

**Dave Hart**

---

**From:** Bob Scuffy  
**Sent:** Monday, June 05, 2006 10:55 AM  
**To:** Dave Hart  
**Cc:** Matt Sjoberg; 'Renee Sass'; 'Renee Sass'  
**Subject:** RE: Excelsior Energy draw

Done!

Bob Scuffy, Jr.  
Accounting Officer, Sr.  
Iron Range Resources  
P.O. Box 441  
Eveleth, MN 55734  
218-744-7336/1-800-765-5043, EXT. 336  
[bob.scuffy@IronRangeResources.org](mailto:bob.scuffy@IronRangeResources.org)

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**From:** Dave Hart  
**Sent:** Friday, June 02, 2006 4:19 PM  
**To:** Bob Scuffy  
**Cc:** Matt Sjoberg; 'Renee Sass'; 'Renee Sass'  
**Subject:** Excelsior Energy draw

Please advance \$58,098.55 under our loan #219509 to Excelsior Energy.

April 25, 2002

Mike J. Larson  
Energy Director  
Iron Range Resources and Rehabilitation Agency  
PO Box 441  
Eveleth, MN 55734

Dear Mike;

In accordance with the agreement between Excelsior Energy, Inc. and the Office of the Commissioner of the Iron Range Resources and Rehabilitation, enclosed you will find invoices totaling \$250,000.00 for work completed to date on this project.

Excelsior Energy, Inc. hereby requests reimbursement from the IRRR Agency, according to our agreement in the amount of \$250,000.00.

I, Thomas Micheletti, president of Excelsior Energy Inc., affirm and attest that the invoices are valid and that the services described therein were duly rendered.

Sincerely,



Thomas Micheletti  
President  
Excelsior Energy, Inc.

pd 5-8-02




October 11, 2007

Dave Hart  
Iron Range Resources  
4261 Highway 53 South  
P.O. Box 441  
Eveleth, MN 55734-0441

Dear Mr. Hart:

In response to your letter dated October 5, 2007, enclosed please find a check in the amount of \$4,869.58, representing the full amount requested in your letter for reimbursement. Although we believe the items referenced in your October 5, 2007 letter are eligible for reimbursement under the terms of the Convertible Debenture Agreements, and even though Excelsior has submitted approximately \$2.7 million dollars of other permitted expenses that Iron Range Resources did not fund due to the credit limit under the Debenture Agreements, we are nonetheless honoring your request for reimbursement of the expenses referenced.

Very truly yours,

  
Tom Osteraas

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BOULEVARD, SUITE 305  
A, MN 55305  
347.2360  
.7.2373

424 ROOSEVELT AVE., P.O. Box 227  
COLERAINE, MN 55722  
PHONE 218.245.1205  
FAX 218.245.1604

ORIGINAL DOCUMENT PRINTED ON CHEMICAL REACTIVE PAPER WITH MICROPRINTED BORDER

4214

**EXCELSIOR ENERGY INC.**

WELLS FARGO BANK MINNESOTA NA  
MINNEAPOLIS, MN 55479

11100 WAYZATA BLVD.  
SUITE 305  
MINNETONKA, MN 55305

17-1/910

10/10/2007

PAY TO THE ORDER OF Iron Range Resources

\*\*4,869.58

\$

Four Thousand Eight Hundred Sixty-Nine and 58/100\*\*\*\*\*

DOLLARS

Iron Range Resources  
4261 Highway 53 South  
P.O. Box 441  
Eveleth, MN 55734-0441

*Thomas Michette*  
MICHIGAN SECURITIES  
IP  
M

MEMO

THIS DOCUMENT CONTAINS HEAT SENSITIVE INK WHICH CHECKS FOR FRAUD. ORIGINAL COPIES PREPARED WITH HEAT

⑈004214⑈ ⑆091000019⑆8096445401⑈

EXCELSIOR ENERGY, INC.

Iron Range Resources

Date Type Reference  
10/10/2007 Bill

Original Amt.  
4,869.58

Balance Due  
4,869.58

10/10/2007

Discount

Check Amount

Payment  
4,869.58  
4,869.58

4214

Checking - Wells Farg

4,869.58

October 5, 2007



Tom Osteraas  
Vice President / General Counsel  
Excelsior Energy, Inc.  
11100 Wayzata Blvd.  
Suite 305  
Minnetonka, MN 55305

Dear Mr. Osteraas:

It has come to our attention that some of the invoices submitted by your company may not be eligible for reimbursement under the terms of the Convertible Debenture Agreements.

Specifically of concern are:

- a. An invoice dated January 23, 2003, for \$150.00 for membership in the Minnesota Governmental Relations Council.
- b. Five instances in 2003 totaling \$455.24 for lunches and expenses related to lobbyists.
- c. An invoice dated March 7, 2005, listing lobbyist registration as part of a \$4,000.00 item.
- d. An invoice dated August 15, 2005, including \$264.34 for expenses to attend a political event.

Copies of the invoices described above are attached. To remedy this situation and to comply with the spirit, if not the letter, of the Debenture Agreements, Iron Range Resources requests reimbursement by Excelsior Energy for the questionable items listed above. You can send a check to my attention at the address listed above. Unless I hear from you otherwise, I will look for the reimbursement payment within the next 7 days.

It is possible that there are other invoices that may not be eligible for reimbursement under the Debenture Agreements. I would ask that your company conduct a comprehensive review of all of the invoices submitted to Iron Range Resources to determine if there are other instances where invoices were submitted that may not be eligible for reimbursement. Please conduct this review as quickly as possible. If you have any questions about this letter or any invoices of concern, please call me at (218) 744-7311.

I appreciate your assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dave Hart', is written over a white background.

Dave Hart  
Loan Officer

encl. invoices



An Equal Opportunity Employer

Iron Range Resources  
4261 Highway 53 South  
P.O. Box 441  
Eveleth, MN 55734-0441  
(218) 744-7400

[www.IronRangeResources.org](http://www.IronRangeResources.org)



*1/2 for pay  
PUC Case Report  
JTS  
3/7/05*

Please make checks payable to:  
ALTEC Energy Systems, Inc.  
Tax ID No. 41-1894420

**Billing for Work Completed: February 9, 2005 – February 28, 2005**

Bill to:

Excelsior Energy, Inc.  
11100 Wayzata Blvd.  
Suite 305  
Minnetonka, Minnesota  
55305

Invoice Date: March 7, 2005  
Invoice Number: 2005 - 004  
Amount Due: \$4,012.96

Activity	Description	Hours	Per Hour/Unit Charge	Total
Mileage Expense	Mileage to DOC library, St. Paul; 44 7 <sup>th</sup> Ave NE 32 mi @ \$.405/mi	N/A	\$12.96	\$12.96
Legal Services - J. Jarvis	- lobbyist registration - PPA statutory/rule research - PUC case review (RDF, IRP, past PPAs) - Chapter 5 draft - PPA petition draft (see attached for daily details)	40.0	\$100.00	\$4,000.00
<b>Total</b>				<b>\$4,012.96</b>

Payment to:  
ALTEC Energy Systems, Inc.  
3989 Central Avenue NE  
Suite 530  
Minneapolis, Minnesota 55421

**Invoice payable upon thirty (30) days of receipt.**



Minnesota Governmental Relations Council  
1711 West County Road B, Suite 300N  
Roseville, MN 55113  
651-636-4158

**MEMBERSHIP APPLICATION**

MEMBERSHIP YEAR THROUGH DECEMBER 31, 2003

Date: Jan 23, 2003

First Name THOMAS Middle Initial A. Last Name Micheletti

Position President

Association, Firm, Business, etc. EXCURSION ENERGY, INC

Address 519 Ferndale Rd. North

City WAYZATA State MN Zip Code 55391

Business Phone (952) 250-2252

Home Telephone (Not for publication) (952) 404-1680

Fax Number: (952) 473-2012

E-mail Address: tommicheletti@msn.com

**Class of Membership:**

(There shall be one person from each company paying the Principal Voting Member rate; all others from that company shall pay the Associate Voting Member rate.)

Principal Voting Member..... \$150

Associate Voting Member..... \$75  
(belonging to the same organization, corporation, association, or other group as the principal voting member)

Please determine your Class of Membership and return this membership application with your check to:

**Minnesota Governmental Relations Council**  
1711 W. County Road B, Suite 300N  
St. Paul, MN 55113  
Phone: 651-636-4158 Fax: 651-635-0307

If you have any questions or concerns, please contact Sheryle Hazard at the MGRC office 651-636-4158.

*Pa*  
*1-29-03*  
*# 1104*

EXCELSIOR ENERGY, INC.  
2003 EXPENSES

Purpose	Airfare	Lodging	Meals	Car Rental/ Gas/Cab	Parking	Mileage	Rent	Office Supplies	Office Expense	Conf/Trg	Sub- scriptions	Meals/ Entertain
Gasification Technology Council Meeting			110.12									
Gasification Technology Council Meeting				80.00								
Gasification Technology Council Meeting		944.81										
Gasification Technology Council Meeting		769.86										
Gasification Technology Council Meeting		20.00										
Gasification Technology Council Meeting			450.00									
3w/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			150.00		60.00	273.70						
Home business phones									120.00			
Business car phones									63.68			
Business lunch												68.83
Business email									18.95			
Lunch with lobbyists												36.75
Business lunch												25.87
Business email									21.95			
Office supplies								137.75				
Office supplies								126.58				
3w/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Subscription											48.00	
	263.23											
Business email									21.95			
Business email									21.95			
Office supplies								42.03				
Gas - 480 miles @ 36.5/mile + meals			120.00	66.58		167.90						
Gas				20.00								
3w/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Gas - 480 miles @ 36.5/mile + meals			120.00	11.00		167.90						



EXCELSIOR ENERGY, INC.  
2003 EXPENSES

Purpose	Airfare	Lodging	Meals	Car Rental/ Gas/Cab	Parking	Mileage	Rent	Office Supplies	Office Expense	Conf/Int	Subscriptions	Meals/Entertain
Business email								21.85				
Business email								21.85				
Office supplies								22.85				
Lunch with lobbyists												33.73
Business credit card fee									70.00			
Office supplies								271.54				
5x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			200.00		80.00	365.00						
3x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Subscription											46.00	
Business email									21.85			
Jello J trip		375.12										
Business email									21.85			
Office supplies								230.37				
Photocopying									41.54			
Photocopying									87.68			
Computer supply									56.42			
Gas + 480 miles @ 36.5/mile + meals			120.00	23.00		187.50						
5x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			200.00		80.00	365.00						
3x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Subscription											46.00	
Dinner with lobbyists												304.18
Business email									21.85			
Business email									21.88			
Lunch with Lobbyists												48.15
Business supplies								277.23				

EXCELSIOR ENERGY, INC.  
2003 EXPENSES

Purpose	Airfare	Lodging	Meals	Car Rental/ Gas/Cab	Parking	Mileage	Rent	Office Supplies	Office Expense	Conf/ing	Subscriptions	Meals/ Entertain
Business lunch												30.84
Business lunch												36.58
Business lunch												67.70
Gas + 330 miles @ 36.5/mile + meals			60.00	55.42	120.45							
Robecow-lobbyist									61.50			
5x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			200.00		60.00	365.00						
3x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Gas + 480 miles @ 36.5/mile + meals			120.00	11.50		187.90						
Business email									21.95			
Business dinner (Shell)												182.34
Business lunch												32.19
Business email									21.95			
Geoffication Technology Council Kicunah Meeting	10.00											
Geoffication Technology Council Kicunah Meeting	377.50											
Geoffication Technology Council Kicunah Meeting	377.50											
Julio J trip Emery Energy mtg	263.00								11.89			
Gas + 480 miles @ 36.5/mile + meals			120.00	10.00		187.90						
Subscription											48.00	
Gas				20.00								
5x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			200.00		60.00	365.00						
3x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			

EXCELSIOR ENERGY, INC.  
2003 EXPENSES

Purpose	Airfare	Lodging	Meals	Car Rents/ Gas/Cab	Parking	Mileage	Rent	Office Supplies	Office Expense	Confer/	Sub- scriptions	Meals/ Entertain
Business lunch												35.60
GTC Kiewah mig	30.00											
Business email									21.95			
GTC Kiewah mig - Julie J	100.00											
GTC Kiewah mig	50.00											
Business lunch with lobbyists												42.97
GTC Kiewah mig		293.08										
GTC Kiewah mig - misc exp.		1692.70	75.00	120.00								
GTC Kiewah mig	40.00											
GTC Kiewah mig												1692.70
GTC Kiewah mig												74.00
Business email									21.95			
Business lunch with lobbyists												29.10
Business dinner												201.53
	690.06											
Subscription											46.00	
Julie J Phoenix	5.00											
Tom M Phoenix	5.00											
Business supplies								35.00				
Phoenix Trip - Julie J & Tom M			73.58									
Phoenix Trip - Julie J & Tom M			39.25									
Phoenix Trip - Julie J & Tom M				180.70								
Phoenix Trip - Julie J & Tom M				22.00								
Phoenix Trip - Julie J & Tom M		109.55										
Phoenix Trip - Julie J & Tom M			85.35									
Phoenix Trip - Julie J & Tom M				18.55								
5x/week; 50 miles each @38.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			200.00		80.00	365.00						
3x/week; 50 miles each @38.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Phoenix Trip - Julie J & Tom M					70.00							

**EXCELSIOR ENERGY INC.**

**Expense Report**

Employee Name: Tom Osteras *Tom Osteras*

Period Start Date: 7/25/2005

Period End Date: 8/15/2005

Date	Reason For Expense	Payee	Total Cost	Corporate / Mesaba	Subtask	Dept/ Class	Account Code
3-Aug-05	Travel to Tower for Tom Bakk Event (385 @ 40.5 cents)	Mileage	\$155.93	Corporate	9.99.01 NON DOE/Unallowable Costs	830 Public Relations	5120 Transport
4-Aug-05	Hotel at Tom Bakk Event	The Lodge at Giants Ridge	\$108.41	Corporate	9.99.01 NON DOE/Unallowable Costs	830 Public Relations	5110 Lodging
3-Aug-05	Cell Phone/Blackberry Charges	T-Mobile	\$62.26	Mesaba	0.01.01 General Company Administration	820 Legal	5520 Telephone
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
				REQUIRED	REQUIRED	REQUIRED	REQUIRED
			\$328.60				

- 98 -

October 5, 2007



Tom Osteraas  
Vice President / General Counsel  
Excelsior Energy, Inc.  
11100 Wayzata Blvd.  
Suite 305  
Minnetonka, MN 55305

Dear Mr. Osteraas:

It has come to our attention that some of the invoices submitted by your company may not be eligible for reimbursement under the terms of the Convertible Debenture Agreements.

Specifically of concern are:

- a. An invoice dated January 23, 2003, for \$150.00 for membership in the Minnesota Governmental Relations Council.
- b. Five instances in 2003 totaling \$455.24 for lunches and expenses related to lobbyists.
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Copies of the invoices described above are attached. To remedy this situation and to comply with the spirit, if not the letter, of the Debenture Agreements, Iron Range Resources requests reimbursement by Excelsior Energy for the questionable items listed above. You can send a check to my attention at the address listed above. Unless I hear from you otherwise, I will look for the reimbursement payment within the next 7 days.

It is possible that there are other invoices that may not be eligible for reimbursement under the Debenture Agreements. I would ask that your company conduct a comprehensive review of all of the invoices submitted to Iron Range Resources to determine if there are other instances where invoices were submitted that may not be eligible for reimbursement. Please conduct this review as quickly as possible. If you have any questions about this letter or any invoices of concern, please call me at (218) 744-7311.

I appreciate your assistance in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Dave Hart".

Dave Hart  
Loan Officer

encl. invoices



An Equal Opportunity Employer

Iron Range Resources  
4261 Highway 53 South  
P.O. Box 441  
Eveleth, MN 55734-0441  
(218) 744-7400

[www.IronRangeResources.org](http://www.IronRangeResources.org)

**Dave Hart**

**From:** Dave Hart  
**Sent:** Thursday, September 27, 2007 2:33 PM  
**To:** Brian Hiti; Sandy Layman  
**Cc:** Matt Sjoberg  
**Subject:** Excelsior invoices

Packets of invoices are received from the company with a request for payment. Each request is certified by an officer of the company that the invoices are eligible for payment under our Agreement. Each of those invoices is reviewed for accuracy and to determine if the expense is eligible for reimbursement under the terms of our documents. Invoices that require more detail are not paid until adequate information is received. Invoices for expenses that are determined to be ineligible are excluded from payment.

Our Agreement with Excelsior includes the standard language regarding state audits:

"Pursuant to Minnesota Statutes, Section 16C.05, Subdivision 5 (1998), the books, records, documents, and accounting procedures, and practices of the Company relevant to this Agreement shall be subject to examination by the State and the State of Minnesota's Legislative Auditor as appropriate, for a minimum of six (6) years following the termination or earlier cancellation of this Agreement."

Excelsior has had annual audits every year since the project began.

"Lobby" per the American Heritage Dictionary:

To try to influence legislators, esp. in favor of a special interest. To try to influence legislators to pass legislation.

Section 1.1.34 of our existing agreement states, in part, ...Funds disbursed under this Agreement may not be used for lobbying but can be used in connection with any costs associated with the Project, including, but not limited to, Project development and engineering, regulatory and administrative activities in connection with power plant and transmission line siting and licensing, environmental impact statement filings and proceedings, power purchase agreements, public utility commission proceedings, federal activities, and all other regulatory or environmental approvals associated with the Project.

Possible talking point:

With the size of this project and the wide sphere of impact (energy, economic, environmental, technology, Federal, State...), this project has received much closer scrutiny from the public, media, government, competitors and others than smaller projects. This level of scrutiny, with, ultimately, little valid criticism, lends credence to the manner in which Excelsior is managing this project.

Dave  
[dave.hart@state.mn.us](mailto:dave.hart@state.mn.us)  
(218)744-7400 ext. 311



*1/2 for pay  
PUC Case Report  
3/7/05*

Please make checks payable to:  
ALTEC Energy Systems, Inc.  
Tax ID No. 41-1994420

**Billing for Work Completed: February 9, 2005 – February 28, 2005**

Bill to:

Excelsior Energy, Inc.  
11100 Wayzata Blvd.  
Suite 305  
Minnetonka, Minnesota  
55305

Invoice Date: March 7, 2005  
Invoice Number: 2005 - 004  
Amount Due: \$4,012.96

Activity	Description	Hours	Per Hour/Unit Charge	Total
Mileage Expense	Mileage to DOC library, St. Paul; 44 7 <sup>th</sup> Ave NE 32 mi @ \$.405/mi	N/A	\$12.96	\$12.96
Legal Services - J. Jarvis	- lobbyist registration - PPA statutory/rule research - PUC case review (RDF, IRP, past PPAs) - Chapter 5 draft - PPA petition draft (see attached for daily details)	40.0	\$100.00	\$4,000.00
<b>Total</b>				<b>\$4,012.96</b>

Payment to:  
ALTEC Energy Systems, Inc.  
3989 Central Avenue NE  
Suite 530  
Minneapolis, Minnesota 55421

Invoice payable upon thirty (30) days of receipt.

*Testimony research*



Minnesota Governmental Relations Council  
1711 West County Road B, Suite 300N  
Roseville, MN 55113  
651-636-4158

**MEMBERSHIP APPLICATION**

MEMBERSHIP YEAR THROUGH DECEMBER 31, 2003

Date: Jan. 23, 2003

First Name THOMAS Middle Initial A. Last Name Micheletti

Position President

Association, Firm, Business, etc. EXCURSION ENERGY, INC

Address 519 Ferndale Rd. North

City WAYZATA, State MN Zip Code 55391

(952) 250-2252  
Business Phone

(952) 404-1680  
Home Telephone (Not for publication)

Fax Number: (952) 473-2012

E-mail Address: tommicheletti@msn.com

**Class of Membership:**  
(There shall be one person from each company paying the Principal Voting Member rate; all others from that company shall pay the Associate Voting Member rate.)

Principal Voting Member..... \$150

Associate Voting Member..... \$75  
(belonging to the same organization, corporation, association, or other group as the principal voting member)

Please determine your Class of Membership and return this membership application with your check to:

**Minnesota Governmental Relations Council**  
1711 W. County Road B, Suite 300N  
St. Paul, MN 55113  
Phone: 651-636-4158 Fax: 651-635-0307

If you have any questions or concerns, please contact Sheryle Hazard at the MGRC office 651-636-4158.

*Pa*  
*1-29-03*  
*1104*



EXCELSIOR ENERGY, INC.  
2003 EXPENSES

Purpose	Airfare	Lodging	Meals	Car Rental/ Gas/Cab	Parking	Mileage	Rent	Office Supplies	Office Expense	Conf/Mtg	Subscriptions	Meals/Entertain
Gasification Technology Council Meeting			110.12									
Gasification Technology Council Meeting				80.00								
Gasification Technology Council Meeting		944.81										
Gasification Technology Council Meeting		769.88										
Gasification Technology Council Meeting		20.00										
Gasification Technology Council Meeting			450.00									
3x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			150.00		60.00	273.75						
Home business phones									120.00			
Business cell phones									63.88			
Business lunch												68.83
Business email									19.95			
Lunch with lobbyists												36.75
Business lunch												25.87
Business email									21.95			
Office supplies									137.75			
Office supplies									126.58			
3x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Subscription											48.00	
	263.23											
Business email									21.95			
Business email									21.95			
Office supplies									42.02			
Gas + 460 miles @ 36.5/mile + meals			120.00	56.88		167.80						
Gas				20.00								
3x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Gas + 460 miles @ 36.5/mile + meals			120.00	11.00		167.90						

EXCELSIOR ENERGY, INC.  
2003 EXPENSES

Purpose	Airfare	Lodging	Meals	Car Rental/ Gas/Cab	Parking	Mileage	Rent	Office Supplies	Office Expense	Conf/Msg	Subscriptions	Meals/Entertain
Business email								21.85				
Business email								21.85				
Office supplies								22.85				
Lunch with lobbyists												33.73
Business credit card fee									70.00			
Office supplies								271.54				
5x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			200.00		80.00	365.00						
3x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Subscription											46.00	
Business email									21.85			
Julie J trip		375.12										
Business email									21.95			
Office supplies								230.37				
Photocopying									41.54			
Photocopying									97.88			
Computer supply									56.42			
Gas + 460 miles @ 36.5/mile + meals			120.00	23.00		167.90						
5x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			200.00		80.00	365.00						
3x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Subscription											46.00	
Dinner with lobbyists												304.18
Business email									21.95			
Business email									21.95			
Lunch with Lobbyists												40.15
Business supplies								277.23				

EXCELSIOR ENERGY, INC.  
2003 EXPENSES

Purpose	Airfare	Lodging	Meals	Car Rental/ Gas/Cab	Parking	Mileage	Rent	Office Supplies	Office Expense	Conf/Mtg	Subscriptions	Meals/Entertain
Business lunch												30.84
Business lunch												36.55
Business lunch												57.70
Gas + 330 miles @ 36.5/mile + meals			60.00	55.42	120.45							
Rebecca Tobbyist									51.50			
5x/week; 50 miles each @ 36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			200.00		80.00	365.00						
3x/week; 50 miles each @ 36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Gas + 480 miles @ 36.5/mile + meals			120.00	11.50		167.80						
Business email									21.85			
Business dinner (Shell)												152.34
Business lunch												32.19
Business email									21.85			
Gasification Technology Council Kicunah Meeting	10.00											
Gasification Technology Council Kicunah Meeting	377.50											
Gasification Technology Council Kicunah Meeting	377.50											
								11.80				
Julio J Vlp Emery Energy mtg	283.00											
Gas + 480 miles @ 36.5/mile + meals			120.00	10.00		167.80						
Subscription												46.00
Gas				20.00								
5x/week; 50 miles each @ 36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			200.00		80.00	365.00						
3x/week; 50 miles each @ 36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			

4/1/2004

EXCELSIOR ENERGY, INC.  
2003 EXPENSES

Purpose	Airfare	Lodging	Meals	Car Rental/ Gas/Cab	Parking	Mileage	Rent	Office Supplies	Office Expense	Conf/Mtg	Subscriptions	Meals/ Entertain
Business lunch												35.80
GTC Kiawah mtg	30.00											
Business email									21.95			
GTC Kiawah mtg - Julie J	100.00											
GTC Kiawah mtg	50.00											
Business lunch with lobbyists												42.97
GTC Kiawah mtg		293.08										
GTC Kiawah mtg - misc exp.		1692.70	75.00	120.00								
GTC Kiawah mtg	40.00											
GTC Kiawah mtg												1892.70
GTC Kiawah mtg												74.00
Business email									21.95			
Business lunch with lobbyists												29.10
Business dinner												291.53
	680.05											
Subscription											45.00	
Julie J Phoenix	5.00											
Tom M Phoenix	5.00											
Business supplies								35.00				
Phoenix Trip - Julie J & Tom M			73.38									
Phoenix Trip - Julie J & Tom M			39.25									
Phoenix Trip - Julie J & Tom M				180.70								
Phoenix Trip - Julie J & Tom M				22.00								
Phoenix Trip - Julie J & Tom M		189.59										
Phoenix Trip - Julie J & Tom M			88.35									
Phoenix Trip - Julie J & Tom M				18.60								
5x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			200.00		80.00	355.00						
3x/week; 50 miles each @36.5 cents per mile; \$4.00 parking each; \$10.00 lunch each			120.00		48.00	219.00						
Home business phones									120.00			
Phoenix Trip - Julie J & Tom M					70.00							

# EXCELSIOR ENERGY INC.

## Expense Report

Employee Name: Tom Osteraas

Period Start Date: 7/25/2005

Period End Date: 8/15/2005

Date	Reason For Expense	Payee	Total Cost	Corporate / Mesaba	Subtask	Dept/ Class	Account Code
3-Aug-05	Travel to Tower for Tom Bakk Event (385 @ 40.5 cents)	Mileage	\$155.93	Corporate ▼	9.99.01 NON DOE/Unallowable Costs ▼	830 Public Relations ▼	5120 Transport ▼
4-Aug-05	Hotel at Tom Bakk Event	The Lodge at Giants Ridge	\$108.41	Corporate ▼	9.99.01 NON DOE/Unallowable Costs ▼	830 Public Relations ▼	5110 Lodging ▼
3-Aug-05	Cell Phone/Blackberry Charges	T-Mobile	\$62.26	Mesaba ▼	0.01.01 General Company Administration ▼	820 Legal ▼	5520 Telephone ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
				REQUIRED ▼	REQUIRED ▼	REQUIRED ▼	REQUIRED ▼
			\$326.60				

**Dave Hart**

**From:** Dave Hart  
**Sent:** Thursday, September 27, 2007 3:23 PM  
**To:** Brian Hiti; Sandy Layman  
**Cc:** Matt Sjoberg  
**Subject:** Excelsior talking points

Reasons for IGCC:

President's "Clean Coal Initiative"  
Environmental benefits  
Carbon Sequestration  
Wabash River, Indiana IGCC plant  
Polk Power Station / Tampa Electric IGCC plant, Florida

Reasons for Excelsior Energy / Mesaba Energy Project:

LTV closure  
Diversify area economy  
Jobs, 1,000 construction & 100 permanent plus indirect support jobs  
Continued increase in demand for electricity  
Governor's support  
Bi-partisan state legislative support  
Senator Coleman's support  
Conoco Phillips, Fluor, Siemens support  
Strong leverage from other financial participants:  
Renewable Energy Fund - \$10,000,000  
Department of Energy - \$36,000,000  
Federal loan guaranty - \$800,000,000  
Federal tax credits - \$136,000,000

Dave  
[dave.hart@state.mn.us](mailto:dave.hart@state.mn.us)  
(218)744-7400 ext. 311

**Dave Hart**

**From:** Dave Hart  
**Sent:** Monday, October 01, 2007 1:31 PM  
**To:** Matt Sjoberg  
**Subject:** Excelsior Energy invoices

Mike Larson and I reviewed each invoice the agency received in support of our disbursements under the \$1,500,000 and \$8,000,000 agreements with Excelsior Energy.

Regarding the \$1,500,000 agreement:

The first disbursement of \$500,000 was supported with invoices totaling \$514,283.14. All other requests for disbursement of funds under the \$1,500,000 agreement were supported with invoices equal to, or in excess of, the amount requested. Of the \$1,514,283.14 invoices related to the \$1,500,000 agreement, there are seven invoices totaling \$869.58 that I have asked Tom Osteraas to clarify.

Regarding the \$8,000,000 agreement:

Invoices totaling \$10,749,024.96 support our disbursements under this agreement. I have identified two invoices totaling \$4,277.30 that I have asked Tom Osteraas to clarify.

Summary:

The first draw request gave us invoices of \$14,283.14 in excess of the funds disbursed.

Total invoices under question are \$5,146.88.

At no point in time was the agency over-advanced regarding eligible invoices.

We have invoices of \$12,263,308.10 supporting our \$9,500,000 investment.

I expect Tom Osteraas to send clarification on the invoices under question within a few days. I will forward his reply to you.

Dave

[dave.hart@state.mn.us](mailto:dave.hart@state.mn.us)  
(218)744-7400 ext. 311

**Dave Hart**

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**From:** Thomas Osteraas [TomOsteraas@excelsiorenergy.com]  
**Sent:** Tuesday, October 02, 2007 4:39 PM  
**To:** Dave Hart  
**Subject:** RE: Friday's Meeting

Hi Dave –

Please see my responses to your questions, as noted in black below, and please let me know if you have any further questions.

Best regards,  
Tom

Thomas L. Osteraas  
Senior Vice President and General Counsel  
Excelsior Energy Inc.  
11100 Wayzata Boulevard, Suite 305  
Minnetonka, MN 55305  
Tel: 952.847.2366  
Fax: 952.847.2373  
Email: [TomOsteraas@ExcelsiorEnergy.com](mailto:TomOsteraas@ExcelsiorEnergy.com)  
[www.excelsiorenergy.com](http://www.excelsiorenergy.com)

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**From:** Dave Hart [mailto:Dave.Hart@ironrangeresources.org]  
**Sent:** Thursday, September 27, 2007 1:24 PM  
**To:** Thomas Osteraas  
**Subject:** RE: Friday's Meeting

Yes, 9:00 AM.

In reviewing invoices this morning, I saw 2003 expenses for lunches with lobbyists. What was that in relation to?

It appears there were four different expenses submitted relating to lunch with lobbyists for the aggregate amount of \$142.55. Because Excelsior has incurred many more permitted expenses than IRR could fund, if IRR desires Excelsior would be amenable to either substituting other permitted expenses for those expenses or reimbursing IRR for that amount. In looking at the initial invoice submitted under the 2002 loan agreement, I note that Excelsior submitted approximately \$514,000 of expenses and at that time IRR could only fund \$500,000. Then when Excelsior submitted its next invoice, it did not carry forward the \$14,000 of permitted expenses from the first invoice. Therefore, Excelsior has provided documentation for at least \$14,000 of permitted expenses that were never reimbursed to Excelsior, in addition to the significant amount of permitted expenses submitted with our last invoice that could not be funded due to the credit limit under the 2004 loan agreement.

The March 2005 invoice (page 69) for Altec listed lobbyist registration for \$4,000. What was that related to?

Altec was a consultant that helped us with the initial draft of our PUC filing. The \$4,000 on the invoice you reference was for 40 hours of services at \$100 per hour in connection with the drafting of the PUC filing. The reference to "lobbyist registration" exists because at the time the person working at Altec thought they might be appearing in front of the PUC in connection with the siting and routing proceeding for the project, which requires lobbyist registration. The reference in the invoice is to the time the consultant spent preparing its lobbyist registration.

Who is URS? What do they do?

0/3/2007



URS is one of the larger environmental engineering consulting companies in the United States, and they assisted us in preparation of our initial permit applications with Minnesota regulators.

Who is CETERIS? What do they do?

Ceteris is Bill Ruzynski's consulting company that assisted in the early development of the project, primarily with modeling and other early-stage development activities. Bill later joined Excelsior as a full time employee.

What is the MN Govt. Relations Council?

The Minnesota Government Relations Council is the trade association for lobbyists and government relations experts.

What was Leonard, Street & Deinard tasked with?

The Leonard Street & Deinard law firm is the project's lead outside law firm responsible for all legal and regulatory activities in connection with the power purchase agreement proceeding and all of the necessary environmental, plant siting and other permit filings with state governmental agencies.

We may have some questions on other invoices to talk about tomorrow as well.

Thanks for the talking points. See you tomorrow.

Dave  
[dave.hart@state.mn.us](mailto:dave.hart@state.mn.us)  
(218)744-7400 ext. 311

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**From:** Thomas Osteraas [<mailto:TomOsteraas@excelsiorenergy.com>]  
**Sent:** Thursday, September 27, 2007 11:49 AM  
**To:** Dave Hart  
**Subject:** Friday's Meeting

Hi Dave –

Just wanted to confirm that tomorrow's meeting is at 9 am at the IRR offices. Please let me know, and I look forward to seeing you tomorrow.

Tom

Thomas L. Osteraas  
Senior Vice President and General Counsel  
Excelsior Energy Inc.  
11100 Wayzata Boulevard, Suite 305  
Minnetonka, MN 55305  
Tel: 952.847.2366  
Fax: 952.847.2373  
Email: [TomOsteraas@ExcelsiorEnergy.com](mailto:TomOsteraas@ExcelsiorEnergy.com)  
[www.excelsiorenergy.com](http://www.excelsiorenergy.com)

IRON RANGE  
Resources

Advancing regional growth.



April 26, 2005

Renee Sass, CFO  
Excelsior Energy, Inc.  
11100 Wayzata Blvd.  
Minnetonka, MN 55305

Dear Renee:

As of this date, \$6,751,807.91 remains available under the \$8,000,000 Convertible Debenture Agreement dated December 8, 2004. These funds are available for costs related to development of an IGCC power generation plant in the Taconite Assistance Area per the terms of our Agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Hart", written over a horizontal line.

Dave Hart  
Loan Officer

Iron Range Resources  
& Rehabilitation Agency  
4261 Highway 53 South  
P.O. Box 441  
Eveleth, MN 55734-0441  
(218) 744-7400

[www.irrra.org](http://www.irrra.org)



An Equal Opportunity Employer

**From:** Dave Hart  
**To:** Scuffy, Bob  
**Date:** 1/13/05 2:29PM  
**Subject:** Excelsior #2

Please request funds disbursal of \$102,170.15 on this loan. This is the second disbursal on this loan. Payment instructions are the same as previous payments.

**CC:** Sass, Renee

**From:** "Renee Sass" <reneesass@comcast.net>  
**To:** "Dave Hart" <Dave.Hart@ironrangeresources.org>  
**Date:** 12/23/04 3:48PM  
**Subject:** RE: Happy Holidays!

Thank you very much.

We met with the Department of Energy yesterday - and they explained that they would be doing their site visits for their Florida projects in January, and would plan to visit our site in the Spring! No guts!

Have a wonderful - but cold! - holiday!

Renee Sass  
Vice President, CFO  
Excelsior Energy Inc.  
11100 Wayzata Blvd, Suite 305  
Minnetonka, MN 55305  
reneesass@excelsiorenergy.com  
952 847 2363-office  
651 373 0691-cell

-----Original Message-----

**From:** Dave Hart [mailto:Dave.Hart@ironrangeresources.org]  
**Sent:** Thursday, December 23, 2004 3:31 PM  
**To:** reneesass@comcast.net  
**Subject:** Re: Happy Holidays!

I received the request from Bill today for \$194,650.26. The request for funds has been made today. You should get the \$next week.

Merry Christmas

>>> "Renee Sass" <reneesass@comcast.net> 12/21/04 10:07PM >>>

Renee Sass

Vice President, CFO

Excelsior Energy Inc.

11100 Wayzata Blvd, Suite 305

Minnetonka, MN 55305

<mailto:reneesass@excelsiorenergy.com> reneesass@excelsiorenergy.com

952 847 2363-office

651 373 0691-cell

# EXCELSIOR ENERGY INC.

---

William Ruzynski  
Vice President – Development  
952.847.2377

December 22<sup>nd</sup>, 2004

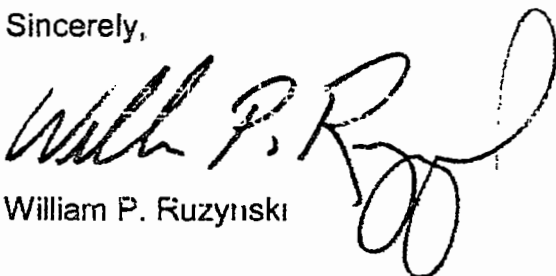
Mr. Dave Hart  
Iron Range Resources

Dear Dave,

Excelsior Energy hereby requests a loan disbursement, from the funds remaining under the \$8 Million Convertible Debenture Agreement, in the form of \$194,650.26. Attached are the invoices and other information required to support this disbursement. I certify that these are eligible for reimbursement under the agreement.

Thank-you for your assistance with this request. We appreciate the support of Iron Range Resources.

Sincerely,

  
William P. Ruzynski

**From:** Dave Hart  
**To:** Scuffy, Bob  
**Date:** 12/23/04 2:59PM  
**Subject:** Excelsior #2

Please request disbursement of \$194,650.26 under our \$8MM agreement. This is the first draw under this document. Payment instructions are the same as previous disbursements.

Thanks,  
Dave

**CC:** Hanson, Brian; Sjoberg, Matt

# EXCELSIOR ENERGY INC.

294 GROVE LANE EAST • SUITE 260 • WAYZATA, MN 55391  
952.404.4100 • FAX: 952.404.4104

TOM.MICHELETTI  
PRINCIPAL  
952.250.2252  
[TOMMICHELETTI@MSN.COM](mailto:TOMMICHELETTI@MSN.COM)

## DISCLOSURE RESTRICTED UNDER CONFIDENTIALITY AGREEMENT

May 6, 2004

Ms. Sandy Layman  
Commissioner  
Iron Range Resources  
P.O. Box 441, Highway 53 South  
Eveleth, MN 55734-0441

RE: Request for Disbursement of Remaining Funds Pursuant to Convertible Debenture Agreement Between the State of Minnesota and Excelsior Energy Inc.

Dear Commissioner Layman:

In accordance with the provisions of the above-referenced Agreement, Excelsior Energy Inc. hereby requests disbursement of the remaining \$1 million of loan funds. To meet its matching funding obligations under the Agreement, Excelsior has secured the following:

- I. Services Agreement. [REDACTED] has signed a definitive agreement with Excelsior to provide a variety of [REDACTED] services to Excelsior and the Project including [REDACTED] services, [REDACTED] and [REDACTED] services. [REDACTED]
- II. Legal and Regulatory Services Agreement. Lockridge Grindal Nauen has entered into a definitive agreement with Excelsior to provide approximately \$2 million of legal services and to defer billings associated with such efforts. A letter from the Senior Managing Partner of LGN to the IRR will confirm its binding commitment to Excelsior.
- III. Consultant Services Agreement. Excelsior has executed definitive agreements with Ceteris Inc., Strategic Finance Resources Inc., Sherner Power Consulting Inc., Browers Consulting Inc., and Wadley Consulting. Together, these firms have

committed to provide the Project with engineering, finance, project management, transmission planning and other key consulting services. The agreements with these firms provide for payment deferrals in the amount of \$1.55 million.

The total of the deferrals noted above is in the amount of \$5.95 million, more than \$1 million in excess of the requirements of the Convertible Debenture Agreement provisions. We have previously shared information about these matters with you and your staff, and copies of all the above-referenced agreements are maintained in our offices and are available for review by your staff. The willingness of these firms to put substantial sums at risk reflect the significant milestones the Mesaba Project has achieved and the momentum building towards getting the project to the finish line.

We are grateful for the help we have received from Iron Range Resources and the Governor's office and appreciate the continued support of you, the Board and your staff. We look forward to the ground-breaking of the single largest project ever constructed on the Iron Range.

Sincerely,

Tom Micheletti

Cc: Mike Larson  
Dave Hart



**I. DEFERRALS UNDER EXISTING AGREEMENTS TO MEET THE \$4.9 MILLION REQUIREMENT OF THE CURRENT CONVERTIBLE DEBENTURE AGREEMENT**

Party	Payment Deferred	Amount
[REDACTED]	Monthly Advisory Fees	\$2.4 Million
Attorneys for State PUC, permitting and contracts work	Legal Fees	\$2 Million
Team Members/Individual Consultants:		
Ceteris Inc	Engineering Consulting Fees	\$300,000
Shermer Power Consulting Inc.	Project Development, Transmission & Engineering Consulting Fees	\$200,000
Strategic Finance Resources Inc.	Financial Modeling, Project Development & Financing Fees	\$300,000
Browsers Consulting LLC	Engineering Fees	\$150,000
Wadley Consulting	Engineering, Management, and Project Development Fees	\$600,000
<b>TOTAL</b>		<b>\$5,950,000</b>

= 1mm

**II. ADDITIONAL POTENTIAL DEFERRALS AND CONTRIBUTIONS FOR NEW IRRRB \$8 MILLION CONVERTIBLE DEBENTURE AGREEMENT (AGREEMENTS/PROPOSALS IN PROGRESS)**

[REDACTED]	\$9,000,000
[REDACTED]	\$16,000,000
[REDACTED]	\$24,000,000 (3)
[REDACTED]	\$1,000,000
Assistance with DOE Funding/CCPI Proposal	\$750,000
DOE/CCPI 50% Development Funding	\$15,000,000
Deferral of Site Acquisition Costs	\$1,000,000
New Site(s) Cost Savings/Synergies	\$5,000,000
Xcel Renewable Development Account Funding	\$10,000,000
DOE Project Development Funding	\$7,500,000
New Equity Development Funding (2004-05)	\$10,000,000
<b>TOTAL POTENTIAL FUNDING/DEFERRALS</b>	<b>\$99,250,000</b>

= 4mm  
 = 2mm

**EXCELSIOR ENERGY, INC.  
MESABA ENERGY PROJECT UNIT I**

**Development Budget through PPA Process (12 Months)**

1. [REDACTED]	\$1.2 million
2. EPC Design	\$2.0 million
3. Internal Labor (Excelsior only)	\$1.3 million
4. Out-of-pocket Expenses (Excelsior)	\$0.5 million
5. Permitting – Generation and Transmission	\$3.0 million
6. Financial Advisor/Financing-related Expenses	\$0.0 million
7. Outside Counsel	\$0.5 million
8. Technical Advisors (Environmental, Owner's Engineer, ICF)	\$1.0 million
<b>Sub-Total:</b>	<b><u>\$9.5 million</u></b>

**Development Budget PPA through Financial Close (12 Months)**

1. EPC Design	\$8.0 million
2. [REDACTED]	\$2.0 million
3. Internal Labor (Excelsior)	\$1.7 million
4. Out-of-pocket Expenses (Excelsior)	\$0.5 million
5. Permitting	\$2.0 million
6. Outside Counsel – Project Financing	\$3.0 million
7. Banks' Counsel/Financing-related Expenses	\$3.0 million
8. Technical Advisors (Environmental, Process, Owner's Engineer)	\$2.5 million
<b>Sub-Total:</b>	<b><u>\$22.7 million</u></b>

**Total Development Budget through Financial Close: \$32.2 million**

**Fees Due at Financial Close**

1. [REDACTED]	\$14.0 million
2. [REDACTED]	\$9.0 million
3. IRRRB	\$1.5 million
<b>Sub-Total:</b>	<b><u>\$24.5 million</u></b>

**Development Budget for New IRR Agreement (12 Months ending June 30, 2005)**

1. EPC Design	\$2.0 million
2. [REDACTED]	\$2.5 million
3. Internal Labor (Excelsior)	\$0.75 million
4. Out-of-Pocket Expenses (Excelsior)	\$1.5 million
5. Power Plant Permitting	\$2.5 million
6. Transmission & MISO Studies	\$0.75 million
7. Transmission Permitting	\$0.5 million
8. Financial Advisor / Financing Related Expenses	\$0.0 million
9. Financial Counsel	\$0.5 million
10. Technical Advisors (Environmental, Owner's Engineer, ICF)	\$1.0 million

**Total:** \$12.0 million

**Excelsior Energy Inc. Loan #219509**

**Total Amount to be Funded: \$8,000,000.00**

20%/360

Dates Paid Interest To/From			# of Days	Interest	Principal Balance
12/23/2004	1/13/2005	1st Draw	21	\$2,270.92	\$194,650.26
1/13/2005	2/11/2005	2nd Draw	29	\$4,782.11	\$296,820.41
2/11/2005	2/25/2005	3rd Draw	14	\$3,542.69	\$455,489.14
2/25/2005	3/11/2005	4th Draw	14	\$4,097.01	\$526,758.51
3/11/2005	4/12/2005	5th Draw	32	\$14,866.83	\$836,259.09
4/12/2005	5/12/2005	6th Draw	30	\$20,803.20	\$1,248,192.09
5/12/2005	6/14/2005	7th Draw	33	\$30,974.38	\$1,689,511.46
6/14/2005	6/22/2005	8th Draw	8	\$10,240.72	\$2,304,161.09
6/22/2005	7/14/2005	9th Draw	22	\$29,596.32	\$2,421,516.69
7/14/2005	8/16/2005	10th Draw	33	\$47,204.48	\$2,574,789.88
8/16/2005	9/13/2005	11th Draw	28	\$54,842.61	\$3,525,596.61
9/13/2005	2/9/2006	12th Draw	149	\$323,419.67	\$3,907,083.28
2/9/2006	6/5/2006	13th Draw	116	\$324,678.07	\$5,038,108.01
6/5/2006	6/14/2006	14th Draw	9	\$25,481.03	\$5,096,206.56
6/14/2006	3/1/2007	15th Draw	260	\$758,474.17	\$5,250,975.04
<b>Interest Due:</b>				<b><u>\$1,655,274.21</u></b>	

**Excelsior Energy Inc. Loan #200517**

**Total Amount to be Funded: \$1,500,000.00**

20%/360

Dates Paid Interest To/From			# of Days	Interest	Principal Balance
5/2/2002	11/26/2002	1st Draw	208	\$28,888.89	\$250,000.00
11/26/2002	4/8/2003	2nd Draw	133	\$28,447.22	\$385,000.00
4/8/2003	7/2/2004	3rd Draw	451	\$125,277.78	\$500,000.00
7/2/2004	8/27/2004	4th Draw	56	\$27,526.84	\$884,791.33
8/27/2004	11/17/2004	5th Draw	82	\$48,536.89	\$1,065,443.85
11/17/2004	12/9/2004	6th Draw	22	\$17,032.35	\$1,393,555.97
12/9/2004	3/1/2007	Final Draw	812	\$676,666.67	\$1,500,000.00
<b>Interest Due:</b>				<b><u>\$952,376.63</u></b>	

**TOTAL INTEREST DUE \$2,607,650.85**

EXPENDITURES REPORT

<u>ORGN</u>	<u>LINE</u>	<u>TRANS</u>	<u>NBR</u>	<u>ORDER NUMBER</u>	<u>PAY DATE</u>	<u>EXPDTR</u>	<u>AMT</u>	<u>OBJ</u>	<u>CD</u>	<u>VENDOR NAME</u>	<u>VENDOR_NBR</u>	<u>VENDOR INVOICE</u>	<u>APPRO</u>
5721	01	00000005349		00000002005	5/2/2002	250,000.00		6A00		EXCELSIOR ENERGY INC	20039811300	IRRRA CONVERTIBLE DEBENTU	B00
5721	01	00000005684		00000002005	11/26/2002	135,000.00		6A00		EXCELSIOR ENERGY INC	20039811300	IRRRB DRAW #2	B00
5721	01	00000005854		00000002005	4/8/2003	115,000.00		6A00		EXCELSIOR ENERGY INC	20039811300	DRAW #3 IRRRB DEBENTURE	B00
5721	01	00000006343		00000002005	7/2/2004	384,791.33		6A00		EXCELSIOR ENERGY INC	20039811300	DRAW #4 IRRRB LOAN	B00
5721	01	00000006396		00000002005	8/27/2004	180,702.52		6A00		EXCELSIOR ENERGY INC	20039811300	DRAW # 5 IRRRB LOAN	B00
5721	01	00000006478		00000002005	11/17/2004	328,062.12		6A00		EXCELSIOR ENERGY INC	20039811300	DRAW # 6 IRRRB LOAN	B00
5721	01	00000006499		00000002005	12/9/2004	106,444.03		6A00		EXCELSIOR ENERGY INC	20039811300	FINAL DRAW - IRRRB DEBENTU	B00
5721								6A00					
						1,500,000.00							
					<b>Total</b>	<b>1,500,000.00</b>							

**From:** Sandy Layman  
**To:** Brian Hanson; Dave Hart  
**Date:** 11/17/04 9:52AM  
**Subject:** Re: Excelsior Energy

Dave,

Yes, please proceed with approved disbursements under our current agreement. It is understood by Iron Range Resources board members and staff that the project has been reduced in size to a 531 megawatt plant. It is anticipated that subsequent modules will be built, but funding covered under our \$1.5 debenture will be expended toward development of this first module.

Sandy Layman, Commissioner  
Iron Range Resources  
P.O. Box 441  
4261 Highway 53 South  
Eveleth, MN 55734-0441  
Phone: 218-744-7400  
Fax: 218-744-7403  
E-mail: sandy.layman@IronRangeResources.org

>>> Dave Hart 11/17/04 09:25AM >>>  
Commissioner,

The Excelsior Energy \$1.5MM Subordinated Debenture agreement specifies that the Project is a 2,000 megawatt facility. The company is now saying that the project is 531 megawatts, but could possibly be expanded in the future.

Knowing that their current intentions are to construct a 531 megawatt facility, not a 2,000 megawatt facility, I need your authorization to continue to disburse funds under our existing agreement.

Thanks,  
Dave

**CC:** Brian Hiti; Representative Tom Rukavina