations and strict compliance by the Permit Holder therewith, subject only to the exception of such express variances, if any, which are granted by the enforcement authorities. In the event the Permit Holder seeks a variance from any such regulation, it shall

provide written notice to the Zoning Committee. In turn, the participating local governments could provide comments to or present evidence to the granting authority as to the appropriateness of the variance or variances requested. Variances which have been identified thus far are as follows:

(a) A variance from NR132.18(1)(d), Wis. Adm. Code as to the construction of a dike which would partially exist in the flood plain to provide additional protection against flooding of the mine during a 100-year storm.

(b) A variance from NR132.18(1)(f), Wis. Adm. Code as to the disturbance of several small wetland areas in the vicinity of the ore body.

(c) With reference to (6), above, as to setbacks, those specific variances sought under NR132.18(1)(e), and NR132.18(1)(c), as to setbacks from State Highway 27 and the Flambeau River and unnamed streams A, B and C.

This permit is further subject to strict compliance by the Permit Holder with all permit requirements imposed under NR132 and NR182, Wis. Adm. Code, as deemed to be applicable by the DNR and such other state and federal regulations and statutes governing mining, in general, and environmental controls of the state and federal governments as are incorporated therein by the State of Wisconsin by statute or Administrative Code provision or variances thereto.

(13) MINE WATER TREATMENT PLANT.

A mine water treatment plant, whose purpose shall be to treat ground and surface water and precipitation which comes in contact with sulfide mineralization sufficient to produce a

leachate which does not meet with state discharge standards, during the course of operation subject to this permit, shall be constructed, maintained and operated by the Permit Holder, pursuant to and in accord with DNR regulations and requirements.

(14) BLASTING LIMITATIONS.

The following conditions and limitations shall apply to blasting and the use of explosives:

(a) Explosives shall be stored in strict compliance with all applicable state and federal laws and regulations, including but not limited to ILHR 7.20 to 7.23, Wis. Adm. code.

(b) No explosions shall be detonated except between 8:00 a.m. and 6:00 p.m., or between sunrise and sunset, whenever sunrise is later than or whenever sunset is earlier than the above designated times, Monday thru Saturday only.

(c) No explosions shall be detonated on the surface of the ground at the mine site, surface being described as the elevation of the ground as it existed on January 1, 1988.

(d) All explosions shall be detonated in such a manner as to control noise, particle displacement and ground vibration, and subject, specifically, to strict compliance with ILHR 7.64, Wis. Adm. code.

(e) Seismographic monitoring shall be required to be maintained in accord with ILHR 7.64 (4) (b) 3. and (d) 2., Wis. Adm. Code.

(f) No explosion shall be detonated which will result in a maximum peak particle velocity of the ground motion in any direction in excess of the standards at ILHR 7.64 (b) 1., Wis. Adm.

Code.

(g) In blasting, the Permit Holder shall at all times, comply with all applicable state and federal laws and regulations or variances therefrom.

(h) In accord with ILHR 7.37, Wis. Adm. code, the Permit Holder shall keep accurate records of times and locations of all explosions set off by it in the area covered by the permit as well as of the type and amount of explosive used for each hole, the size of the charge and the delay between charges. Said records shall be furnished to the Zoning Administrator upon request.

(i) For purposes of implementing this Conditional Use Permit, the County hereby adopts by reference all other applicable provisions of ILHR 7, Wis. Adm. code, not expressly set forth herein, to the effect that ILHR 7 shall, in accord with ILHR 7.35 (2), Wis. Adm. Code, constitute a local regulation to be complied with by the Permit Holder. In accord with ILHR 7.35 (3), Wis. Adm. code, the site of the proposed blasting shall be considered to be in a "community", as defined at ILHR 7.04 (10), Wis. Adm. code, for purpose of requiring and implementing the notification provisions therein set forth.

(j) It is the further understanding of the Zoning Committee that the Permit Holder will be using a fertilizer base explosive consisting of ammonium nitrate and fuel - oil and/or dynamite and that use of the term "explosive" or any form thereof in this permit shall refer expressly thereto. Should the Permit Holder, at any time during the life of this permit, seek to change the type of explosives to be utilized, it shall first

advise the Zoning Committee which shall not unreasonably withhold consent if compliance with all criteria of this portion of the permit shall, with such change, still be maintained.

(15) INSPECTION POWERS OF ZONING ADMINISTRATOR.

The County Zoning Administrator (hereinafter "Zoning Administrator") and his or her duly authorized agents shall have inspection powers and authority for the purposes of ascertaining compliance with the terms of this permit, which powers shall include but not be limited to the following:

(a) Access to any and all portions of the subject premises and any structure situated thereupon in order to perform his duties under the Comprehensive Zoning Code and this permit. The Permit Holder hereby consents to said entry between the hours of 8:00 a.m. and 6:00 p.m., Monday through Saturday, with the exception of legal holidays. At all other times prior arrangements shall be made with the Permit Holder by the Zoning Administrator for entry. In the event that the Permit Holder shall refuse a reasonable request for the right of entry, after reasonable notice, for any or no reason whatsoever, excluding reasons related to hazards, and for any or all of the purposes germane to and allowable under Sec. 66.122, Stats., the County and the Zoning Administrator may avail themselves of the right to obtain a special inspection warrant or warrants for inspection purposes.

(16) ENFORCEMENT OF ALLEGED VIOLATIONS.

(a) Included within this general category shall be:

1. Violations of the terms of this permit.
2. Violation of the terms of any state or federal

permit granted with respect to the mine.

3. Violation of any provision of the Comprehensive Zoning Code except that portion thereof designated as the "Rusk County Mineral Mining Code", Sections 6.3 through 6.11 inclusive of the Comprehensive Zoning Code, and any such other provisions of the Comprehensive Zoning Code which are inapplicable under the Local Agreement or are expressly or impliedly waived herein, if any.

4. Public nuisances constituting real and imminent dangers to public health, safety, and welfare created by operations maintained under this permit.

5. The building of, moving or substantial alteration of any structure (excluding removal) in the Active Mine Area which is not in substantial conformity with the approved of preliminary site plan incorporated by reference in this permit. This is subject, however, to the following understanding: The site plan incorporated herein by reference is preliminary in nature only. So long as, in number, size, location and degree of alteration, structures which are ultimately built or constructed during one of the three phases subject to this permit do not substantially change the preliminary plan or substantially alter the scope of the project, changes as to structure locations, construction or alteration shall be allowed without further approval of the committee and, hence, shall not constitute violations of this permit.

6. The use of any portion of the Active Mine Area which is not in substantial conformity with the approved site plan incorporated by reference under this permit.

(b) Remedies in the event of violations: Remedies may include, but not be limited to the following:

1. Temporary and permanent injunctive relief;
2. Damages, if any, sustained by Rusk County;
3. Imposition of a forfeiture in accord with (c), below;
4. Such other and further relief available to the County under Wisconsin law;
5. Revocation of this permit; or
6. The imposition of additional conditions not included in the original permit.
7. Relief with respect to items 1 - 4, above, may be obtained only through Court action.

(c) Forfeitures. Each violation of this permit and of the Comprehensive Zoning Code and of federal or state permits granted with respect to the contemplated mining operation shall be subject to the imposition upon the Permit Holder of a forfeiture in the amount of from \$200.00 to \$1,000.00 for each day that the violation continues, plus reasonable costs of prosecution should the County prevail. The period of time during which forfeitures may be assessable shall commence running with the first day after the end of the compliance period allotted to the Permit Holder pursuant to (d) of this section in the event that the Permit Holder fails to conform its land use activities to the directions of the County. In the event of a default in payment of any such forfeiture as assessed by a Court, unless a stay of payment is provided, the instant Conditional Use Permit shall be subject to termination at the discretion of the Zoning Committee. Each day

a violation continues to exist shall constitute a separate violation. Resort to this remedy shall not be construed as limiting the County from resorting to any other remedies set forth at (b), above.

(d) Notices; Hearings; Right To Cure Performance.

1. Prior to instituting legal action, except as to public nuisances under (a)4., above, which are causing a real and imminent danger to public health, safety and welfare, the Zoning Administrator shall serve a written notice on the Permit Holder's designated representative of the nature of the alleged violations. The Permit Holder shall have 20 days to respond, either acknowledging the existence of the violations and setting forth its proposal to cure the same or expressly denying the allegations. In the event that the Permit Holder fails to respond or if its response is insufficient to cure the alleged violations, the Zoning Committee may authorize pursuit of a remedy or remedies under (b), above. Under no circumstances, however, shall the permit be revoked without the holding of a due process hearing. In the event that the Permit Holder's response to the notice is satisfactory, it shall be given a reasonable period of time by the committee in which to conform its land use activities to the terms of this permit. Should it fail to do so, the County may resort to the remedies at (b) above.

(17) PERMIT COVERAGE.

This permit shall cover the following phases of operation:

- (a) Construction;
- (b) Mine operation;

(c) Mine closure.

Subject to reopening in accord with (29), of this permit, this permit shall be valid for that period of time, commencing with the date of issuance hereof, defined further as that date no later than forty (40) days after ratification of this permit by the Rusk County Board of Supervisors or the date upon which the Town Board of the Town of Grant approves of the herein contained zoning district boundary change, whichever occurs first, in accord with Sec. 59.97 (5) (e) 6., Wis. Stats., and continuing for the duration of the three phases of operation as set forth above for a period not to exceed forty (40) years. The construction phase shall be first and its approximate duration shall be ten (10) months. Then shall follow the mine operation phase during which ore may be extracted and shipped and reclamation may begin and its approximate duration shall be five (5) years. Finally, the mine closure phase shall take place during which all reclamation and site restoration activities shall be completed, and, during which, environmental monitoring shall take place. In accord with the reclamation plan filed with and approved of by the DNR, during and immediately after the mine operation phase, the Permit Holder shall take the necessary steps to refill the open pit to the approximate grade which existed on June 1, 1988. The Permit Holder shall be required to complete its construction, mine operation and open pit refilling and site restoration activities within the first fifteen (15) years after the DNR has granted to it its NR132 permit. Should it be unable to do so, it shall be required to petition the County for an extension. Permission to so extend shall not unreasonably be withheld by the

Zoning Committee. Subsequent to the said fifteen (15) year period, or completion of pit refilling and site restoration, whichever occurs first, environmental monitoring shall continue for the remainder of the permit life or until concluded, whichever occurs first. Unless an extension of the permit life is requested as a permit modification under Sec. (29) of this permit, for mine closure purposes only, all special uses and entitlements under this permit shall cease at the conclusion of environmental monitoring or the passage of forty (40) years, whichever occurs first. Subject to the fifteen (15) and forty (40) year limitations, which shall be enforced, the time periods expressed herein for each phase shall be deemed to be approximations only. Nonetheless, once the shipping of ore during the mine operation phase has been concluded, the Permit Holder shall not be entitled to recommence the extraction and shipping of ore unless and until a renegotiated Local Agreement and modified Conditional Use Permit has been granted. The effective date, as expressed herein, shall be controlled by and subject to the provisions of (32), below.

(18) SIZE AND SCOPE LIMITATIONS.

This permit is conditioned upon the mine remaining within and not exceeding the limitations expressed at paragraphs 3.b. and c. and 24. of the Local Agreement.

(19) LIAISON TO THE COMMITTEE; REPORTS.

(a) The Permit Holder shall designate a qualified representative, familiar with all aspects of the mine, to act as a liaison to the Zoning Committee. His or her function shall be

to respond to requests for information and to advise both the Committee and Zoning Administrator as to the status of the mining operation, from time to time. Said representative shall also be designated by the Permit Holder to receive written notices of alleged violations of this permit under Sec. (16) above.

(b) The Permit Holder shall provide to the Zoning Committee a copy of each report which it generates and provides to the Impact Committee under Section 16 of the Local Agreement.

(20) SITE PLAN.

Incorporated by reference in this permit is the Site Plan, Exhibit "A", of this permit and any monitoring facilities mandated by the DNR which are hereby approved of by the Zoning Committee. If, at any time during the life of this permit, the Permit Holder desires to substantially alter its site plan or erect additional structures beyond those identified on the site plan, incorporated herein by reference, which structures substantially vary in size, scope, height, number or use from those identified on the site plan, it shall first obtain approval of the Committee. In either granting or rejecting such alterations, the Committee shall be guided by Sec. 7.1 of the Comprehensive Zoning Code.

(21) PERMITTED USE.

This Conditional Use Permit grants to the holder the right to engage in mining activities in, upon and under the surface of the Active Mine Area, a special use. This permit also approves of the construction and operation of the Railway Spur, utility lines and access roads to serve the Active Mine Area. No other or further use of the real estate subject to this permit, not

generally allowed as a permitted use under Sec. 14.5(a)(b), of the Comprehensive Zoning Code, shall be allowed.

(22) INAPPLICABILITY OF RUSK COUNTY SHORELAND-WETLAND ZONING PROVISIONS TO ACTIVE MINE AREA.

None of the property affected by this permit is within a shoreland-wetland district under the official Rusk County Shoreland-Wetland Maps as of the date of this permit. The Shoreland-Wetland overlay zoning district is not applicable to the Active Mine Area and land uses contemplated to be made of it under this permit. In accord with Sec. 14.8.3.C.2 of the Comprehensive Zoning Code, this permit shall control use of that portion of the Active Mine Area subject to the Shoreland Overlay Zoning District.

(23) INAPPLICABILITY OF RUSK COUNTY MINERAL MINING CODE.

Pursuant to the Local Agreement, Sections 6.3 through 6.11 inclusive of the Comprehensive Zoning Code, known as the "Rusk County Mineral Mining Code" shall not be applicable to the Permit Holder, nor to its land uses granted by this permit.

(24) REVEGETATION OF ACTIVE MINE AREA.

It shall be a condition of this permit that during the closure phase the Permit Holder shall re-vegetate all disturbed sites in the Active Mine Area. To facilitate such revegetation, the Permit Holder shall, prior to the construction phase, take an inventory of the existing vegetation. In revegetating disturbed sites the Permit Holder shall use said inventory as a guide and shall plant the same or similar grasses, shrubs, trees and other vegetation. Subsequent to said revegetation, the Permit Holder shall remain responsible for and shall insure viability of what

it has planted for a period of 20 years, during which time it shall replant vegetation which fails to take hold and/or which dies.

(25) MODIFICATION OF PERMIT PROCEDURE.

In the event that subsequent to the issuance of this permit the Permit Holder desires modifications of the terms and conditions hereof including, but not limited to structural alterations, expansion of permitted uses or site plan amendments, the Permit Holder shall make an application to the Zoning Committee. In accord with Secs. 7.1 and 7.2(1), (3), (4) and (5) of the Comprehensive Zoning Code, the Zoning Committee shall issue its determination. In making such a decision, it shall not be bound by the Mineral Code, Sec. 6.3 through 6.11 inclusive, because those sections have been deemed inapplicable pursuant to the Local Agreement.

(26) FEES.

A. Upon ratification of this permit by the Rusk County Board of Supervisors, the Permit Holder shall pay a fee of \$5,000.00, which fee shall be non-refundable and the purpose of which shall be to defray the costs of the permit granting process.

B. As a further condition of the permit, the Permit Holder shall make a contribution to Rusk County for the expenses to it of permit compliance monitoring and enforcement by the Zoning Administrator. Said contribution shall be in the amount of \$750 per year. This requirement shall apply for each calendar year of construction and of mine operation. Said payment shall be made

on or before December 31 of each calendar year of construction and of mine operation.

C. Upon application for modification of this permit, the Permit Holder shall pay a non-refundable fee of \$500.00 and, additionally, shall pay all costs associated with the holding of the public hearing(s) and Zoning Committee meetings including, but not limited to per diems, costs of publication, expert witness and/or advisor fees.

D. The Permit Holder shall pay such other fees, charges and costs as are called for in this permit.

(27) PRECIPITATE DISPOSAL.

Precipitate, defined as any solid generated in the course of waste water treatment under Sec. (13) of this permit and further defined as the residue remaining after ground and surface water and precipitation which have come in contact with sulfide mineralization have been treated in accord with state water discharge standards, shall be disposed of as follows: The Operator shall store said precipitate in such a manner as to comply with Sec. (17) of the Local Agreement and shall, during or prior to the closure phase under this permit, re-deposit the said precipitate in the open pit, in conjunction with that portion of the Type II wasterock which has the highest incidence of sulfide mineralization, at the bottom of the said open pit, provided this method is approved of by the DNR.

(28) RAIL CAR AND TRUCK; ACCESS ROADS--DUST CONTROL.

The Permit Holder shall use appropriate means, consistent with Wisconsin law and regulations, to control dust from ore being transported by rail car or truck or from the passage of

trucks over unpaved access roads.

(29) REOPENING OF PERMIT.

In the event that the Permit Holder desires to reopen and extend the life of this permit, it shall make application for the same to the Zoning Committee, in writing, at least two (2) years prior to the end of the term hereof. Reopening may be granted by the Committee solely for reasons related to site reclamation. In the event that the Permit Holder desires to expand or extend the project scope, whether during or after the mine operation phase, it shall be required to apply for a new permit in accord with Secs. 7.1 and 7.2(1), (3), (4) and (5), of the Comprehensive Zoning Code, or their successors.

(30) CLOSURE PHASE: MINE SITE RECLAMATION RESPONSIBILITY OF PERMIT HOLDER.

The Permit Holder shall remain financially responsible and shall, as such, maintain its reclamation bond or other security pursuant to NR132, Wis. Adm. Code covering the mine in question for a period of not less than thirty (30) years commencing 90 days next following the date and year of actual mine closure, unless the committee receives a copy of a request to be exempted and concurs in writing with the DNR conclusion to grant said exemption, such concurrence shall not be unreasonably withheld.

(31) SCREENING OF ACTIVE MINE AREA.

To the extent possible, consistent with the Permit Holder's use and erection of structures within and surrounding the Active Mine Area and the setback requirements herein set forth, in order to minimize traffic hazards along and upon S.T.H. 27, as it passes to the east of the Active Mine Area, caused by travelers

upon said highway who wish to observe the Active Mine Area and, additionally, as an aesthetic component, the Permit Holder shall make reasonable efforts to retain the trees growing on its property adjacent to the west line of S.T.H. 27.

(32) AUTHORIZATION FOR CONDITIONAL LAND USE PERMIT.

The granting of this Conditional Land Use Permit to the Permit Holder by Rusk County, is authorized pursuant to Secs. 59.97 and 144.839, Wis. Stats., adopted in Act 399, Laws of 1987-88. It shall not be deemed to be effective, nor shall the Permit Holder consider it as conferring upon it any rights, entitlements or privileges until a public hearing has been held by each participating local government, as defined in the agreement incorporating this permit by reference, nor until each said unit of local government shall have, in open session, ratified entry into said Local agreement, nor until Rusk County, through its Board of Supervisors shall have ratified, in its capacity as the zoning authority, the granting of this permit. Only upon the occurrence of the last of these events shall this permit be deemed to be effective.

(33) ADOPTION OF THE INSTANT PERMIT BY THE CITY OF LADYSMITH.

In the event that, in accord with the agreement incorporating this permit by reference, the Permit Holder annexes a portion of the property described at (1), above, to the City of Ladysmith, the said City hereby agrees, pursuant to the power vested in it at Secs. 62.23 (7) and 144.839, Wis. Stats., to adopt and implement the terms and conditions of this permit as its zoning regulation of the Permit Holder's mine.

(34) AMENDMENT OF TERMS AND CONDITIONS IMPOSED UNDER THIS PERMIT.

In the event that, during the period of time covered by this permit, the Permit Holder shall apply for variances from applicable federal or state laws or regulations, other than those identified at Sec. (12) above, which variances act to substantially change or have the potential to substantially change the nature of or scope or extent of the mining operations to take place in the Active Mine Area subject hereto, such as the development of a shaft underground mine or the installation of more or larger equipment so as to increase the yearly ore shipping rate in excess of 125 percent of the level expressed in Sec. 3.c. (10) of the Local Agreement or expanding beyond the limits of Sec. 24.b. of the Local Agreement, or in the event that cause exists, for either the Permit Holder or Rusk County to renegotiate all or a specific provision or provisions of this Local Agreement, in accord with Sec. 24 a., thereof, Rusk County reserves the right, in deference to the interest of the public health, safety and welfare and its authority at Sec. 59.97, Wis. Stats., to modify or impose additional or different conditions upon the Permit Holder's special use activity--mining. The process of considering and establishing or rejecting such additional or different conditions shall be governed by Sec. - 7.1 and 7.2(1), (3), (4) and (5) of the Comprehensive Zoning Code or their successors.

(35) BACK FILLING OF OPEN PIT.

Upon the conclusion of its mining under this permit and under the Operator's NR132 permit, the Operator shall, in accord

with and subject to applicable provisions of NR132 and NR182, back fill the open pit created in the course of its mining operations. The present plan, subject to DNR approval, is that it shall use the soil, overburden wasterock and precipitate generated from wastewater treatment in the back filling of the mine and shall deposit in the layer furthest below the grade level of the land that wasterock with the highest incidence of sulfide mineralization as well as the precipitate. It shall also, if acceptable to the DNR, and subject to engineering specifications approved of by the DNR, place at an appropriate level below the soil and overburden, a layer composed of a clay-like, possibly saprolitic rock formation, referred to otherwise as "ML material", to help assure that the permeability of the Type II Wasterock filled below the Type I Wasterock will be less than the permeability of the Type I Wasterock and earth fill at the top of the pit.

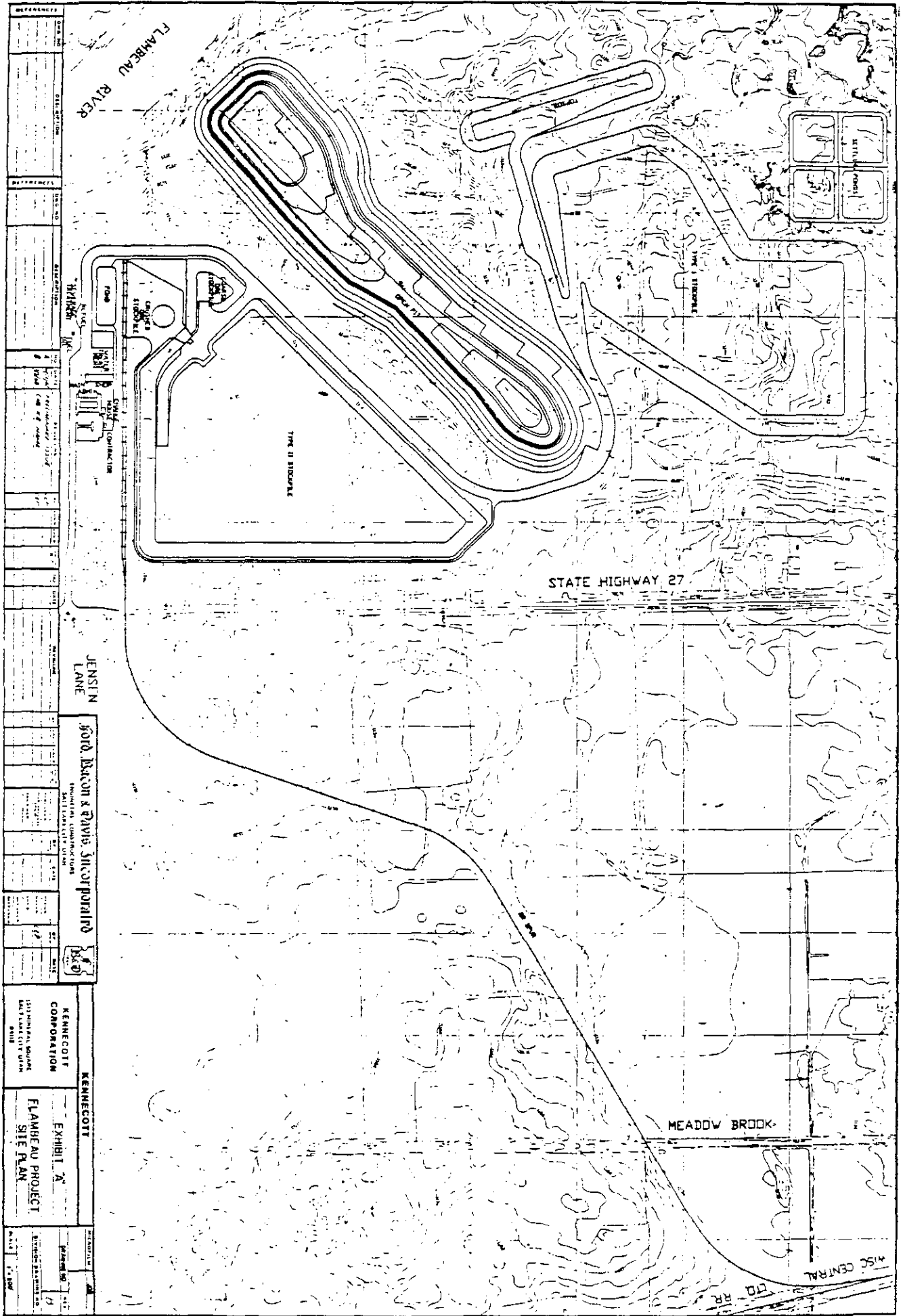
This Conditional Use Permit is hereby granted to the Permit Holder under authority vested in the Rusk County Board of Supervisors.

Rusk County,
A QuasiMunicipal Corporation of
The State of Wisconsin.

BY:



Norman Arndt
Zoning Administrator



NO.	DATE	DESCRIPTION	BY	CHKD.
1	10/15/54	PRELIMINARY PLAN	J. W. BROWN	
2	11/15/54	REVISED PLAN	J. W. BROWN	
3	12/15/54	FINAL PLAN	J. W. BROWN	
4	1/15/55	AS BUILT PLAN	J. W. BROWN	

Flambeau Project
 THE II RIDGE
 THE I RIDGE
 STATE HIGHWAY 27
 JENSTEN LANE
 MEADOW BROOK
 MISO CENTRAL RR

SOLO, BROWN & DAVIS, INCORPORATED
 ENGINEERS, ARCHITECTS AND PLANNERS
 100 N. W. 1st St., Eau Claire, Wis.

KENNECOTT CORPORATION
 EXHIBIT A
 FLAMBEAU PROJECT
 SITE PLAN

100 MINERAL SQUARE
 EAST LAKE CITY, MINN.
 55118

KENNECOTT
 100 MINERAL SQUARE
 EAST LAKE CITY, MINN.
 55118

SCALE: AS SHOWN
 DATE: 1/15/55

SHEET NO. 1
 OF 1

PROJECT NO. 100

DRAWING NO. 100

DATE: 1/15/55

BY: J. W. BROWN

CHECKED:

APPROVED:

TITLE:

PROJECT:

SHEET:

DATE:

Flambeau Mine Socio-Economic Study Business and Commerce Survey

A socio-economic study is currently being developed to gauge the impact of the Flambeau Mining operations on local governments and residents of Rusk County. As part of this study, a survey of local businesses is being conducted to determine whether the mining operations had any impact on local businesses. Please complete the following questions and return the survey in the postage-paid envelope. Northwest Regional Planning Commission, located in Spooner, is preparing the socio-economic study. Thank you for your participation.

1. Was your business in existence during the operation of the Flambeau Mine between 1991 and 1998?

Yes No

If no, please skip questions 2-7 and go to question 8.

2. Were you expecting to get any business from the operations at the Flambeau Mine?

Yes No

3. Did the Flambeau Mining Company or its contractors or subcontractors purchase goods and materials from your business?

Yes No

4. Overall, did the presence of the Flambeau Mine benefit your business?

Significantly Somewhat Not at All Don't Know

5. Did your business hire additional employees as a direct result of the presence of the Flambeau Mine?

Yes No

OVER

6. Since the Flambeau Mine Company completed its reclamation project (1998), has your company had to permanently reduce its employee size?

- Yes No

If yes, was it the result of the following? (check all that apply)

- Flambeau Mine ceasing operations
 September 2002 tornado
 Regional or National economics
 Other _____

7. Approximately how many full-time equivalent employees (including yourself) did your business have in November 1997?

- 1-5 6-10 11-15 16-20 21 or more

8. Approximately how many full-time equivalent employees (including yourself) do you have in November 2004?

- 1-5 6-10 11-15 16-20 21 or more

9. What type of business do you own or manage? _____

10. **Optional:** What is the name of your business? _____

Please return this survey by December 3, 2004 in the postage paid envelope.

Flambeau Mine Socio-Economic Study

A socio-economic study is currently being developed to gauge the impact of the Flambeau Mine on local governments and residents of Rusk County. Please complete the following questions and return the survey in the postage-paid envelope. Northwest Regional Planning Commission, located in Spooner, is preparing the study. Thank you for your participation.

1. Did you live in Rusk County during the operation of the Flambeau Mine? Yes No
2. Do you live in the City of Ladysmith? Yes No

If yes, how long have you lived in Ladysmith? _____ years

3. How would you rate Flambeau Mining Company as a corporate citizen providing long-term benefits to the local community?

Excellent Good Fair Poor

(check only one)

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Don't Know
4. Flambeau Mining Company improved the well-being of people in the City of Ladysmith.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Flambeau Mining Company protected the environment at the Flambeau Mine site.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Because of the Flambeau Mine, my <u>local government</u> is better off now than before the mine was developed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Because of the Flambeau Mine, long-term economic benefits in the local communities have been enhanced.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Because of the Flambeau Mine, my <u>community</u> is better off now than before the mine was developed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. The Flambeau Mining Company interacted constructively and equitably with local communities during and after the Flambeau Mine.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Flambeau Mining Company improved the well-being of people in Rusk County.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. The Flambeau Mining Company effectively engaged stakeholders and the local governments to allow communities to participate in the decision-making process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OVER

12. Were you concerned about the impact to the environment prior to or during mine construction?
 Yes No
- If yes**, did the mining company adequately address your concerns?
 Yes No
13. Flambeau Mining Company made certain promises to the people of Rusk County to protect the environment, provide economic benefits (jobs and tax revenue) and reclaim the mine site. Did the Flambeau Mining Company keep their promise to:
- | | | |
|---------------------------|------------------------------|-----------------------------|
| Protect the Environment | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Provide Economic Benefits | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Reclaim the Mine Site | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
14. If another ore deposit were found in the vicinity of your community, would you welcome Flambeau Mining Company back to mine it?
 Yes No
15. How much in total do you think local governments (Town of Grant, City of Ladysmith, and Rusk County) received in mining taxes and proceeds from the Flambeau Mining Company while in operation?
- | | |
|--|--|
| <input type="checkbox"/> Less than \$100,000 | <input type="checkbox"/> \$5,000,000 - \$9,999,999 |
| <input type="checkbox"/> \$100,000 - \$499,000 | <input type="checkbox"/> \$10,000,000 - \$14,999,999 |
| <input type="checkbox"/> \$500,000 - \$999,999 | <input type="checkbox"/> \$15,000,000 - \$20,000,000 |
| <input type="checkbox"/> \$1,000,000 - \$4,999,999 | <input type="checkbox"/> more than \$20,000,000 |
16. Have you used the recreational trails constructed on the reclaimed site of the Flambeau Mine?
 Yes No
17. What is your gender: Female Male
18. What is your age: Under 20 20-24 25-34
 35-44 45-54 55-64
 65-74 75 and older
19. How many persons reside in your household?

Please complete and return the survey by November 5, 2004 to
 NWRPC, 1400 S. River Street, Spooner, WI 54801.