

MESABI TRUST
Form 10-K
April 12, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2019

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 1-4488

MESABI TRUST

(Exact name of registrant as specified in its charter)

New York	13-6022277
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

c/o Deutsche Bank Trust Company Americas Trust & Agency Services 60 Wall Street, 16th Floor New York, New York	10005
(Address of principal executive offices)	(Zip Code)

(904) 271-2520

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(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Units of Beneficial Interest in Mesabi Trust	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of July 31, 2018, the aggregate market value of the Units of Beneficial Interest in the registrant held by non-affiliates of the registrant was \$369,976,436* based on the closing sale price as reported on the New York Stock Exchange. As of April 10, 2019, there were 13,120,010 Units of Beneficial Interest in Mesabi Trust outstanding.

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* Includes approximately \$282,500, representing the market value, as of July 31, 2018, of 10,000 Units of Beneficial Interest, the beneficial ownership of which is disclaimed by an affiliate that retired in January 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Annual Report of the Trustees for the Fiscal Year Ended January 31, 2019 (Annual Report)	Parts I, II, and IV

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MESABI TRUST

ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1. BUSINESS.

(a) General Development of Business.

The information under the headings “Trustees’ Discussion and Analysis of Financial Condition and Results of Operations,” “The Trust Estate,” “Leasehold Royalties,” and “Land Trust and Fee Royalties” in the Annual Report of the Trustees of Mesabi Trust for the fiscal year ended January 31, 2019, filed as Exhibit 13 to this Form 10-K (the “Annual Report”) is incorporated herein by reference.

(b) Financial Information About Segments.

Substantially all of the revenue, operating profits and assets of Mesabi Trust (“Mesabi Trust” or the “Trust”) relate to one business segment—iron ore mining. The information under the heading “Selected Financial Data” in the Annual Report is incorporated herein by reference.

(c) Narrative Description of Business.

The information under the headings “Overview,” “Trustees’ Discussion and Analysis of Financial Condition and Results of Operations,” “The Trust Estate,” and “Leasehold Royalties” in the Annual Report is incorporated herein by reference.

(d) Financial Information About Geographical Areas.

All of the Trust’s revenues are derived from the assets of the Trust, information of which is set forth under the heading “The Trust Estate” of the Annual Report. The information under the heading “Selected Financial Data” in the Annual Report is incorporated herein by reference.

(e) Availability of Reports on Registrant’s Website.

The information on the cover page of the Annual Report is incorporated herein by reference.

ITEM 1A. RISK FACTORS.

The information under the heading “Risk Factors” in the Annual Report is incorporated by reference.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The information under the heading “The Trust Estate,” “Duration of the Trust Estate,” “History of the Trust’s Acquisition of the Trust Estate,” and “Description of the Mineral Properties and Northshore’s Mining Operations,” in the Annual Report is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS.

None.

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ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED UNITHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The information under the headings "Unallocated Reserve" and "Certificates of Beneficial Interest" in the Annual Report is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA.

The information under the heading "Selected Financial Data" in the Annual Report is incorporated herein by reference.

ITEM 7. TRUSTEES' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information under the headings "Trustees' Discussion and Analysis of Financial Condition and Results of Operations," "Leasehold Royalties," "Trust Expenses," and "Unallocated Reserve" in the Annual Report is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements, including the Independent Registered Public Accounting Firm's report thereon, filed as a part of this Form 10-K, are presented on pages F-3 through F-17 and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. The Trust maintains a system of disclosure controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it furnishes or files under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and regulations of the Securities and Exchange Commission. Due to the pass-through nature of the Trust, the Trust's disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by Mesabi Trust is received from Cleveland-Cliffs Inc. ("Cliffs") and its wholly-owned subsidiary, Northshore Mining Company ("Northshore"). In order to help ensure the accuracy and completeness of the information required to be disclosed in the Trust's periodic and current reports, the Trust employs certified

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public accountants, geological consultants, and attorneys. These professionals hired by the Trust advise the Trust in its review and compilation of the information in this Form 10-K and the other periodic reports filed by the Trust with the SEC.

As part of their evaluation of Mesabi Trust's disclosure controls and procedures, the Trustees rely on quarterly shipment and royalty calculations provided by Northshore and Cliffs. Because Northshore has declined to provide a written certification attesting to whether Northshore has established disclosure controls and procedures and internal controls sufficient to enable it to verify that the information furnished to the Trustees is accurate and complete, the Trustees also rely on (a) an annual certification from Northshore and Cliffs, certifying as to the accuracy of the royalty calculations, and (b) the related due diligence review performed by the Trust's accountants. In addition, Mesabi Trust's consultants review the schedule of leasehold royalties payable, and shipping and sales reports provided by Northshore against production and shipment reports prepared by Eveleth Fee Office, Inc., an independent consultant to Mesabi Trust ("Eveleth Fee Office"). Eveleth Fee Office performs inspections of the Northshore mine and its pelletizing operations, observes production and shipping activities, gathers production and shipping information from Northshore and prepares monthly production and shipment reports for the Trustees. Furthermore, as part of its engagement by Mesabi Trust, Eveleth Fee Office also attends Northshore's calibration and testing of its crude ore scales and boat loader scales which are conducted on a periodic basis.

As of the end of the period covered by this report, the Trustees carried out an evaluation of Mesabi Trust's disclosure controls and procedures. The Trustees have concluded that such disclosure controls and procedures are effective.

Trustees' Report on Internal Control over Financial Reporting. The Trustees' Report on Internal Control over Financial Reporting is set forth on page F-2 of the Annual Report. The attestation report of the Trust's independent registered public accounting firm on its assessment of the Trust's internal control over financial reporting is set forth on page F-3 of the Annual Report.

Changes in Internal Control over Financial Reporting. To the knowledge of the Trustees, except for the change in the Trust's revenue recognition controls resulting from the adoption of ASC 606 as described in Note 2 in the Notes to the Financial Statements, there were no changes in the Trust's internal control over financial reporting that occurred during the Trust's last fiscal quarter that has materially affected, or is likely to materially affect, the Trust's internal control over financial reporting. The Trustees note for purposes of clarification that they have no authority over, and make no statement concerning, the internal controls of Northshore or Cliffs.

ITEM 9B. OTHER INFORMATION.

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The Agreement of Trust dated July 18, 1961 (the “Agreement of Trust”) provides for a Corporate Trustee and four individual Trustees (collectively, the “Trustees”). The Trust does not have, nor does the Agreement of Trust provide for officers, a board of directors or any committees. Generally, the Trustees continue in office until their resignation or removal. Any Trustee may be removed at any time, with or without cause, by the holders of two-thirds in interest of the Certificates of Beneficial Interest in the Trust (the “Trust Certificates”) then outstanding. In the case of an individual Trustee, a successor is appointed if the individual Trustee dies, becomes incapable of acting or is adjudged bankrupt or insolvent. In the case of the Corporate Trustee, a successor is appointed if a receiver of the Corporate Trustee or of its property is appointed, or if any public officer takes charge or control of the Corporate Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Successor Trustees can only be appointed by the holders of a majority in interest of the Trust Certificates then outstanding. Because such appointments are not made on a regular or periodic basis, the Trust does not have a standing nominating committee or a policy in place for the recommendation and nomination of successor Trustees.

The Trust’s activities are limited to collecting income, paying expenses and liabilities, distributing net income to the holders of Trust Certificates (the “Unitholders”) after the payment of, or provision for, such expenses and liabilities, and protecting and conserving the assets held. The Trustees have adopted a Code of Ethics that applies to the Trustees. A copy of the Code of Ethics is incorporated by reference in Exhibit 14 of this Form 10-K.

The Trust has not designated a separate audit committee comprised of independent committee members relying on an exemption provided by Rule 10A-3 of the Securities Exchange Act of 1934, as amended. As such, the Trustees have not designated an “audit committee financial expert.” The Trustees collectively perform the functions of an audit committee.

To carry out the Trustees’ duties under the Agreement of Trust, the Trustees meet on at least a quarterly basis to discuss information and circumstances relevant to the Trust. The Trustees also conduct telephone conferences from time to time between the quarterly meetings to address developments that require more timely attention. The Trustees held 22 meetings either in person or via teleconference in fiscal 2019. All of the Trustees attended at least 75% of the sum of all Trustee meetings held in fiscal 2019.

In the third quarter of each year, the Trustees also conduct an annual inspection trip in which they personally visit and tour Northshore’s mining operations and plant facilities located near Babbitt and in Silver Bay, Minnesota, respectively. During the inspection trip, the Trustees meet with and interview Northshore personnel with respect to Northshore’s current operations, changes in operations, mining plans, capital equipment and facilities.

Because Mesabi Trustees are appointed until they resign or are removed, at the time of nomination the Trustees believe that it is necessary for each Trustee to possess many qualities and skills. Set forth below are the present Trustees’ principal occupations and directorships held with other public corporations during the past five years, or longer as material, their ages and the year each of the Trustees was first elected as a Trustee of the Trust.

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Robert C. Berglund

Age: 72

Year Appointed and elected as Individual Trustee: 2009

Retired Vice President and General Manager, Cleveland-Cliffs Inc.

Mr. Berglund has extensive experience in the mining industry. He retired from his position as Vice President and General Manager of Northshore Mining Company in 2003 after spending thirty-five years in mining production and operations management with Cliffs. Mr. Berglund joined Cliffs after graduating from Penn State University in 1968 with a B.S. in Mining Engineering. From 1968 until 2003, Mr. Berglund worked onsite at various mines owned and operated by Cliffs across North America.

James A. Ehrenberg

Age: 76

Year Appointed and elected as Individual Trustee: 2006

Retired Vice President, U.S. Bank, N.A.

Mr. Ehrenberg has extensive experience serving as corporate trustee. Before retiring from his position as Senior Vice President of U.S. Bank, N.A. Mr. Ehrenberg spent nearly forty years in the corporate trust department of U.S. Bank, N.A. and its predecessor, First Trust Company of Saint Paul. From 1983 until April 2005, Mr. Ehrenberg was directly responsible for providing corporate trustee services to the Mesabi Land Trust of which Mesabi Trust is the sole trust certificate holder.

Michael P. Mlinar

Age: 65

Year Appointed and elected as Individual Trustee: 2014

Retired Vice President of North American Iron Ore Initiative, Cleveland-Cliffs Inc.

Mr. Mlinar, appointed and elected as a Mesabi Trustee in 2014, retired from his position as Vice President of North American Iron Ore Initiative in 2013 after spending thirty-six years in mining production and operations management. Mr. Mlinar was General Manager at five different Cliffs subsidiaries: Tilden, Empire, Hibbing

Taconite, United Taconite, and Northshore Mining, and then was Integration Lead for the Bloom Lake Mine, and in 2011 became a Vice President of North American Iron Ore.

Mr. Mlinar started working in October 2014 as a part-time, salaried employee for Krech Ojard & Associates, Inc. (“Krech”), a private engineering consulting firm, which provides consulting services to its customers in diverse industries, including Cliffs and Northshore. Mr. Mlinar is not, and has never been, an owner, partner, officer or director of Krech. Mr. Mlinar’s part-time employment does not include providing engineering consulting services through Krech for Cliffs or Northshore.

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Robin M. Radke

Age: 48

Year Appointed and elected as Individual Trustee: 2019

Associate General Counsel, Merced Capital, L.P.

Ms. Radke has more than twenty-five years of business and legal experience, including over fifteen years in private and in-house legal practice. Since 2014, she has been associate general counsel at Merced Capital, L.P., a privately-held registered investment advisor. Prior to Merced, Ms. Radke was an attorney with Oppenheimer Wolff & Donnelly LLP (now Fox Rothschild LLP) for eleven years where her work included advising the Trust on securities reporting, internal controls and general matters. Ms. Radke's legal practice includes advising internal clients regarding a wide spectrum of industries, including financial services, lending, real estate, energy and shipping. In addition, she has experience in securities law and general corporate law.

Effective October 2, 2018, pursuant to their authority under the Mesabi Land Trust Agreement, the Trustees voted as the sole unitholder and on behalf of Mesabi Trust to appoint Ms. Radke to succeed Richard G. Lareau as Trustee of the Mesabi Land Trust.

As previously reported, at the special meeting of Mesabi Trust certificate holders held on January 23, 2019, the Unitholders of Mesabi Trust approved the appointment of Ms. Radke as an individual Trustee of Mesabi Trust.

The Trust believes that each of the individual Trustees has a diversified background and extensive financial, business and industry specific expertise that make them an important resource in the oversight of the Trust's affairs. There are no family relationships among any of the Individual Trustees.

ITEM 11. EXECUTIVE COMPENSATION.

Compensation Discussion and Analysis

The Trust does not have a board of directors, executive officers or any employees. The compensation paid to the Trustees is governed by the Amendment to the Agreement of Trust dated October 25, 1982, as amended (the "Amendment"). Other than in connection with the initial Trustees' review and consideration of a proposal to increase annual Trustee compensation as reflected in the Trust's proxy statement dated November 9, 2018, for which the Trustees engaged Grant Thornton LLP to review peer group research data and provide a compensation recommendation, the Trust does not use any compensation consultants. In the third fiscal quarter 2019, the Trust paid Grant Thornton LLP \$38,278 for these services.

The proposal to increase annual Trustee compensation was not approved by the Unitholders at the special meeting, as it failed to achieve the necessary 66 2/3% majority of outstanding Units of Beneficial Interest vote requirement.

The Amendment does not provide for any stock awards, option awards, non-equity incentive plan compensation, change in pension value, nonqualified deferred compensation earnings or any other compensation. The Trust does not have severance agreements nor does it provide post-retirement benefits to the Trustees. Accordingly, all such tables have been omitted from the Annual Report.

Pursuant to the Amendment, each individual Trustee receives at least \$20,000 in annual compensation for services as Trustee. Each year, annual Trustee compensation is adjusted up or down (but

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not below \$20,000) in accordance with changes from the November 1981 level of 295.5 (the “1981 Escalation Level”) in the All Commodities Producer Price Index (with 1967 = 100 as a base). The All Commodities Producer Price Index is published by the U.S. Department of Labor, Bureau of Labor Statistics. The adjustment is made at the end of each fiscal year and is calculated on the basis of the proportion between (a) the level of such index for the November preceding the end of such fiscal year, and (b) the 1981 Escalation Level. Any action to modify or otherwise vary the compensation of the individual Trustees as provided by the Amendment must be approved by the affirmative vote of 66 2/3% in interest of the Trust Certificates then outstanding. Each of the individual Trustees received total compensation of \$40,817 during fiscal 2019, except for Ms. Radke, who received \$9,500 since she joined as a Trustee of the Trust in January 2019.

Under the Amendment, the Corporate Trustee receives annual compensation for services as a Trustee in an amount equal to the greater of (i) \$20,000, or such other amount determined in accordance with the adjustments described in the preceding paragraph, or (ii) one quarter of one percent (1/4 of 1%) of the trust moneys, exclusive of proceeds of sale of any part of the Trust Estate (as such terms are defined in the Agreement of Trust), received by the Trustees and distributed to Unitholders. The compensation paid to Deutsche Bank Trust Company Americas, for services as Corporate Trustee of the Trust, under this second prong of this compensation formula was \$154,012 pursuant to the Amendment.

Additionally, each year the Corporate Trustee receives \$62,500 to cover clerical and administrative services to Mesabi Trust, other than services customarily performed by a registrar or transfer agent for which the Corporate Trustee is paid additional service fees. The Corporate Trustee earned \$154,012 in cash compensation for the fiscal year ended January 31, 2019, inclusive of the \$62,500 administrative fee. The Corporate Trustee also received \$7,244 for its services as registrar and transfer agent for the year ended January 31, 2019. Accordingly, the Corporate Trustee earned \$161,256 in total compensation for the fiscal year ended January 31, 2019.

Under the Amendment, the Individual Trustees may, in extraordinary circumstances, pay additional compensation to the Corporate Trustee. The decision to pay such compensation must be unanimously approved by the Individual Trustees. The Corporate Trustee did not receive any compensation for extraordinary services with respect to the year ended January 31, 2019.

Trustees’ Compensation Report

The Trustees have not designated a compensation committee and are not required to do so by applicable law or regulation. The Trustees, as a group, have reviewed and discussed the Compensation Discussion and Analysis (“CD&A”) and based on such review and discussion have recommended that the CD&A be included in this Annual Report on Form 10-K.

MESABI TRUST

Deutsche Bank Trust Company Americas
Robert C. Berglund
James A. Ehrenberg
Michael P. Mlinar
Robin M. Radke

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Trustee Compensation

Summary Compensation Table

The table below summarizes the total compensation earned by each of the Individual Trustees and the Corporate Trustee in the fiscal year ended January 31, 2019.

Name	Trustee Fees Earned (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Deutsche Bank Trust Company Americas, Corporate Trustee	\$ 154,012	N/A	N/A	N/A	N/A	7,244	(1) \$ 161,256
Robert C. Berglund	\$ 40,817	N/A	N/A	N/A	N/A	N/A	\$ 40,817
James A. Ehrenberg	\$ 40,817	N/A	N/A	N/A	N/A	N/A	\$ 40,817
Richard G. Lareau(2)	\$ 40,817	N/A	N/A	N/A	N/A	N/A	\$ 40,817
Michael P. Mlinar	\$ 40,817	N/A	N/A	N/A	N/A	N/A	\$ 40,817
Robin Radke(3)	\$ 9,500	N/A	N/A	N/A	N/A	N/A	\$ 9,500

(1) Represents fees and disbursements paid to Deutsche Bank Trust Company Americas for its services as registrar and transfer agent of the Units.

(2) Mr. Lareau retired as a Trustee of the Trust effective January 23, 2019.

(3) Ms. Radke was appointed as Trustee of the Mesabi Land Trust on October 2, 2018, and as Trustee of Mesabi Trust on January 23, 2019.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND TRUSTEES.

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Based on information that has been obtained from Mesabi Trust's records and a review of statements of beneficial ownership filed with Mesabi Trust pursuant to Rule 13d-1 or Rule 13d-2 under the Securities Exchange Act of 1934, as amended, no person known to Mesabi Trust beneficially owns more than 5% in interest of the Trust Certificates outstanding as of April 1, 2019.

The table below sets forth information as to the Units of Beneficial Interest in Mesabi Trust beneficially owned as of April 1, 2019 by the Trustees individually and as a group. Except as otherwise indicated and subject to applicable community property laws, each Trustee has sole voting and investment powers with respect to the securities listed. There were no Certificates of Beneficial Interest of Mesabi Trust

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pledged by the Trustees as of January 31, 2019. The Trust does not have any compensation plans under which securities of the Trust are authorized for issuance.