

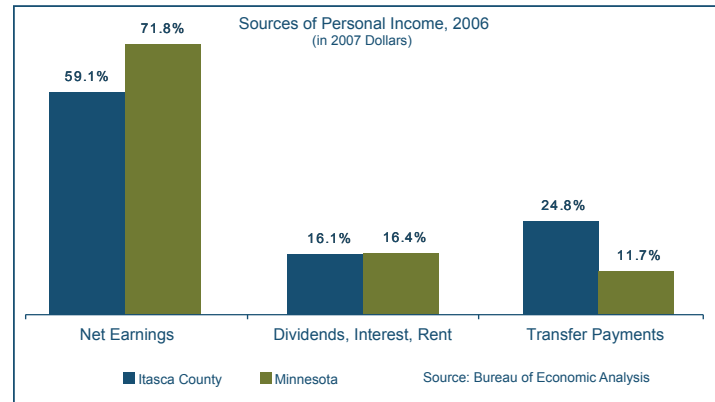
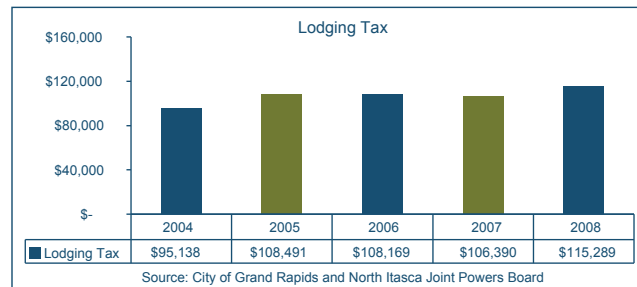
MID-YEAR PERSPECTIVE 2008

ITASCA ECONOMIC REPORT



Lodging Tax

The lodging tax collected in Itasca County rose by 8% during the first half of 2008 over the same period in 2007. The increase can very likely be attributed to several factors other than more tourists vacationing in the area. Increased room rates, increased capacity with the opening of a new motel in Grand Rapids, and out of town construction workers also have an effect on the lodging tax base.

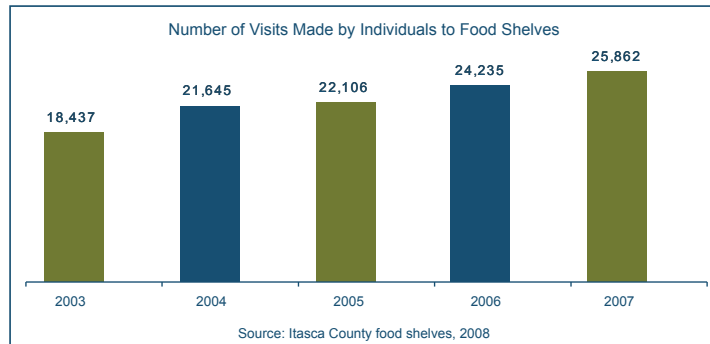


Sources of Personal Income

Individuals and households get their income from three main sources: 1) net earnings 2) dividends, interest, and rent, and 3) transfer payments. Transfer payments include income from sources such as social security, unemployment compensation and veteran's benefits. Transfer payments make up 25% of personal income for Itasca County residents compared to 12% for the State. Net earnings made up 59% of personal income in 2006 compared to 66% in 1980.

Food Shelf Usage

Utilization of Itasca County food shelves increased by 40% between 2003 and 2007. The numbers shown in the graph represent the number of visits made by individuals to Itasca County food shelves. Some individuals may have come only once or they may have come once a month. Itasca County has food shelf locations in Deer River, Grand Rapids, Bigfork, Nashwauk, and Warba.

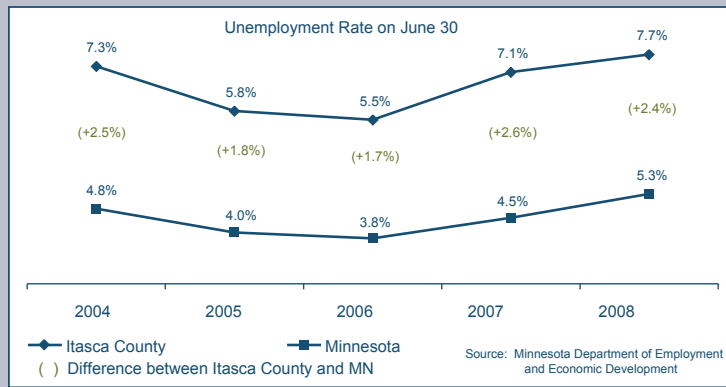


ECONOMIC INDICATORS

- Unemployment
- Wage Per Job
- School Referendums
- Age Structure
- Residential Real Estate
- Property Tax
- Electric Rates
- Lodging Tax
- Sources of Personal Income
- Food Shelf Usage

Itasca Economic Development (IEDC) is a non profit organization with the mission of helping create quality jobs.

IEDC provides business advisory services at no charge, works on business recruitment and helps focus community development efforts.

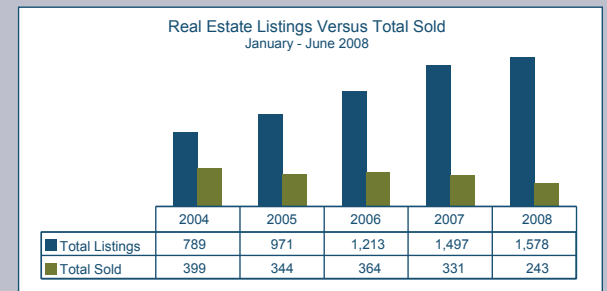


Unemployment

Nationally the June 30, 2008 unemployment rate was 5.7% or 1% higher than the prior year. Minnesota and Itasca County experienced increases as well but at a somewhat lesser amount. Itasca County closed the gap slightly over Minnesota's June 30 unemployment rate but still experienced a five year high at 7.7%. DEED projects strong future job growth in healthcare, financial sectors and social assistance services.

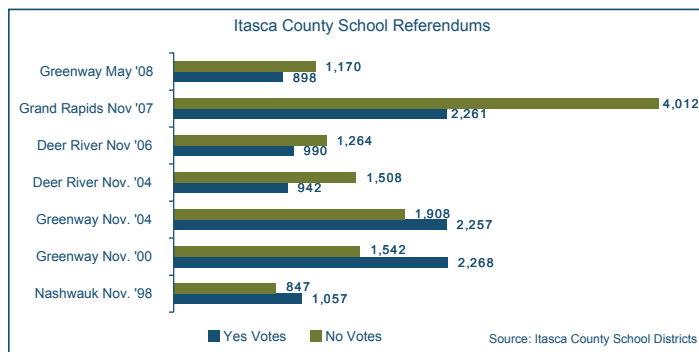
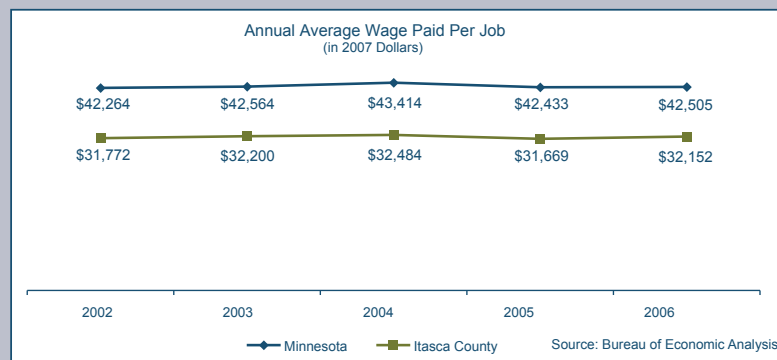
Residential Real Estate

The average price of residential real estate sold during the first half of 2008 dropped in all property types with the exception of properties sold within the City of Grand Rapids. Successful sales of properties sold at approximately 95% of the list price. The actual number of all real estate properties sold and the total sold dollar volume declined by 27% during the first half of 2008. The number of active listings on the market doubled in five years.



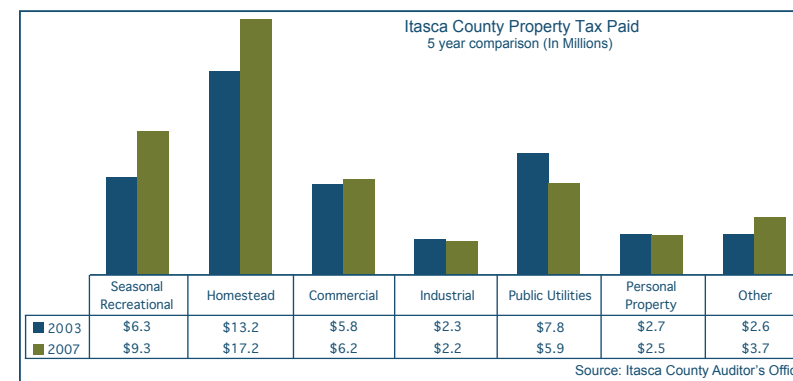
Annual Average Wage Paid Per Job

The annual average wage paid per job in Itasca County is more than \$10,000 less than the state average wage paid per job. The outlook for additional higher-paying mining jobs is good based on strong metal markets and proposed major projects for the Iron Range. All dollar values have been adjusted for inflation and the values are shown in 2007 dollars.



School Referendums

The Nashwauk school district passed a school referendum in November 1998 and Greenway had successful results in 2000 and 2004. Since that time, four Itasca County school referendums have failed. Deer River held unsuccessful referendums in 2004 and in 2006. By an almost 2 to 1 margin the Grand Rapids school district's general referendum for operations held November 2007 failed and Greenway voters turned down a general referendum in May 2008.

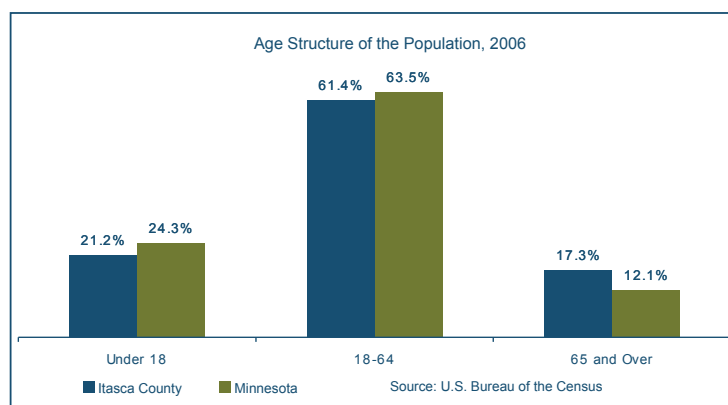


Property Tax

Property taxes collected in Itasca County rose by \$6.3 million, or 16%, in the five years from 2003 to 2007. Cuts in local government aid and removal of levy limits resulted in an increase in local taxes paid. Seasonal recreational property experienced the largest increase of 48% followed by a 30% increase in homestead property taxes.

Age Structure

In 1980 the age structure of Itasca area residents closely mirrored the State of Minnesota as did the annual average wage paid per job. As the gap widened between wages paid in Itasca County versus Minnesota, Itasca County's age structure changed. By 2006 Itasca County's population aged 18 years and younger dropped from 31% to 21% and the population aged 65 and over increased from 12% to 17%.



Electric Rates

In five years the cost per kilowatt hour for electricity has risen by an average of one cent. This equates to a 14% increase for residential, 17% for commercial and 27% for industrial customers. An average household is estimated to use approximately 1,000 kilowatt hours per month which equates to a \$10 per month increase for that household for kilowatt usage. The Department of Energy estimates average household energy use will grow by 1.7% annually between now and 2020.

