

MESABI TRUST  
Form 10-Q  
December 04, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended October 31, 2009

or

**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**  
(State or other jurisdiction of

incorporation or organization)

**c/o Deutsche Bank Trust Company Americas**

**13-602277**  
(I.R.S. Employer Identification No.)

**10005**

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Trust & Securities Services GDS

60 Wall Street

27th Floor

New York, New York

(Address of principal executive offices)

(Zip code)

(615) 835-2749

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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\* The registrant has not yet been phased into the interactive data requirements.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act:

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

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

As of December 3, 2009, there were 13,120,010 Units of Beneficial Interest in Mesabi Trust outstanding.

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements. (Note 1)

## Mesabi Trust

## Condensed Statements of Income

## Three and Nine Months Ended October 31, 2009 and 2008

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2009 (unaudited)	2008 (unaudited)	2009 (unaudited)	2008 (unaudited)
<b>A. Condensed Statements of Income</b>				
Revenues				
Royalty income	\$ 5,041,525	\$ 11,778,367	\$ 6,482,372	\$ 32,392,640
Interest income	1,214	17,749	8,185	37,086
	5,042,739	11,796,116	6,490,557	32,429,726
Expenses				
	141,870	138,805	567,629	562,446
Net income	\$ 4,900,869	\$ 11,657,311	\$ 5,922,928	\$ 31,867,280
Number of units outstanding	13,120,010	13,120,010	13,120,010	13,120,010
Net income per unit (Note 2)	\$ 0.3735	\$ 0.8885	\$ 0.4514	\$ 2.4289
Distributions declared per unit (Note 3)	\$ 0.2200	\$ 1.2500	\$ 0.6000	\$ 2.3700

See Notes to Condensed Financial Statements.

## Mesabi Trust

## Condensed Balance Sheets

October 31, 2009 and January 31, 2009

	October 31, 2009 (unaudited)	January 31, 2009
<b>B. Condensed Balance Sheets</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 3,912,151	\$ 2,254,107
U.S. Government securities, at amortized cost (which approximates market)	1,053,613	340,421
Accrued income receivable	2,024,528	2,721,978
Prepaid expenses	53,637	30,423
	7,043,929	5,346,929
Fixed property, including intangibles, at nominal values		
Amended Assignment of Peters Lease	1	1
Assignment of Cloquet Lease	1	1
Certificate of beneficial interest for 13,120,010 units of land trust	1	1
	3	3
	\$ 7,043,932	\$ 5,346,932
<b>Liabilities, Unallocated Reserve and Trust Corpus</b>		
Liabilities		
Distribution payable	\$ 2,886,402	\$ 1,443,201
Accrued expenses	64,425	111,547
Deferred royalty revenue (Note 4)	2,250,000	1,554,748
	5,200,827	1,554,748
Unallocated Reserve (Note 5)	1,843,102	3,792,181
Trust Corpus	3	3
	\$ 7,043,932	\$ 5,346,932

See Notes to Condensed Financial Statements.

## Mesabi Trust

## Condensed Statements of Cash Flows

Nine Months Ended October 31, 2009 and 2008

	Nine Months Ended October 31,	
	2009 (unaudited)	2008 (unaudited)
<b>C. Condensed Statements of Cash Flows</b>		
Cash flows from operating activities		
Royalties received	\$ 9,422,228	\$ 31,795,442
Interest received	15,779	39,785
Expenses paid	(637,965)	(623,987)
Net cash provided by operating activities	8,800,042	31,211,240
Cash flows from investing activities		
Maturities of U.S. Government Securities	208,000	368,954
Purchases of U.S. Government Securities	(921,193)	(390,012)
Net cash provided by (used for) investing activities	(713,193)	(21,058)
Cash flow used for financing activities		
Distributions to Unitholders	(6,428,805)	(21,451,216)
Net change in cash and cash equivalents	1,658,044	9,738,966
Cash, beginning of year	2,254,107	6,959,701
Cash, end of period	\$ 3,912,151	\$ 16,698,667
<b>Reconciliation of net income to net cash provided by operating activities</b>		
Net income	\$ 5,922,928	\$ 31,867,280
Decrease (increase) in accrued income receivable	697,450	(591,949)
Increase in prepaid expenses	(23,214)	(28,846)
Decrease in accrued expenses	(47,122)	(35,245)
Increase in deferred royalty revenue	2,250,000	
Net cash provided by operating activities	\$ 8,800,042	\$ 31,211,240

See Notes to Condensed Financial Statements.

**MESABI TRUST**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**October 31, 2009 (Unaudited)**

Note 1. The financial statements included herein have been prepared without audit (except for the balance sheet at January 31, 2009) in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Trustees, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of (a) the results of operations for the three months and nine months ended October 31, 2009 and 2008, (b) the financial position at October 31, 2009 and (c) the cash flows for the nine months ended October 31, 2009 and 2008, have been made. For further information, refer to the financial statements and footnotes included in Mesabi Trust's Annual Report on Form 10-K for the year ended January 31, 2009.

The Trust evaluated the effects of all subsequent events through December 4, 2009, which represents the date of financial statement issuance.

Note 2. Net income per unit includes accrued income receivable. As reflected on the Condensed Balance Sheet for the three months ended October 31, 2009 (unaudited), the Trust recorded \$2,024,528 of accrued income receivable. Accrued income receivable is accounted for and reported for the Trust's third fiscal quarter based on shipments during the month of October even though such accrued income receivable is not available for distribution to unitholders until it is actually received by the Trust at the end of January 2010. Net income per unit is based on 13,120,010 units outstanding during the period.

Note 3. The Trust declares distributions each year in April, July, October and January. Distributions are declared after receiving notification from Northshore Mining Company (Northshore) as to the amount of royalty income that is expected to be paid to the Trust based on shipments through the end of each calendar quarter. The Trust's financial statements are prepared on an accrual basis and present the Trust's results of operations based on each fiscal quarter which ends one month after the close of each calendar quarter. Because distributions are declared based on royalty income that is payable as of the end of each calendar quarter and the Trust's Net Income is calculated as of the end of each fiscal quarter, the distributions declared by the Trust are not equivalent to the Trust's Net Income during the periods reported in this quarterly report on Form 10-Q.

Note 4. In April, the Trust received its quarterly distribution payment from Northshore of approximately \$5,200,000. In accordance with the Trust's revenue recognition policy, the Trust recognized revenue related to tons of iron ore that were shipped by Northshore, but for which Northshore has indicated that final pricing is not yet known. As a result of decreases in estimated pellet pricing subsequent to January 31, 2009, the cash proceeds received by the Trust in April 2009 exceeded the royalty revenue recognized by the Trust for the nine month period ended October 31, 2009. Accordingly, the Trust has estimated a \$2,250,000 liability in the form of deferred royalty revenue based on current pricing estimates provided by Northshore. Deferred royalty revenue will be adjusted in accordance with the Trust's revenue recognition policy each quarter as updated pricing information is received. It is possible that deferred royalty revenue may reduce future royalty payments to be received from Northshore beginning in the first quarter of 2010 when pricing related to these tons of iron ore that were previously shipped by Northshore is expected to be finalized.



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Note 5. The Unallocated Reserve consisted of \$2,068,574 (unaudited) in unallocated cash and U.S. Government securities, and \$2,024,528 (unaudited) of accrued revenue primarily representing royalties not yet received by the Trust but anticipated to be received in January 2010, less estimated deferred royalty revenue of \$2,250,000. Pursuant to the Agreement of Trust, the Trust makes cash distributions to Unitholders based on the royalty payments it receives from Northshore when received, rather than as royalty income is recorded in accordance with the Trust's revenue recognition policy. Refer to Note 4 for further information.

As of October 31, 2009 and January 31, 2009, the Trust's Unallocated Reserve was comprised of the following components:

	October 31, 2009 (unaudited)	January 31, 2009
Cash and U.S. Government securities	\$ 2,068,574	\$ 1,070,203
Accrued income receivable	2,024,528	2,721,978
Deferred royalty revenue	(2,250,000)	-0-
<b>Unallocated Reserve</b>	<b>\$ 1,843,102</b>	<b>\$ 3,792,181</b>

A reconciliation of the Trust's Unallocated Reserve from January 31, 2009 to October 31, 2009 is as follows:

Unallocated Reserve, January 31, 2009	\$ 3,792,181
Net income	5,922,928
Distributions declared and paid	(7,872,007)
Unallocated Reserve, October 31, 2009 (unaudited)	\$ 1,843,102

The Trustees have determined that the unallocated cash and U.S. Government securities portion of the Unallocated Reserve should be maintained at a prudent level, usually within the range of \$500,000 to \$1,000,000, to meet present or future liabilities of the Trust. As a result of the \$2,250,000 deferred royalty revenue recorded by the Trust, the Trustees have determined that it is prudent to increase the unallocated cash and U.S. Government securities portion of the Unallocated Reserve above the range of \$500,000 to \$1,000,000.

Note 6. Effective August 1, 2009, the Trust adopted the FASB Accounting Standards Codification (Codification). The Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The content of the Codification carries the same level of authority, thereby modifying the previous GAAP hierarchy to include only two levels of GAAP: authoritative and nonauthoritative. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Adoption of the Codification did not result in a change in current accounting practice.



**Item 2. Trustees Discussion and Analysis of Financial Condition and Results of Operations.**

**Forward-Looking Statements**

Certain information included in this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. All such forward-looking statements, including those statements estimating iron ore pellet production or shipments, are based on information from the lessee/operator (and its parent corporation) of the mine located on the lands owned and held in trust for the benefit of the holders of units of beneficial interest of Mesabi Trust. These statements may be identified by the use of forward-looking words, such as may, will, could, project, predict, intend, believe, anticipate, estimate, continue, potential, plan, should, assume, forecast and other similar words. Such forward-looking statements are inherently subject to known and unknown risks and uncertainties. Actual results and future developments could differ materially from the results or developments expressed in or implied by these forward-looking statements. These risks and uncertainties include volatility of iron ore and steel prices, product supply and demand, competition, regulation or government action, litigation and uncertainties about estimates of reserves. Further, substantial portions of royalties earned by Mesabi Trust are based on estimated prices that are subject to interim and final adjustments which can be positive or negative and are dependent in part on multiple price and inflation index factors under agreements to which Mesabi Trust is not a party and that are not known until after the end of a contract year. It is possible that future negative price adjustments could partially or even completely offset royalties or royalty income that would otherwise be payable to the Trust in any particular quarter, or at year-end, thereby potentially reducing cash available for distribution to the Trust's Unitholders in future quarters. For a discussion of the factors, including, without limitation, those that could materially and adversely affect Mesabi Trust's actual results and performance, see Risk Factors in Part I Item 1A of Mesabi Trust's Annual Report on Form 10-K for the year-ended January 31, 2009, as updated by Part II Item 1A of Mesabi Trust's Quarterly Report on Form 10-Q for the quarter ended April 30, 2009. Mesabi Trust undertakes no obligation, other than that imposed by law, to make any revisions to the forward-looking statements contained in this filing or to update them to reflect circumstances occurring after the date of this filing.

This discussion should be read in conjunction with the condensed financial statements and notes presented in this Form 10-Q and the financial statements and notes in the last filed Annual Report on Form 10-K filed for the period ending January 31, 2009 for a full understanding of Mesabi Trust's financial position and results of operations for the nine month period ended October 31, 2009.

**Background**

Mesabi Trust ( Mesabi Trust or the Trust ), formed pursuant to an Agreement of Trust dated July 18, 1961 (the Agreement of Trust ), is a trust organized under the laws of the State of New York. Mesabi Trust holds all of the interests formerly owned by Mesabi Iron Company ( MIC ), including all right, title and interest in the Amendment of Assignment, Assumption and Further Assignment of Peters Lease (the Amended Assignment of Peters Lease ), the Amendment of Assignment, Assumption and Further Assignment of Cloquet Lease (the Amended Assignment of Cloquet Lease ) and together with the Amended Assignment of Peters Lease, the Amended Assignment Agreements ), the beneficial interest in the Mesabi Land Trust (as such term is defined below) and all other assets and property identified in the Agreement of Trust. The Amended Assignment of Peters Lease relates to an Indenture made as of April 30, 1915 among East Mesaba Iron Company ( East Mesaba ), Dunka River Iron Company ( Dunka River ) and Claude W. Peters (the Peters Lease ) and the Amended Assignment of Cloquet Lease relates to an Indenture made May 1, 1916 between Cloquet Lumber Company and Claude W. Peters (the Cloquet Lease ).



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The Agreement of Trust specifically prohibits the Trustees from entering into or engaging in any business. This prohibition applies even to business activities the Trustees may deem necessary or proper for the preservation and protection of the Trust Estate. Accordingly, the Trustees activities in connection with the administration of Trust assets are limited to collecting income, paying expenses and liabilities, distributing net income to the holders of Certificates of Beneficial Interest in Mesabi Trust ( Unitholders ) after the payment of, or provision for, such expenses and liabilities, and protecting and conserving the assets held.

The Trustees do not intend to expand their responsibilities beyond those permitted or required by the Agreement of Trust, the Amendment to the Agreement of Trust dated October 25, 1982 (the Amendment ), and those required under applicable law. Mesabi Trust has no employees, but it engages independent consultants to assist the Trustees in, among other things, monitoring the volume and sales prices of iron ore products shipped from Silver Bay, Minnesota, based on information supplied to the Trustees by Northshore Mining Company ( Northshore ), the lessee/operator of the Mesabi Trust lands, and its parent company Cliffs Natural Resources Inc ( Cliffs ). References to Northshore in this quarterly report, unless the context requires otherwise, are applicable to Cliffs as well.

Leasehold royalty income constitutes the principal source of Mesabi Trust s revenue. Royalty rates are determined in accordance with the terms of Mesabi Trust s leases and assignments of leases. Three types of royalties, as well as royalty bonuses, comprise the Trust s leasehold royalty income:

- **Base overriding royalties.** Base overriding royalties have historically constituted the majority of Mesabi Trust s royalty income. Base overriding royalties are determined by both the volume and selling price of iron ore products shipped. Northshore is obligated to pay Mesabi Trust base overriding royalties in varying amounts, based on the volume of iron ore products shipped. Base overriding royalties are calculated as a percentage of the gross proceeds of iron ore products produced at Mesabi Trust lands (and to a limited extent other lands) and shipped from Silver Bay, Minnesota. The percentage ranges from 2-1/2% of the gross proceeds for the first one million tons of iron ore products so shipped annually to 6% of the gross proceeds for all iron ore products in excess of 4 million tons so shipped annually. Base overriding royalties are subject to price adjustments under the Cliffs Pellet Agreements and, as described elsewhere in this report, such adjustments may be positive or negative.
- **Royalty bonuses.** The Trust earns royalty bonuses when iron ore products shipped from Silver Bay are sold at prices above a threshold price per ton. The royalty bonus is based on a percentage of the gross proceeds of product shipped from Silver Bay and sold at prices above a threshold price. The threshold price is adjusted (but not below \$30.00 per ton) on an annual basis for inflation and deflation (the Adjusted Threshold Price ). The Adjusted Threshold Price was \$47.43 per ton for calendar year 2008 and is \$48.48 per ton for calendar year 2009. The royalty bonus percentage ranges from 1/2 of 1% of the gross proceeds (on all tonnage shipped for sale at prices between the Adjusted Threshold Price and \$2.00 above the Adjusted Threshold Price) to 3% of the gross proceeds (on all tonnage shipped for sale at prices \$10.00 or more above the Adjusted Threshold Price). Royalty bonuses are subject to price adjustments under the Cliffs Pellet Agreements and, as described elsewhere in this report, such adjustments may be positive or negative.
- **Fee royalties.** Fee royalties have historically constituted a smaller component of the Trust s total royalty income. Fee royalties are payable to the Mesabi Land Trust, a Minnesota land trust, which holds a 20% interest as fee owner in the Amended Assignment of Peters Lease. Mesabi Trust holds the entire beneficial interest in the Mesabi Land Trust for which U.S. Bank N.A. acts as the corporate trustee. Mesabi Trust receives the net income of the Mesabi Land Trust, which is generated from royalties on the amount of crude ore mined after the payment of expenses to U.S. Bank N.A. for its

services as corporate trustee. Crude ore is the source of iron oxides used to make iron ore pellets and other products. The fee royalty on crude ore is based on an agreed price per ton, subject to certain indexing.

- Minimum advance royalties. Northshore's obligation to pay base overriding royalties and royalty bonuses with respect to the sale of iron ore products generally accrues upon the shipment of those products from Silver Bay. However, regardless of whether any shipment has occurred, under the terms of the Amended Assignment Agreements, Northshore is obligated to pay to Mesabi Trust a minimum advance royalty. Each year, the amount of the minimum advance royalty is adjusted (but not below \$500,000 per annum) for inflation and deflation in accordance with the Amended Assignment Agreements. The minimum advance royalty was \$790,721 for calendar year 2008 and is \$808,177 for calendar year 2009. Until overriding royalties (and royalty bonuses, if any) for a particular year equal or exceed the minimum advance royalty for the year, Northshore must make quarterly payments of up to 25% of the minimum advance royalty for the year. Because minimum advance royalties are essentially prepayments of base overriding royalties and royalty bonuses earned each year, any minimum advance royalties paid in a fiscal quarter are recouped by credits against base overriding royalties and royalty bonuses earned in later fiscal quarters during the year.

Under the relevant documents, Northshore may mine and ship iron ore products from lands other than Mesabi Trust lands. Northshore is obligated to make quarterly royalty payments in January, April, July and October of each year based on shipments of iron ore products from Silver Bay, Minnesota during each calendar quarter. In the case of base overriding royalties and royalty bonuses, these quarterly royalty payments are to be made whether or not the related proceeds of sale have been received by Northshore by the time such payments become due. Northshore alone determines whether to mine off Trust and/or such other lands, based on its current mining and engineering plan. The Trustees do not exert any influence over mining operational decisions. To encourage the use of iron ore products from Mesabi Trust lands, Mesabi Trust receives royalties on stated percentages of iron ore shipped from Silver Bay, whether or not the iron ore products are from Mesabi Trust lands. Mesabi Trust receives royalties at the greater of (i) the aggregate quantity of iron ore products shipped that were from Mesabi Trust lands, and (ii) a portion of the aggregate quantity of all iron ore products shipped from Silver Bay that were mined from any lands, such portion being 90% of the first four million tons shipped from Silver Bay during such year, 85% of the next two million tons shipped during such year, and 25% of all tonnage shipped from Silver Bay during such year in excess of six million tons.

Deutsche Bank Trust Company Americas, the Corporate Trustee, performs certain administrative functions for Mesabi Trust. The Trust maintains a website at [www.mesabi-trust.com](http://www.mesabi-trust.com). The Trust makes available (free of charge) its annual, quarterly and current reports (and any amendments thereto) filed with the Securities and Exchange Commission (the SEC) through its website as soon as reasonably practicable after electronically filing or furnishing such material with or to the SEC.

**Results of Operations****Comparison of Iron Ore Pellet Production and Shipments for the Three and Nine Months Ended October 31, 2009 and October 31, 2008**

As shown in the table below, production of iron ore pellets at Northshore from Mesabi Trust lands during the fiscal quarter ended October 31, 2009 totaled approximately 1.1 million tons and actual shipments over the same period totaled approximately 1.3 million tons. By comparison, actual pellet production and actual shipments for the comparable period in 2008 were approximately 1.0 million tons and 1.5 million tons, respectively.

The 13% increase in production for the fiscal quarter ended October 31, 2009, as compared to the prior comparable period, is primarily the result of reduced mining operations due to scheduled maintenance and repairs at Northshore during the three months ended October 31, 2008. The increase in production is also the result of Northshore's decision to resume mining operations, and make up for deferred production, after operations were idled from April 2009 through early July 2009. The 13% decrease in shipments from Trust lands, during the three months ended October 31, 2009 as compared to the three months ended October 31, 2008, is primarily attributable to a decline in orders from Cliffs customers because of lower anticipated demand from customers that Cliffs customers serve.

Fiscal Quarter Ended	Pellets Produced from Trust Lands	Pellets Shipped from Trust Lands
	(tons)	(tons)
October 31, 2009	1,122,020	1,307,915
October 31, 2008	995,398	1,503,256

As shown in the table below, during the nine months ended October 31, 2009, production of iron ore pellets at Northshore from Mesabi Trust lands totaled approximately 2.08 million tons, and actual shipments over the same period totaled approximately 1.82 million tons. By comparison, actual pellet production and actual shipments for the comparable period in 2008 were approximately 3.69 million tons and 5.09 million tons, respectively.

Production for the nine months ended October 31, 2009 fell short of production during the same period ended October 31, 2008 by approximately 43.5%. Shipments for the nine months ended October 31, 2009 decreased 64.2% compared to the nine months ended October 31, 2008. The decrease in production at Northshore is primarily the result of the mining operations at Northshore being shutdown from April 2009 through early July 2009. The significant decrease in shipments during the nine months ended October 31, 2009, as compared to the same period in 2008, is due to the lower demand from Cliffs customers as they continue to adjust their purchases based on anticipated demand from their customers.

Nine Months Ended	Pellets Produced from Trust Lands	Pellets Shipped from Trust Lands
	(tons)	(tons)
October 31, 2009	2,082,085	1,823,812
October 31, 2008	3,685,182	5,092,258



**Comparison of Royalty Income for the Three and Nine Months Ended October 31, 2009 and October 31, 2008**

Total royalty income for the three months ended October 31, 2009 was \$5,041,525. This represents a decrease of approximately 57.2% as compared to the comparable prior period. Base overriding royalties decreased 66.0% to \$2,628,313 and bonus royalties decreased 41.5% to \$2,307,608.

The decrease in base overriding royalties for the three months ended October 31, 2009 is the result of the lower volume of shipments of iron ore pellets from Trust lands and a decrease in the average sales price per ton of iron ore pellets, both as compared to the same period in 2008. Similarly, the decrease in bonus royalties is primarily due to lower contract prices for shipped iron ore products and fewer tons shipped, resulting in a decreased bonus royalty amount, which is calculated by multiplying the applicable royalty rate by the difference between the sales price per ton and the adjusted threshold price for 2009 of \$48.48 per ton.

Fee royalties paid to the Mesabi Land Trust decreased for the three months ended October 31, 2009, as compared to October 31, 2008. The following table summarizes the components of the total royalty income received by Mesabi Trust during the three months ended October 31, 2009 and October 31, 2008.

	<b>Three Months Ended October 31,</b>	
	<b>2009</b>	<b>2008</b>
Base overriding royalties	\$ 2,628,313	\$ 7,722,825
Bonus royalties	2,307,608	3,940,960
Minimum advance royalty paid (recouped)		
Fee royalties	105,604	114,582
Total royalty income	\$ 5,041,525	\$ 11,778,367

Total royalty income for the nine months ended October 31, 2009 decreased 80.0% from the prior comparable period to \$6,482,372. Base overriding royalties decreased 83.4% to \$3,257,669 and bonus royalties also decreased 75.5% to \$3,032,278 for the nine months ended October 31, 2009. The decrease in base overriding royalties received by the Trust is the result of lower contract prices for shipped iron ore products and significantly lower volume of total shipments of iron ore from Trust lands through October 31, 2009, each as compared to the prior comparable period. The decrease in bonus royalties received by the Trust is also due to lower contract prices for shipped iron ore resulting in a decrease in the bonus royalty amount, which is calculated by multiplying the applicable royalty rate by the difference between the sales price per ton and the adjusted threshold price for 2009 of \$48.48 per ton.

Fee royalties paid to the Mesabi Land Trust decreased approximately 52.6% to \$192,425 for the nine months ended October 31, 2009, as a result of fewer gross tons of crude taconite mined. The following table summarizes the components of Mesabi Trust's total royalty income for the nine months ended October 31, 2009 and October 31, 2008.

	<b>Nine Months Ended October 31,</b>	
	<b>2009</b>	<b>2008</b>
Base overriding royalties	\$ 3,257,669	\$ 19,635,564
Bonus royalties	3,032,278	12,350,997
Minimum advance royalty paid (recouped)		
Fee royalties	192,425	406,079

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Total royalty income	\$	6,482,372	\$	32,392,640
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**Comparison of Trust Income, Expenses and Distributions for the Three and Nine Months Ended October 31, 2009 and October 31, 2008**

Net income for the fiscal quarter ended October 31, 2009 was \$4,900,869, a decrease of approximately 58.0% as compared to the quarter ended October 31, 2008. The decrease in net income is the result of decreased base overriding royalties and bonus royalties. Interest income received by Mesabi Trust decreased 93.2% as compared to the prior comparable period primarily due to a decrease in the amount of royalties received and held by Mesabi Trust prior to paying the quarterly distribution. Expenses increased 2.2% from the prior comparable period to \$141,870, as a result of slightly higher general operating expenses incurred in the administration of the Trust. The following is a summary of Mesabi Trust's income and expenses for the three months ended October 31, 2009 and October 31, 2008.

	<b>Three Months Ended October 31,</b>	
	<b>2009</b>	<b>2008</b>
Total royalty income	\$ 5,041,525	\$ 11,778,367
Interest income	1,214	17,749
Gross income	5,042,739	11,796,116
Expenses	141,870	138,805
Net income	\$ 4,900,869	\$ 11,657,311

Net income for the nine months ended October 31, 2009 was \$5,922,928, a decrease of approximately 81.4% as compared to the nine months ended October 31, 2008. This decrease is primarily attributable to lower base overriding royalties and bonus royalties, as compared to the nine months ended October 31, 2008. Interest income received by Mesabi Trust decreased 77.9% from the prior comparable period due to a decrease in the amount of royalties received and held by Mesabi Trust prior to paying the quarterly distributions. Expenses increased 0.9% from the prior comparable period to \$567,629. The following table summarizes Mesabi Trust's income and expenses for the nine months ended October 31, 2009 and October 31, 2008.

	<b>Nine Months Ended October 31,</b>	
	<b>2009</b>	<b>2008</b>
Total royalty income	\$ 6,482,372	\$ 32,392,640
Interest income	8,185	37,086
Gross income	6,490,557	32,429,726
Expenses	567,629	562,446
Net income	\$ 5,922,928	\$ 31,867,280

As presented on the Trust's Condensed Statements of Income on page 2 of this quarterly report, the Trust's net income per unit decreased \$0.515 to \$0.3735 for the three months ended October 31, 2009 and decreased \$1.9775 to \$0.4514 for the nine months ended October 31, 2009 as compared to the three and nine months ended October 31, 2008, respectively. The Trust declared cash distribution of \$0.22 per unit for the three months ended October 31, 2009. Comparatively, the Trust declared and paid a distribution of \$1.25 per unit for the three months ended October 31, 2008. For the nine months ended October 31, 2009, and October 31, 2008, the Trust declared distributions of \$0.60 and \$2.37, respectively.

Distributions are declared after receiving notification from Northshore as to the amount of royalty income that is expected to be paid to the Trust based on shipments through the end of each calendar quarter and such royalty payments may include pricing adjustments with respect to shipments during



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prior periods. The Trust accounts for and reports accrued income receivable based on shipments during the last month of the Trust's fiscal quarter (April, July, October and January) and price adjustments under the Cliffs Pellet Agreements (which can be positive or negative and can result in significant variations in royalties received by Mesabi Trust and cash available for distribution to Unitholders). The Trust accounts for these amounts by using estimated prices and reports such amounts even though accrued income receivable is not available for distribution to Unitholders until it is received by the Trust. Accordingly, distributions declared by the Trust are not equivalent to the Trust's Net Income during the periods reported in this quarterly report on Form 10-Q.

### **Comparison of Unallocated Reserve as of October 31, 2009, October 31, 2008 and January 31, 2009**

The Unallocated Reserve, which is comprised of accrued income receivable, cash reserves for potential fixed or contingent future liabilities, and, with respect to the nine months ended October 31, 2009, deferred royalty revenue, decreased from \$2,432,878 as of October 31, 2008 to \$1,843,102 as of October 31, 2009. A significant component of the Trust's Unallocated Reserve as of October 31, 2008 and October 31, 2009, was the accrued income receivable of \$1,551,874 and, \$2,024,528, respectively. The increase in the accrued income receivable portion of the Unallocated Reserve is the result of higher shipments during the month of October 2009 as compared to October 2008 but has been partially offset by lower royalty rates on those tons and generally lower pellet prices. The Trust's cash reserve for potential fixed or contingent future liabilities, represented on the Trust's balance sheet by unallocated cash and U.S. Government securities, increased 135% to \$2,068,574 as of October 31, 2009 from \$881,004 as of October 31, 2008. The increase in the cash reserve for potential fixed or contingent future liabilities is due to the Trustees' decision to not declare a distribution during the quarter ended July 31, 2009, because of the Trust's deferred royalty revenue liability and the uncertainty surrounding the volatile global economic climate that continues to impact the iron ore and steel industries.

The decline in the Trust's Unallocated Reserve as of October 31, 2009 from October 31, 2008, is the result of an estimated \$2,250,000 liability, which is represented on the Trust's balance sheet as deferred royalty revenue, and which was offset by the increases in accrued income receivable, unallocated cash and U.S. Government securities noted above. Because of declines in the estimated pricing of iron ore pellets subsequent to January 31, 2009, the royalty payment received by the Trust in April 2009 includes approximately \$2,250,000 of cash proceeds that were received by the Trust, but have not been recognized as revenue in accordance with the Trust's revenue recognition policy. Because of slight increases in current pricing estimates provided to the Trust by Northshore, the deferred royalty revenue decreased approximately 12.5% from \$2,570,000 as of July 31, 2009 to \$2,250,000 as of October 31, 2009. The Trust did not have any deferred royalty revenue as of October 31, 2008. Depending on future adjustments to iron ore pellet pricing, if any, the deferred royalty revenue could cause a cumulative negative price adjustment related to shipments of pellets during prior periods, which could partially or even completely offset future royalty income to be received by the Trust.

The Trust's Unallocated Reserve as of October 31, 2009 decreased from \$3,792,181 as of January 31, 2009, to \$1,843,102 as of October 31, 2009. The decrease in the Unallocated Reserve is due primarily to the Trust's accrual of \$2,250,000 in deferred royalty revenue. Moreover, as a result of the price adjustment mechanisms under the Cliffs Pellet Agreements, the Trust received positive adjustments to its royalty income which is reflected in the royalty income for the year ended January 31, 2009. Those adjustments were attributable to shipments of iron ore pellets by Northshore/Cliffs to its customers from Silver Bay, Minnesota during calendar years 2006, 2007 and 2008. In the aggregate, the pricing adjustments increased the accrued income receivable reflected on the Trust's balance sheet as of January 31, 2009. At January 31, 2009, approximately 72% of the Unallocated Reserve or \$2,721,978 was represented by accrued income receivable while 28% or \$1,070,203 was represented by unallocated cash and U.S. Government securities.

The Trustees have determined that the cash and U.S. Government securities portion of the Unallocated Reserve, usually within the range of \$500,000 to \$1,000,000 or such other amount as the



Trustees may deem prudent, should be maintained as a reserve for potential fixed or contingent future liabilities. As a result of the \$2,250,000 deferred royalty revenue recorded by the Trust, the unpredictable nature of the current economic conditions, and the potential for future negative price adjustments under the long-term customer contracts between Northshore, Cliffs and certain customers, the Trustees have determined that it is prudent to increase the cash and U.S. Government securities portion of the Unallocated Reserve above the range of \$500,000 to \$1,000,000. The actual amount of the Unallocated Reserve will fluctuate from time to time and may increase or decrease from its current level. Future distributions will be highly dependent upon royalty income as it is received, changes in estimated pricing, potential for future price adjustments and the level of Trust expenses. The amount of future royalty income available for distribution will be subject to the volume of iron ore product shipments and the dollar level of sales by Northshore. Shipping activity is greatly reduced during the winter months and economic conditions, particularly those affecting the steel industry, may adversely affect the amount and timing of such future shipments and sales. It is possible that future negative price adjustments could offset, or even eliminate, royalties or royalty income that would otherwise be payable to the Trust's Unitholders in future quarters. See discussion under the heading *Risk Factors* beginning on page 3 of the Trust's Annual Report on Form 10-K for the fiscal year ended January 31, 2009, as updated by Part II Item 1A of Mesabi Trust's Quarterly Report on Form 10-Q for the quarter ended April 30, 2009.

The Trustees will continue to monitor the economic circumstances of the Trust to strike a responsible balance between distributions to Unitholders and the need to maintain reserves at a prudent level, given the unpredictable nature of the iron ore industry, the Trust's dependence on the actions of the lessee/operator, and the fact that the Trust essentially has no other liquid assets.

#### **Recent Developments**

***Production and Shipments.*** In its Form 10-Q filed October 30, 2009, Cliffs reported that production at Northshore for the three months ended September 30, 2009 was 1.0 million tons and total production for the nine months ended September 30, 2009 was approximately 2.0 million tons. Comparatively, production of iron ore pellets at Northshore for the three and nine months ended September 30, 2008 was 1.6 million tons and 4.4 million tons, respectively. In a current report on Form 8-K filed May 5, 2009, Cliffs reported that it is estimating total production of 3.2 million tons of iron ore pellets at Northshore during calendar year 2009. Northshore has not provided the Trustees with an estimate of total expected shipments of iron ore pellets for calendar year 2009. During calendar years 2008, 2007, 2006, 2005 and 2004, the percentage of shipments of iron ore products from Mesabi Trust lands was approximately 90.2%, 88.2%, 90.9%, 90.1% and 92.0%, respectively, of total shipments. Northshore has not advised the Trustees as to the percentage of iron ore products from Mesabi Trust lands it anticipates shipping in calendar year 2009. See the description of the uncertainty of market conditions in the iron ore and steel industry under *Important Factors Affecting Mesabi Trust* below and the information under the heading *Risk Factors* in Part I Item 1A of the Trust's Annual Report on Form 10-K for the year-ended January 31, 2009, as updated by Part II Item 1A of Mesabi Trust's Quarterly Report on Form 10-Q for the quarter ended April 30, 2009.

***Production at Northshore.*** Production at Northshore was shutdown from April 2009 through early July 2009. As reported by Cliffs, production at Northshore resumed at reduced levels in early July. In its Form 10-Q filed October 30, 2009, Cliffs reported that Northshore would operate its two large furnaces during Cliffs' fourth quarter. Cliffs has not informed the Trustees of any change to its estimate that total production at Northshore during calendar year 2009 will equal 3.2 million tons of iron ore pellets. Cliffs has also not informed the Trustees about the effect that current production levels will have on shipments of iron ore pellets by Northshore from Silver Bay, Minnesota. Accordingly, the Trustees are unable to make any projections regarding the production levels at Northshore or the future royalties payable to Mesabi Trust.

**ArcelorMittal Arbitration with Cliffs.** In its Form 10-Q filed October 30, 2009, Cliffs reported that Northshore, along with The Cleveland-Cliffs Iron Company, Cliffs Mining Company and Cliffs Sales Company, filed two arbitration demands against ArcelorMittal USA Inc., ISG Cleveland Inc., ISG Indiana Harbor Inc. and Mittal Steel USA Weirton Inc. (collectively, ArcelorMittal ). Cliffs reported that each arbitration demand was filed on September 11, 2009 and related to the Umbrella Agreement entered into by the parties in 2007. According to Cliffs, the first arbitration, to which ArcelorMittal filed an answer on October 1, 2009, stemmed from attempts by ArcelorMittal to revise the nomination of ArcelorMittal's pellet requirements and a corresponding shipping schedule for 2009. Cliffs reported that the nomination and shipping schedule were finalized in November 2008, and that ArcelorMittal provided several revised nominations and shipping schedules in 2009. Cliffs reported that in response to the revised nominations, Cliffs filed the arbitration demand to enforce the nomination and shipping schedule finalized in November 2008 for the year 2009. Cliffs further reported that a similar arbitration demand filed by Cliffs in 2008 and related to attempted revisions to the ArcelorMittal's 2008 nomination was successful.

According to Cliffs, the second arbitration demand, to which ArcelorMittal filed an answer and counterclaim on October 1, 2009, related to ArcelorMittal's attempt to reverse an election to defer certain tonnage for 2009. As Cliffs reports, the Umbrella Agreement permits ArcelorMittal to make a one-time election to defer tons from one calendar year into the next, which then prevents ArcelorMittal from taking anything less than its minimum tonnage for the following calendar year. ArcelorMittal made an election to defer tonnage from 2009 to 2010. Subsequently, ArcelorMittal purported to revoke its election to defer, which would have the effect of increasing the tonnage to be received in 2009 and allowing ArcelorMittal to defer tonnage from 2010 into 2011. Cliffs reported that it filed the arbitration demand to enforce the nomination and the 2009 deferral contained in the nomination.

The Trustees are unable to predict what impact the arbitration proceedings between Cliffs and ArcelorMittal will have on shipments from Northshore or future royalties payable to the Trust.

**Northshore Administrative Permit Amendment.** In July 2007, Northshore filed a motion with the Minnesota Federal District Court seeking clarification of and relief from the control city standard established in that court's 1975 injunction. The Minnesota Federal District Court ruled that Northshore lacked standing to challenge the control city standard found in the 1975 injunction because the control city standard had become an independent state standard found in Northshore's permits from the MPCA and thus, a favorable decision concerning the injunction would not affect Northshore's duty to comply with its state permits. For the same reason, the District Court also held that the 1975 injunction was moot and had no further force or effect because Northshore's permits still require it to comply with the control city standard. On August 17, 2009, the United States Court of Appeals for the Eighth Circuit affirmed the Minnesota Federal District Court's decision that the control city standard in the 1975 injunction is moot.

As reported in the Trust's Form 10-K filed April 16, 2009, according to Cliffs' Form 10-K filed February 26, 2009, Cliffs filed a major permit amendment on August 28, 2008 to remove the control city requirement from its permit. Cliffs also reported that on November 25, 2008, in response to the proposed amendment, the Minnesota Pollution Control Agency ( MPCA ) issued an order declaring that Northshore's request to remove the control city standard from its permit constitutes a project for which an Environmental Assessment Worksheet, or EAW, must be completed. According to Cliffs' Form 10-K, the MPCA also stated that it was ceasing all other work on the permit, including its own efforts to create a replacement standard, until the environmental review process was complete. Cliffs also reported that Northshore has filed an action to challenge the MPCA's requirement for an EAW in Minnesota State District Court, which is currently pending. Cliffs reported in its Form 10-Q filed October 30, 2009 that oral arguments on this appeal were held on October 19, 2009.

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The Trustees are unable to predict what impact, if any, the administrative hearings discussed above will have on Northshore's compliance with its Title V operating permit or future royalties payable to the Trust.

### **Important Factors Affecting Mesabi Trust**

The Agreement of Trust specifically prohibits the Trustees from entering into or engaging in any business. This prohibition seemingly applies even to business activities the Trustees deem necessary or proper for the preservation and protection of the Trust Estate (as such term is defined below). Accordingly, the Trustees' activities in connection with the administration of Trust assets are limited to collecting income, paying expenses and liabilities, distributing net income to Mesabi Trust's Unitholders after the payment of, or provision for, such expenses and liabilities, and protecting and conserving the assets held. Consequently, the income of Mesabi Trust is highly dependent upon the activities and operations of Northshore, and the terms and conditions of the leases and assignments of leases between Mesabi Trust and Northshore.

Neither Mesabi Trust nor the Trustees have any control over the operations and activities of Northshore, except within the framework of the Amended Assignment Agreements. Cliffs alone controls (i) historical operating data, including iron ore production volumes, marketing of iron ore products, operating and capital expenditures as they relate to Northshore, environmental and other liabilities and the effects of regulatory changes; (ii) plans for Northshore's future operating and capital expenditures; (iii) geological data relating to ore reserves (iv) projected production of iron ore products; (v) contracts between Cliffs and Northshore with their customers; and (vi) the decision to mine off Mesabi Trust and/or state lands, based on Cliffs' current mining and engineering plan. The Trustees do not exert any influence over mining operational decisions at Northshore, nor do the Trustees provide any input regarding the ore reserve estimated at Northshore as reported by Cliffs. While the Trustees request material information for use in periodic reports as part of their evaluation of Mesabi Trust's disclosure controls and procedures, the Trustees do not control this information and they rely on the information in Cliffs' periodic and current filings with the SEC to provide accurate and timely information in Mesabi Trust's reports filed with the SEC.

In accordance with the Agreement of Trust and the Amendment, the Trustees are entitled to, and in fact do rely, upon certain experts in good faith, including (i) the independent consultants with respect to monthly production and shipment reports, which include figures on crude ore production and iron ore pellet shipments, and discussions concerning the condition and accuracy of the scales and plans regarding the development of Mesabi Trust's mining property; and (ii) the accounting firm they have contracted with for non-audit services, including reviews of financial data related to shipping and sales reports provided by Northshore and a review of the schedule of leasehold royalties payable to Mesabi Trust.

For a discussion of additional factors, including but not limited to those that could adversely affect Mesabi Trust's actual results and performance, see Risk Factors in Part I Item 1A of Mesabi Trust's Annual Report on Form 10-K for the year-ended January 31, 2009, as updated by Part II Item 1A of Mesabi Trust's Quarterly Report on Form 10-Q for the quarter ended April 30, 2009.

### **Iron Ore Pricing and Contract Adjustments**

During the course of its fiscal year some portion of the royalties paid to Mesabi Trust are based on estimated prices for iron ore products sold under term contracts between Cliffs and its subsidiaries and certain of their customers (the Cliffs Pellet Agreements). Mesabi Trust is not a party to any of the Cliffs Pellet Agreements. These prices are subject to interim and final pricing adjustments, which can be positive or negative, and which adjustments are dependent in part on a variety of price and inflation index factors, including but not limited to the international benchmark pellet price, hot band steel prices and various Producer Price Indexes. Although Northshore makes interim adjustments to the royalty payments on a quarterly basis, these price adjustments cannot be finalized until after the end of a contract year. This





may result in significant and frequent variations in royalties received by Mesabi Trust (and in turn the resulting amount of funds available for distribution to Unitholders by the Trust) from quarter to quarter and on a comparative historical basis, and these variations, which can be positive or negative, cannot be predicted by Mesabi Trust. It is possible that future negative price adjustments could partially or even completely offset royalties or royalty income that would otherwise be payable to the Trust in any particular quarter, or at year-end, thereby potentially reducing cash available for distribution to the Trust's Unitholders in future quarters.

### **Effects of Securities Regulation**

The Trust is a publicly-traded trust listed on the New York Stock Exchange ( NYSE ) and is therefore subject to extensive regulation under, among others, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002 ( Sarbanes-Oxley ) and the rules and regulations of the NYSE. Issuers failing to comply with such authorities risk serious consequences, including criminal as well as civil and administrative penalties. In most instances, these laws, rules and regulations do not specifically address their applicability to publicly-traded trusts such as Mesabi Trust. In particular, Sarbanes-Oxley mandated the adoption by the Securities and Exchange Commission (the SEC ) and NYSE of certain rules and regulations that are impossible for the Trust to literally satisfy because of its nature as a pass-through trust. Pursuant to NYSE rules currently in effect, the Trust is exempt from many of the corporate governance requirements that apply to publicly traded corporations. The Trust does not have, nor does the Agreement of Trust provide for, a board of directors, an audit committee, a corporate governance committee or a compensation committee. The Trustees intend to closely monitor the SEC's and the NYSE's rulemaking activity and will attempt to comply with such rules and regulations where applicable.

In May 2008, the Trust established a website in response to the NYSE's interpretation of Rule 203.01 of the NYSE Listed Company Manual. The Trust's website is located at [www.mesabi-trust.com](http://www.mesabi-trust.com).

### **Critical Accounting Policies**

This Trustees' Discussion and Analysis of Financial Condition and Results of Operations is based upon the Trust's financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Trustees to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Critical accounting policies are those that have meaningful impact on the reporting of the Trust's financial condition and results, and that require significant judgment and estimates. During the preparation of financial statements, the Trust makes estimates, assumptions and judgments that affect reported amounts. These estimates, assumptions and judgments include those related to revenue recognition and accrued expenses. The Trust bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. On a regular basis, the Trust reviews the accounting policies, assumptions, estimates and judgments to ensure that the financial statements are fairly presented in accordance with accounting principles generally accepted in the United States. However, because future events and their effects cannot be determined with certainty, actual results could differ from assumptions and estimates, and such differences could be material.

The Trust did not have any changes in critical accounting policies or in significant accounting estimates during the three months ended October 31, 2009. For a complete description of the Trust's significant accounting policies, please see Note 2 to the financial statements included in the Trust's Annual Report on Form 10-K for the year ended January 31, 2009.



**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

**Item 4. Controls and Procedures.**

***Evaluation of Disclosure Controls and Procedures.*** The Trustees maintain disclosure controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits 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. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Trust is accumulated and communicated by Northshore and consultants to the Trustees as appropriate, to allow timely decisions regarding required disclosure.

As part of their evaluation of the Trust's disclosure controls and procedures, the Trustees rely on quarterly shipment and royalty calculations provided by Northshore. Because Northshore has declined to support this information with 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 Northshore's parent, Cliffs, certifying as to the accuracy of the royalty calculations, and (b) the related due diligence review performed by the Trust's external accountants. In addition, the 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 the Eveleth Fee Office, Inc., an independent consultant to the Trust (Eveleth Fee Office). The Eveleth Fee Office gathers production and shipping information from Northshore and prepares monthly production and shipment reports for the Trustees. Furthermore, as part of its engagement by the Trust, the 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 the Trust's disclosure controls and procedures. The Trustees have concluded that such disclosure controls and procedures are effective.

***Changes in Internal Control Over Financial Reporting.*** To the knowledge of the Trustees, there has been no change in the Trust's internal control over financial reporting that occurred during the Trust's last fiscal quarter that has materially affected, or is reasonably 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 control over financial reporting of Northshore or Cliffs.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

None.

**Item 1A. Risk Factors**

There have been no material changes in the Trust's risk factors as described in Part I Item 1A, Risk Factors in the Trust's Annual Report on Form 10-K for the year ended January 31, 2009, as updated by Part II Item 1A of Mesabi Trust's Quarterly Report on Form 10-Q for the quarter ended April 30, 2009.

**Item 6. Exhibits.**

- 31 Certification of Corporate Trustee of Mesabi Trust pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Corporate Trustee of Mesabi Trust pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Report of Wipfli LLP, dated December 4, 2009 regarding its review of the unaudited interim financial statements of Mesabi Trust as of and for the three and nine months ended October 31, 2009.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MESABI TRUST  
(Registrant)

By: DEUTSCHE BANK TRUST COMPANY  
AMERICAS  
Corporate Trustee  
Principal Administrative Officer and duly authorized signatory:\*

By: DEUTSCHE BANK NATIONAL TRUST  
COMPANY

Date: December 4, 2009

By: /s/ Kenneth R. Ring  
Name: Kenneth R. Ring  
Title: Vice President

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\* There are no principal executive officers or principal financial officers of the registrant.