

V.I.M.COR
BUY RECOMMENDATION

| Mesabi Trust | | | MSB | | \$ 3.25 | | YIELD | |
|--------------------------|---------------------|-------------|----------------|-----------|-----------|-------------|-----------------------------------|--|
| 52 WK PRICE RANGE | | | EPS | | | | AVERAGE DAILY VOLUME THOUSANDS \$ | |
| DIV | YIELD | 1999 | LATEST 12 MO | 2000 | 2001 | | | |
| \$ 0.70 | 22.80 % | \$0.38 | \$ 0.41 | \$ 0.40 | \$ NA | \$ 35.75 | | |
| P/E : | | 7.9 x | 7.46 x | 7.6 x | NA x | | | |
| ----- | | | | | | | | |
| EPS COMPOUND GROWTH RATE | | | | | | | | |
| VAL MODEL | P/E LEAST GROWTH RT | PAST 5 YRS. | LATEST QUARTER | THIS YEAR | NEXT YEAR | NEXT 5 YRS. | | |
| 22.0 % | NA x | 11.7 % | -36.0 % | -11.6 % | 5.3 % | 44.5 % | | |

BASIS OF RECOMMENDATION

The Small Metals Mining- Refining & Processing Companies group profits are expected to grow 22.06% in 2001 and 18.91% in 2002. Earnings of the S&P 500 are expected to decline approximately 0.69% in 2001. Based on these estimates, profits for this group are anticipated to see a stronger rate of growth than that of the market this year and no comparison is yet possible for next year.

POSITIVES

- Industry segment expected to outgrow S&P 500 in the upcoming year.
- MSB is a trust... it owns and leases land to mining companies. Part of the dividend is non-taxable.
- Value Model predicts a return of 22% for the year, substantially above market returns for other industries.

NEGATIVES

- Small float of shares... it can be difficult to buy and sell these shares without affecting the price of the stock.
- Company is dependent on the sales of the lessees. The economy can have a dramatic impact on the dividend and royalty flow to shareholders with few advance warnings of problems.
- MSB is dependent on earnings based upon the sales of mostly one company that mines MSB properties. When the prior tenant failed, MSB stock took almost 2 years to recover fully.

| ANALYST | DATE OF STOCK PRICE | SPX PRICE THAT DATE | DATE OF THIS REPORT |
|-----------------|---------------------|---------------------|---------------------|
| Gary Vassalotti | December 31, 2000 | \$ 1320.28 | January 2, 2001 |

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MESABI TRUST

Mesabi Trust holds all of the interests formerly owned by Mesabi Iron Company, including all right, title and interest in the Amended Assignment of Peters Lease, the Amended Assignment of Cloquet Lease, the beneficial interest in the Mesabi Land Trust and all other assets and property identified in the Agreement of Trust. Substantially all of the Trust's revenue, operating profits and assets relate to one business segment, namely iron ore mining.

3rd Quarter Earnings Review

During the third quarter of 2000 MSB's net income increased to \$2,497,125 as compared to \$1,631,788 (3rd Qtr 1999), an increase of 53%. This large increase was due to an increase in royalty income resulting from increased pellet shipments as compared to the comparable prior period. This is a substantial increase and should not be thought of as normal or as something that will continue to occur.

I feel a yearly increase of 5-15% is more a normal reflection of business, assuming that a recession in the metals industry does not occur.

Source of Revenue

MSB's revenue consists of leasehold royalty income. This income is in the form of three revenue streams:

1. Overriding royalties (majority of MSB royalty income) determined by volume and selling price of iron ore shipped.
2. Fee royalties based on the amount of crude ore mined. This fee is based upon an agreed upon price per ton, subject to indexing.
3. Minimum advance royalties (basically, prepaid royalties of the above kind), based upon a minimum percentage (2.5%) to a max of (6%) of ore shipped.

Northshore mining company, owned by CCI, mines MSB's land and has proposed building a smelting project that would produce premium grade pig iron. This product would replace pig iron that had been produced by a competitor (LTV) that has dropped out of the market. However, CCI has stated that the project is on hold pending review.

If this project should proceed, earnings to MSB would increase and future payouts would also increase. However, it is not possible at this time to estimate the increase that would accrue to MSB shareholders.

Factors Affecting Earnings and Dividend Payments

Winter weather on the Great Lakes affects quarterly earnings and the resulting dividend payments. Earnings cannot be determined or estimated based upon any given quarters sales because of this. Therefore, because royalties to MSB are made on a calendar quarter basis, the trust normally receives only the minimum payment in the first quarter (due to frozen shipping lanes).

Valuation

The VIMCOR value model (see attached sheet) indicates that MSB will return 22% to shareholders in 2000. This number is mainly due to the dividend and not share price appreciation. Indeed, MSB is in the upper 75% of its historical trading range since the range during the past 5 years has topped out around \$4.80.

The value model indicates a 25% return for the following fiscal year, and a 142% return in 5 years. It should be noted that the 5 year figure is probably unrealistic given this equities historical trading range and dependence on a basic commodity for income. Therefore, I would estimate a five year return would most likely be closer to 20% per year, based upon the dividend yield of 21%.

MSB shares should be considered VOLATILE. The share price will fluctuate inversely with general interest rates present in the general economy. Therefore, although you will receive a nice dividend the principal value may vary month to month.

It should also be noted that MSB has a fairly small float, and that the maximum purchase amount for any given trade is a comparatively small (around \$8,000) (this figure is from a study stating that the maximum allowable purchase is 25% in dollars for a given equity's average trading volume so as to not affect the share price and in effect increase your own expense). With such a small daily trade allowance, it is possible that to get a full position, it would require more than one day to accumulate the shares. This, of course, results in multiple commissions.

Pros:

- Company will give a handsome return according to the Value Model (22% for this year)
- Part of the dividend is non-taxable since it is considered a return of capital.

Cons:

- Share price will fluctuate greatly and inversely with general market interest rates.
- Small share float could make selling in a hurry difficult, or could affect the sale price received.
- Income is based upon the results of one main tenant, and income can be adversely affected by that tenants business decisions.

| | | | |
|---------------|--------------|--------------|------------------|
| <u>Ticker</u> | <u>Name</u> | <u>Price</u> | <u>Attribute</u> |
| MSB | MESABI TRUST | 3.2501/02/01 | Yield |

Institutional Ownership 13.0%
Debt/Equity 0.0%

| P/E | | | P/BK | | | P/CF | | | Dividends | | Price/Sales | | |
|------|-------|---------|------|------|---------|------|-------|---------|-----------|--------|-------------|-------|---------|
| Low | High | Current | Low | High | Current | Low | High | Current | Dollars | Yield | Low | High | Current |
| 8.53 | 12.14 | 6.8 | | | | 8.53 | 12.14 | 6.77 | 0.70 | 21.54% | 7.75 | 11.04 | 6.50 |

| Historical Earnings | | Estimated Earnings (FFO for Reits) | | | | | | | | Dividend Growth | | |
|---------------------|--------------|------------------------------------|-------|--------|----------|--------|---------|--------|----------|-----------------|------------|-----------|
| Ltst Qtr | Ltst 12 Mths | Currt Qtr | % Chg | Lst FY | Currt Yr | % Chge | Next Yr | % Chge | Future 5 | % Chge | Last 5 yrs | Next 5Yrs |
| \$0.12 | \$0.48 | \$0.12 | 84% | \$0.43 | \$0.38 | -11.6% | \$0.40 | 5.3% | \$ 1.21 | 44.57% | | |

| Projected Values - Value Model | | | |
|--------------------------------|-----------|---------|---------|
| | End of YR | Next YR | 5 Years |
| Price | \$3.27 | \$3.38 | \$7.18 |
| Return | 22% | 25% | 142% |

| Projected Values - Value Model | | | |
|--------------------------------|-----------|---------|---------|
| | End of YR | Next YR | 5 Years |
| Price | | | |
| Return | | | |

COMPANY DESCRIPTION

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How to read these models:

The valuation model is used for value stocks. The value model returns the projected End of Yr, Next Yr and 5 Year values and return calculations for value oriented stocks.

For Growth stocks, the better measure is the P/E Least Growth Rate model. It demonstrates how much you are paying up for the growth the company has and is expected to experience. Try to buy companies that have a P/E Least of under 1.5x, and sell when it reaches 2.0x. The lower the number, the less you are paying for the earnings growth. THE NUMBER SHOULD NOT BE NEGATIVE!