

Date..... December 4, 2006

RESOLUTION RECEIVING THE SUPPLEMENT TO THE
PROPOSAL FROM VISION FUELS FOR THE PURCHASE AND REDEVELOPMENT OF
DISPOSITION PARCEL NO. 1 IN THE AGRIMERGENT TECHNOLOGY PARK

WHEREAS, the City of Des Moines owns the real estate within the Agrimergent Technology Park designated as Disposition Parcel No. 1, and located south of Vandalia Road between SE 36th and SE 43rd Streets; and,

WHEREAS, on August 21, 2006, by Roll Call No. 06-1713, the City Council approved a competitive process for the sale of all or a portion of Disposition Parcel No. 1 in compliance with the urban renewal competitive disposition requirements of Iowa Code §403.8, and the City Council approved a Request for Proposals and Minimum Development Requirements for the redevelopment of Disposition Parcel No. 1 in accordance with the Urban Renewal Plan; and,

WHEREAS, in response to the approved competitive process, the City received proposals from Lincolnway Energy, LLC (hereinafter "Lincolnway Energy"), represented by Richard Brehm, CEO/President, and from Vision Fuels Des Moines, L.L.C. (hereinafter "Vision Fuels"), represented by David W. Walters, President, for the purchase and redevelopment of all or a portion of Disposition Parcel No. 1 for use as a dry mill ethanol production facility; and,

WHEREAS, the sale of Disposition Parcel No. 1 for use as an industrial building or facility, such as an ethanol plant, is exempt from the competitive disposition requirements under Section 403.8 of the Iowa Urban Renewal Law; and,

WHEREAS, on November 1, 2006, and after the City Council considered presentations by both Lincolnway Energy and Vision Fuels, the City Council adopted Roll Call No. 06-2145 directing the City Manager to negotiate with the two redevelopers regarding the following issues, and to report back to the City Council on December 4, 2006:

- a) The local participation in the construction of the facility;
- b) The environmental impact and economic feasibility of using coal versus natural gas to power the ethanol plant;
- c) The overall financial impact upon the City; and,
- d) The ability of MidAmerican Energy to provide the natural gas required for the ethanol plant proposed by Vision Fuels.

(continued)

★ Roll Call Number

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WHEREAS, after further negotiations with the City Manager, Vision Fuels supplemented its original proposal with a Preliminary Terms of Agreement and written response to the City's Information Request, which are on file and available for public inspection in the office of the City Clerk; and,

WHEREAS, Lincolnway Energy has given formal notice that it has withdrawn its proposal and that it is no longer seeking to acquire Disposition Parcel No. 1.

(Council Communication No. 06- 768)

MOVED by _____ to receive and file the communications and the supplemental material from Vision Fuels.

FORM APPROVED:

Roger K. Brown

Roger K. Brown

Assistant City Attorney

C:\Rog\Eco Dev\SE AgriBusiness\RC 06-12-04 Receive update.doc


COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
VLASSIS				
TOTAL				
MOTION CARRIED			APPROVED	
_____ Mayor				

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

_____ City Clerk

	Council Communication Office of the City Manager	Date	December 4, 2006
		Agenda Item No. 46 Roll Call No. 06- Communication No. 06-768 Submitted by: Richard A. Clark, City Manager	

AGENDA HEADING:

Resolution Receiving the Supplement to the Proposal from Vision Fuels for the Purchase and Redevelopment of Disposition Parcel No. 1 in the Agrimergent Technology Park *and* Resolution Selecting Vision Fuels as the Redeveloper of Disposition Parcel No. 1.

SYNOPSIS:

Recommend approval for the following actions:

1. Receive the supplemental staff and consultant reports as well as Vision Fuels Des Moines, LLC's response to the City's information request.
2. Approve the Preliminary Terms of Agreement that Vision Fuels Des Moines, LLC submitted for the purchase and redevelopment of part of Disposition Parcel No. 1 in the Agrimergent Technology Park.
3. Authorize the City Manager to negotiate a final Development Agreement with Vision Fuels Des Moines, LLC (David W. Walters, President, 2641 86th Street, Urbandale, IA 50322) that is consistent with its executed Preliminary Terms of Agreement as well as its Proposal, supplemented by its written response to the City's information request, and
4. Set the date of public hearing as December 18, 2006 to enter into the final Development Agreement with Vision Fuels Des Moines, LLC.

Vision Fuels Des Moines, LLC has proposed to construct a 110-million gallon, dry mill fuel ethanol production facility on 128 acres. The company has pledged to create at least 45 full-time, permanent jobs within three months after a Certificate of Occupancy has been issued and up to an additional 35 jobs within 21 months thereafter. The minimum annual projected payroll would be \$2.2 million. Based on its proposal, Vision Fuels intends to start construction by March 2007 and complete the project in July 2008.

FISCAL IMPACT:

Amount: The developer will make a one-time investment of \$6,070,000 plus recurring annual payments to the City of approximately \$3,508,000.

Funding Source: Vision Fuels Des Moines, LLC has agreed to the following as specified in its Preliminary Terms of Agreement.

1. *One-Time Investment* (land price, regional storm water detention, land assemblage and infrastructure fund, additional payments and road infrastructure): *Approximately \$6,070,000.*
2. *Recurring Payments* (projected annual taxes = \$1,908,000 and annual franchise fees = \$1,600,000 that will be provided for three years @ 5%, which afterwards will be reduced by the amount of the industrial rebate and by the amount that is legally allowed when the franchise fee issue is resolved): *Approximately \$3,508,000.*

ADDITIONAL INFORMATION:

On November 1, 2006, the City Council considered presentations by Lincolnway Energy, LLC and Vision Fuels Des Moines, LLC for the purchase and redevelopment of part of Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park. Council directed the City Manager to negotiate agreements with both companies regarding the following issues and to report what was negotiated at its December 4, 2006 meeting.

1. Local participation regarding construction of the facility.
2. The environmental impact and economic feasibility of using coal vs. natural gas to power the ethanol plant.
3. The overall financial impact upon the City, and
4. The ability of MidAmerican Energy to provide the natural gas required for the ethanol facility that Vision Fuels proposed.

On November 30, 2006, Lincolnway Energy, LLC withdrew from consideration to purchase and redevelop the site. The company thanked the Council and staff for their efforts.

Vision Fuels Des Moines, LLC provided the following information, which was excerpted from its response to the City's information request.

Local Participation

Vision Fuels Des Moines, LLC (David W. Walters, Chairman, 2641 86th Street, Urbandale, IA 50322) is located in the Des Moines metropolitan area. Sinclair-Hille and Brian Clark + Associates (architects) office in Des Moines. SSOE/New Mech is from St. Paul, Minnesota. Praj Industries Limited (technology provider) is from India. Ryan Companies (construction contractor) offices in West Des Moines and is headquartered in Minneapolis, Minnesota.

The company intends to obtain nearly all of its construction labor from the Des Moines area. It anticipates spending less than 2% (\$3.5 million) of its \$175 million total project cost on engineering and design services from India. Full-time employees are expected to come from within 15 miles of the Des Moines plant. It projects that 80% of the corn will originate by rail within a 30-mile radius of Des Moines. In addition, the company aims to purchase nearly all of its operation/maintenance services from Des Moines area businesses.

Approximately 45% (\$78,750,000) of the \$175 million total project cost will be funded with equity, and 55% (\$96,250,000) will be debt financed through a senior lender. Vision Fuels Holding Company, LLC, which is the 100% owner of Vision Fuels Des Moines, LLC, will conduct a founders offering, a seed capital offering and a registered offering. The founders and seed capital offerings will consist of raising equity from local and Iowa investors and will be structured so that they are exempt from federal registration with the SEC. The registered offering will involve generating equity through a public offering that will be federally registered through the SEC. The minimum required investment in the founders, seed capital and registered offerings is \$50,000. The registered offering's focus will be the Des Moines metropolitan area.

Vision Fuels is in process of selecting its preferred lender from a group of large national banks that lend extensively in the ethanol industry. In addition, it is working with local lenders to create a participant group which would allow financing to be provided locally.

Environmental Impact and Economic Feasibility

Vision Fuels Des Moines, LLC's administrative office and site will meet Leadership in Energy and Environmental Design (LEED) certification standards with a goal of reaching LEED silver status. The developer will design the entire facility with energy efficiency as a foremost concern in order to promote its commitment to renewable energy and environmental sustainability. In addition, the developer will contract with the City of Des Moines to allow use of the Learning Gallery and an associated tour of the facility on a weekly basis to educate the public about renewable energy and sustainability.

The company will fuel its ethanol facility 100% with natural gas. It is exploring a partnership with Environmental Reclamation and Recycling, LLC (6600 Westown Parkway, West Des Moines), a biomass technology provider that James Myers owns and operates. The company has researched the potential of using a fluidized bed boiler that would allow it to reduce its natural gas usage by 60%. It is in process of conducting a cost-benefit analysis to determine if the capital cost of this technology is justified.

On November 22, 2006, the Iowa Department of Natural Resources provided the City with a letter regarding the potential environmental impact related to a proposed dry mill ethanol production facility. They concluded that it is feasible to obtain air quality permits for either a natural gas or a coal-fired plant at the proposed project site. In either case, there will be no exceedances of the air quality standards, which are designed to protect the public health. There will be no visible signs of pollutants that emanate from the stacks, other than steam.

The City has retained Schmidt Associates, Inc., a power plant consultant, to address environmental and economic viability issues. Mr. Schmidt will attend the December 4, 2006 Council meeting to answer questions.

Fiscal and Economic Impact

<i>ONE-TIME INVESTMENT</i>	<i>VISION FUELS DES MOINES, LLC</i>
<i>Land price</i>	<i>\$1,792,000</i> Purchase of 128 acres @ \$14,000/acre.
<i>Regional storm water detention</i>	<i>\$ 369,000</i> The developer will design and construct at its expense the storm water management system to accommodate 26.5 acre-feet of storage needed for the City's regional detention basins south of Vandalia Road, in accordance with City standards.
<i>Land assemblage and infrastructure fund</i>	<i>\$ 809,000 (Net Present Value)</i> The developer will contribute \$1 million, which will be structured into payments of \$200,000/year over the next five years. The first payment will commence on the date construction begins. Funds are to be used for acquisition, relocation and demolition of blighted properties and/or investment in regional storm water management.
<i>Additional payments</i>	<i>\$1,500,000</i> The developer offers \$500,000/year for each of three years. <i>\$1,600,000</i> The developer offers an additional cash payment of the total acreage determined by survey to be purchased multiplied by \$12,500. The cash payment will be contributed to the land assemblage and infrastructure fund upon receipt of the associated construction

	permits to commence construction of the facility.
Road infrastructure	Amount to be determined. The developer offers to share costs with the City for the pro-rated portion of Vandalia Road and SE 43 rd Street improvements when justified by the applicable traffic study correlated with need for improvements. The developer will pay all costs related to improvements needed for its facility, including the construction of a turning lane on SE 43 rd Street.
TOTAL ONE-TIME INVESTMENT	\$6,070,000

RECURRING PAYMENTS	VISION FUELS DES MOINES, LLC
Minimum taxable value and projected annual tax revenue	\$1,908,000 Projected Annual Tax Revenue (Total minimum taxable value for the development of 128 acres = \$41,538,800). This is based on a minimum of \$7.45/sf with no tax abatement for all acres to be purchased, including the projected 12.5 acres the developer intends to deed back to the City for the regional storm water detention basins south of Vandalia Road.
Estimated annual franchise fee – electricity and natural gas	<p>\$ 100,000 (\$2 million in electricity costs x 5%) \$1,500,000 (\$30 million in natural gas costs x 5%)</p> <p>The developer offers to pay the current 5% franchise fee for electricity and natural gas and will not file an application seeking a rebate for an industrial or manufacturing facility for three years.</p> <p>The developer offers to pay a 1% franchise fee for electricity and natural gas for three years if the City is legally prevented from collecting it.</p> <p>If the fee is reduced, the developer offers to pay a 1% franchise fee above the legally established limit for electricity and natural gas for three years, which total shall not exceed 5%.</p>
PROJECTED RECURRING PAYMENTS (FOR AT LEAST THREE YEARS)	\$3,508,000

MidAmerican Energy’s Ability to Deliver Natural Gas to Site

On November 27, 2006, MidAmerican Energy provided a letter that stated it has the infrastructure to be able to provide the requested 30# gas service in the location Vision Fuels specified in its preliminary drawings. Furthermore, it indicated it would be able to complete installation within six months after the company accepts MidAmerican Energy’s proposal and the company’s business plans and financial statements are approved.

PREVIOUS COUNCIL ACTION(S):

Date: November 1, 2006

Roll Call Number: 06-2145

Action: Approving selection of a Preferred Redeveloper and an Alternate Redeveloper of Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park in the SE Agribusiness Urban Renewal Area, (continued from October 23, 2006). (Council Communication No. 06-683) Moved by Vlassis that the City Manager is hereby directed to negotiate with the two remaining redevelopers regarding the following issues related to their proposals, and to report back to the City Council at the meeting on December 4, 2006: 1. (a) The local participation in the construction of the facility; (b) The environmental impact and economic feasibility of using coal versus natural gas to power the ethanol plant; (c) The overall financial impact upon the City; and, (d) The ability of MidAmerican Energy to provide the natural gas required for the ethanol plant proposed by Vision Fuels. 2. That the City Council hereby declares its intent to select a redeveloper at the meeting on December 4, 2006, and to then schedule a public hearing to be held on December 18, 2006, to approve an agreement for the sale of Disposition Parcel No. 1 to the selected redeveloper for construction of an ethanol plant. Motion Carried 6-0.

Date: October 23, 2006

Roll Call Number: 06-2135

Action: Selection of Lincolnway Energy, LLC as the Preferred Redeveloper and Vision Fuels Des Moines, LLC as the Alternate Redeveloper of Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park in the SE Agribusiness Urban Renewal Area. (Council Communication No. 06-663) Moved by Vlassis to set a Special Council Meeting for Wednesday, November 1st at 6:00 PM. Each Redeveloper will make a presentation and Council will make a selection at that meeting. Motion Carried 6-0.

Date: August 21, 2006

Roll Call Number: 06-1713

Action: Resolution for Competitive Process and Minimum Development Requirements and Competitive Criteria for the redevelopment of Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park in the SE Agribusiness Urban Renewal Area. (Council Communication No. 06-529) Moved by Kiernan to approve. Motion Carried 5-1.

Date: July 10, 2006

Roll Call Number: 06-1368

Action: From Vision Fuels, LLC regarding proposed ethanol facility in the Des Moines Agrimergent Technology Park. (Council Communication No. 06-401) Moved by Brooks to receive and file letter and refer to the City Manager for further action. Motion Carried 5-2. Absent: Kiernan and Vlassis.

Date: April 24, 2006

Roll Call Number: 06-799

Action: From Lincolnway Energy, LLC regarding a proposed ethanol facility in the Des Moines Agrimergent Technology Park. (Council Communication No. 06-214) Moved by Brooks to receive and file letter and refer to the City Manager for further action. Motion Carried 7-0.

Date: December 3, 2001

Roll Call Number: 01-3577

Action: On proposed Des Moines Agrimergent Technology Park Plan, generally between SE 30th and SE 43rd Streets in vicinity of Vandalia Road. (Council Communication No. 01-599) Moved by Brooks to adopt. Motion Carried 6-1. Absent: McPherson.

Date: December 6, 1999

Roll Call Number: 99-3720

Action: Approving Offer to Purchase approximately 166 acres owned by Archer Daniels Midland, (Council Communication No. 99-512) Moved by Brooks to adopt. Motion Carried 5-2. Absent: Daniels and McPherson.

BOARD/COMMISSION ACTION(S):

Date: October 19, 2006

Roll Call Number: N/A

Action: Urban Design Review Board recommended selection of Lincolnway Energy, LLC as the preferred redeveloper and Vision Fuels Des Moines, LLC as the alternate redeveloper of Parcel No. 1 in the Des Moines Agrimergent Technology Park.

Date: August 15, 2006

Roll Call Number: N/A

Action: Urban Design Review Board recommended approval of the Minimum Development Requirements and Competitive Criteria for Disposition Parcel No. 1 in the Des Moines Agrimergent Technology Park.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

On December 18, 2006, the City anticipates entering into the urban renewal contract.

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visionfuels

November 30, 2006

City Council
Des Moines City Hall
400 Robert D. Ray Drive
Des Moines, Iowa 50309

Re: Supplement to Proposal to Construct an Ethanol Production Facility in the Des Moines Agrimergent Technology Park

Dear Mayor Cownie and Council Members:

Vision Fuels Des Moines, L.L.C. has submitted a Proposal to purchase a portion of Disposition Parcel No. 1 in the Agrimergent Technology Park for the development of an ethanol production facility. After consideration of the concerns expressed by the City Council, and after further discussions with the City staff, we hereby supplement that Proposal with the accompanying Preliminary Terms of Agreement dated November 30, 2006, and our response to the City's Information Request. The Preliminary Terms of Agreement and our response to the City's Information Request are intended to expand upon our prior Proposal. In the event of any change from the prior Proposal, the Preliminary Terms of Agreement and our response to the City's Information Request shall be controlling.

Vision Fuels Des Moines, L.L.C. hereby commits that if selected by the City of Des Moines as the Developer of Disposition Parcel No. 1, it will negotiate in good faith and enter into a final Development Agreement with the City of Des Moines for the purchase and development of the defined portion of Disposition Parcel No. 1, upon terms consistent with the Preliminary Terms of Agreement, and with the balance of our Proposal as supplemented above.

Sincerely,

David W. Walters
President

cc: Rick Clark, City Manager
Elly Walkowiak, Economic Development
enc: Preliminary Terms of Agreement
Response to City's Information Request

VISION FUELS DES MOINES, LLC

**PROPOSAL TO CONSTRUCT 110-MILLION GALLON, FUEL ETHANOL PRODUCTION FACILITY IN THE
DES MOINES AGRIMERGENT TECHNOLOGY PARK**

PRELIMINARY TERMS OF AGREEMENT

November 28, 2006

All details contained in the proposal submitted to the City of Des Moines, Iowa by October 6, 2006, such as the proposed architecture, LEED certification, conceptual site layout and other information, are agreed to except as noted below.

CATEGORY	AGREED UPON TERMS
Land price	<p>\$14,000/acre. The total acreage will be determined by survey, including the private drive that will extend east to SE 43rd Street.</p> <p>It is estimated that the developer will purchase approximately 128+ acres (@ \$1,792,000).</p>
Minimum taxable value	<p>\$7.45/sf (with no tax abatement) for all acres to be purchased, including the projected 12.5 acres the developer intends to deed back to the City for the regional storm water detention basins.</p> <p>It is estimated that the minimum taxable value will be \$41,538,816 or \$324,522/acre (128 acres x \$7.45/sf with no tax abatement). This will generate about \$1,908,041 of annual tax revenue or \$14,907/acre.</p>
Additional taxable value (SE 43rd and Vandalia Road)	<p>The City will retain approximately 38 acres, which could yield potentially a minimum taxable value of \$13,242,240 or \$348,480/acre (38 acres x \$8.00/sf with no tax abatement). This will generate about \$608,268 of annual tax revenue or \$16,007/acre.</p>
Leadership in Energy and Environmental Design (LEED)	<p>The developer will meet LEED certification standards with a goal of reaching LEED silver status, as previously proposed.</p> <p>The developer will design the entire facility with energy efficiency as a foremost concern in order to promote the developer's commitment to renewable energy and environmental sustainability.</p>

VISION FUELS DES MOINES, LLC

PROPOSAL TO CONSTRUCT 110-MILLION GALLON, FUEL ETHANOL PRODUCTION FACILITY IN THE DES MOINES AGRIMERGENT TECHNOLOGY PARK

PRELIMINARY TERMS OF AGREEMENT – PAGE 2

November 28, 2006

<i>Storm water detention</i>	The developer will design and construct at its expense the storm water management system to accommodate 26.5 acre-feet of storage needed for the City's regional detention basin in accordance with City standards. The developer will enlarge the basins to meet the requirements for its own storm water detention needs. The developer will deed all land for storm water detention to the City, which would conduct long-term operation and maintenance on the entire storm water management system.
<i>Architectural design and building quality</i>	The developer will contract with the City of Des Moines to allow use of the Learning Gallery and an associated tour of the facility on a weekly basis to allow the City the opportunity to educate the public about renewable energy and sustainability.
<i>Land assemblage and infrastructure fund</i>	\$1,000,000, which will be structured into payments of \$200,000/year over the next 5 years. The first payment will commence on the date construction begins. Funds are to be used for acquisition, relocation and demolition of blighted properties and/or investment in regional storm water management.
<i>Additional taxes</i>	\$500,000/year above and beyond the minimum taxable value for each of 3 years.
<i>Cash payment</i>	<p>The developer offers an additional cash payment of the total acreage determined by survey to be purchased multiplied by \$12,500. This is estimated at \$1,600,000 (128 acres x \$12,500).</p> <p>The cash payment will be contributed to the land assemblage and infrastructure fund upon receipt of the associated construction permits to commence construction of the facility.</p>

VISION FUELS DES MOINES, LLC

PROPOSAL TO CONSTRUCT 110-MILLION GALLON, FUEL ETHANOL PRODUCTION FACILITY IN THE DES MOINES AGRIMERGENT TECHNOLOGY PARK

PRELIMINARY TERMS OF AGREEMENT – PAGE 3

November 28, 2006

Estimated franchise fee – electricity and natural gas	<p>The developer offers to pay the current franchise fee for electricity and natural gas and will not file an application seeking an exemption as an industrial or manufacturing facility for three years.</p> <p>The developer offers to pay a 1% franchise fee for electricity and natural gas for three years if the City is legally prevented from collecting it.</p> <p>If the fee is reduced, then the developer offers to pay a 1% franchise fee above the legally established limit for electricity and natural gas for three years, which total shall not exceed 5%.</p> <p>The electric fee will apply to the cost of the developer's kwh usage and any demand charges.</p> <p>The gas fee will apply to the cost of the "transportation rate" and the actual gas usage.</p>
# Jobs and payroll within first 3 months	Minimum of 45 jobs and \$2.2 million payroll (based on \$23/hour median wage).
Road infrastructure	<p>The developer offers to share costs with the City for the pro-rated portion of Vandalia Road and SE 43rd Street improvements when justified by applicable traffic study correlated with need for improvements. Developer will pay all costs related to the improvements needed for its facility, including, the construction of a turning lane on SE 43rd Street.</p>
Potential participation (City to profit with company)	The developer does not seek to enter into a profit-sharing agreement with the City.
Catalytic effect through co-location and partnerships	<p>We have provided a letter to the City of Des Moines confirming the good faith efforts to enter into a partnership with Environmental Reclamation and Recycling, L.L.C., a biomass technology provider owned and operated by James Myers.</p>

Mothballed facility

The developer will contractually agree to demolish the facility if no longer productive and if unable to retrofit for another use. The developer will not create a cash reserve for this purpose.

VISION FUELS DES MOINES, LLC INFORMATION REQUEST

NOVEMBER 9, 2006

The Des Moines City Council directed staff to conduct research in the categories listed below. We will appreciate your providing this information to us by 8 a.m. on Thursday, November 16, 2006.

ENVIRONMENTAL IMPACT

1. What percentage of natural gas will you use to fuel the facility?

100% natural gas with the possibility of switching to biomass in the future. We are currently exploring the use of a biomass plant owned by Jamie Myers. We are in the middle of negotiations with two biomass providers. As with the competition, it is every Ethanol Producer's goal to eliminate/reduce its dependency on fossil fuels. In that regard, we have also explored using a fluidized bed boiler that would allow us to reduce natural gas usage by 60%. This is a technology that is proven and in use in plants. We are conducting a cost-benefit analysis to determine if the capital cost of the fluidized bed boiler is justified.

2. Estimate the total output for sulfur dioxide, nitrogen oxide, carbon dioxide and other pollutants.

**SO₂ ≈ 12 lb/hr, NO_x ≈ 20 lb/hr, CO₂ ≈ 165,000 lb/hr, CO ≈ 20 lb/hr
Total Hazardous Air Pollutants (HAP) less than 25 tons/yr**

3. You mentioned the possibility of converting to 100% biomass. Tell us when you project to do this.

To be determined based on market viability. As we stated in response to question number 1, we are exploring all possibilities to reduce our dependency on fossil fuels.

4. What is the projected tonnage of materials to be diverted from the landfill with 100% biomass?

Unknown at this point.

5. What will be the additional capital cost and timeframe to convert from natural gas to 100% biomass?

Unknown at this point – too many variables to speculate.

6. What type of biomass technology would you use?

To be determined. We are currently in discussions with biomass providers and are evaluating all options.

7. Estimate the total output for sulfur dioxide, nitrogen oxide, carbon dioxide and other pollutants from using 100% biomass as a fuel source.

SO₂ ≈ 12 lb/hr, NO_x ≈ 20 lb/hr, CO₂ ≈ 200,000 lb/hr , CO ≈ 20 lb/hr
 Total Hazardous Air Pollutants (HAP) less than 25 tons/yr

8. How much water will you need (gallons/day)?

1.5 million gallons per day.

9. How much wastewater will you discharge, and how will you handle it?

310,000 gallons per day.

Please note this discharge water will be "totalized" and tested to ensure there is no chlorine carry-over. The water will be discharged in compliance with all permitting requirements (NPDES). Discharge water is "non-contact water" meaning it never comes on contact with the production of ethanol at any stage (i.e. mash, etc). Discharge water comes primarily from the cooling tower, reverse osmosis unit and water softener, which means it's indistinguishable from the water at your home. This water will conform to, and may even surpass, the drinking water standards. Samples will be taken on a daily basis to ensure compliance.

10. How many rail cars and trucks will come to the site daily? Weekly? Monthly?

As we have said in the past, we estimate 80% of our corn will come by rail. This is an educated guess based upon the urban location of the Agrimergent Business Park. All estimates for rail and truck traffic depend on how corn is delivered to the plant. Most ethanol facilities are located in smaller towns and Farmers have direct access and ability to deliver the corn directly to the plant. This is not the case in the AgriMerchant Park which is more urban in nature. We believe unit-trains may provide an advantageous economy of scale. With that in mind, we offer the following guidelines:

Assuming an 80/20 split with corn coming predominately by rail, then we would make the following assumptions:

	Percent by Rail	Rail	Truck
Ethanol	80%	15 Cars	0
DDGS	80%	15-20 Cars	0
Corn	80%	28 Cars	26

Rail service occurs on a daily basis, but may fluctuate from day to day. The above numbers are averages. Some days may see a unit-train, while other days receive little-to-no rail traffic.

If we were to assume 100% supply by truck and 0% by rail, the following truck traffic would be expected:

	Percent by Rail	Rail	Truck
Ethanol	0%	0 Cars	20
DDGS	0%	0 Cars	35
Corn	0%	0 Cars	130

11. What time of day/night will they arrive on the site (any impacts on local traffic)?

We anticipate our air permit will require loading of DDGS and unloading of corn trucks between 7:00 AM and 5:00 PM only.

Regarding ethanol, we anticipate adopting a management policy that will limit loading between 7:00 AM and 5:00 PM. Accordingly, we will provide two load-out areas to load DDGS, ethanol, and unload corn simultaneously during the hours of 7:00 AM and 5:00 PM.

We anticipate rail cars will move between 7:00 AM and 12:00 midnight. This schedule depends upon where we fall on the rail route, and is largely outside of our control.

12. How many rail cars and trucks will leave the site daily? Weekly? Monthly?

See #10 above.

13. What time of day/night will they leave the site (any impacts on local traffic)?

See #11 above.

14. What routes will the rail and truck traffic take as they enter and leave Des Moines?

We estimate that 75% of the truck traffic will come from I-80 via the Hwy 65 Bypass. The remaining 25% from the south on Hwy 65. The rail traffic will use the existing rail line that runs along the south property line.

15. You have proposed a LEED Certified or Silver building and site. Based on the scorecard in your proposal, tell us what specific environmental benefits will occur.

This project has an opportunity to lead by example. It is the opportunity to teach the community about sustainable work environments, site management, and economics that will be the real benefit.

The benefits listed below outline how this project will be physical proof that green building techniques are good for the environment AND good for the bottom line.

The first environmental benefit includes water conservation through the use of captured rainwater. The captured water will eliminate irrigation for landscaping adjacent to the administrative building and operate all fixtures within this facility.

The second direct benefit will be the goal to reduce energy use for the administrative office by 35%. Energy will be reduced with the use of on-site renewable sources. These sources may include; wind turbines, photovoltaic cells, and geothermal energy.

The third environmental benefit to the City of Des Moines is the diversion of construction materials to the City land fill through a construction waste management plan. The goal of this plan will be to divert at a minimum 50% of the construction waste from the land fill.

The fourth environmental benefit to the City of Des Moines is sustainable site and storm water management. This site will be designed to promote on-site infiltration

of storm water, reduce the quantity of run-off, and improve the quality of storm water through the use of bio-swales.

The fifth benefit addresses the interior work environment. This design will strive to maximize controllability of interior systems, day lighting and exterior views, and the use of low-emitting recycled materials for interior finishes.

The sixth benefit is our site plan will be modified to provide stormwater detention for the property to the North to the satisfaction of the City of Des Moines. This will further enhance the value of the property to the North.

The seventh and perhaps greatest benefit for the environment, is the opportunity to educate the public in our Sustainable Learning Gallery and the physical proof of all the strategies mentioned above, working together to improve the environment.

MIDAMERICAN'S ABILITY TO DELIVER NATURAL GAS TO SITE/UTILITY NEEDS

1. If you have not already done so, please complete and submit the form entitled "MidAmerican Energy Request for Information." We will use this information to calculate the projected franchise fees.

Already submitted.

2. Do you intend to buy your natural gas through MidAmerican or go to the terminal?

We have entered into a Confidentiality Agreement with MidAmerican Energy relating to the provision of Natural Gas and Electricity to our power plant. With that in mind we are somewhat limited in our ability to answer these questions.

It is our understanding that Vision Fuels will be a Transport Customer of MidAmerican. This means Vision Fuels will pay a distribution fee to MidAmerican (to pay for the cost associated with delivering gas from the major pipeline to the ethanol plant). Vision Fuels will likely separately contract for pipeline capacity, imbalancing service and the natural gas from other parties. Most likely, the pipeline capacity will come from either Northern Natural or Natural Gas Pipeline of America. The natural gas will come from a marketer, gas producer or other party.

3. Research in cooperation with MidAmerican:

- A. What is the actual timeframe to have service operational into ethanol facility – month/year?

**Natural gas service is needed for construction use in November 2007.
Natural gas service will be required for production use March 2008.**

- B. What is the route for extending the pipeline to the site?

We are prohibited from disclosing pursuant to the terms of our confidentiality agreement.

- C. What is the cost to install the pipeline?

We are prohibited from disclosing pursuant to the terms of our confidentiality agreement.

D. Who will pay the cost to construct the pipeline?

We are prohibited from disclosing pursuant to the terms of our confidentiality agreement. We can affirmatively state that it will not be the City of Des Moines.

LOCAL PARTICIPATION

1. Verify the following information and add to it as necessary.

A. Developer

Vision Fuels Des Moines, LLC
2641 86th Street
Urbandale, IA 50322

Located in Golden Circle (Des Moines metropolitan area)

B. Project Team

Architects:

Sinclair Hille Architects, 601 E. Locust Street, Suite 202, Des Moines, IA 50309
Brian Clark + Associates, 1300 Walnut Street, Suite 200, Des Moines, IA 50309
SSOE, Inc./New Mech, 400 Robert Street N., Suite 1650, St. Paul, MN 55101

Technology Provider:

PRAJ Industries Limited, Praj House, Bavdhan, Pune 411 021, INDIA

Construction Contractor:

Ryan Companies, 1501 50th Street, Suite 100, West Des Moines, IA 50266
(headquartered in Minneapolis, MN)

2. Answer these questions:

C. Labor, Production Inputs and Service Providers

(1) Where will your construction labor come from (Des Moines, Des Moines area, Iowa, out-of-state)? Be as specific as possible.

Ryan will serve as the general contractor for all aspects of the project including construction of the plant, infrastructure, water treatment, site improvements, rail improvements and the administration buildings. Ryan is a local contractor that has been in partnership with local labor for several years. We will be relying on our subcontractors in partnership with local labor to provide the workforce needed to staff this large construction project.

We anticipate all of our subcontractors being local and as a result almost 100% of the workforce on the project will come from the Des Moines area. That said, Ryan has partnered with NewMech

Companies to provide piping and millwrights services at the Des Moines plant. NewMech is based in St. Paul, Minnesota and will provide supervisory personnel for their portion of the project from their headquarters. That will include approximately 6-10 people. They have made contact with the local labor and plan to hire all of their labor locally.

(2) Where will the following originate?

a. Corn

Identify any signed, existing contracts with farmers and/or area cooperatives.

Due to the competitive nature of this business and the highly publicized nature of the Des Moines site, we are unwilling to divulge specific contracts signed with farmers and the local cooperatives. With that in mind, we are diligently working to secure corn origination agreements that will fuel our facility.

Will the corn come in by rail or by truck?

At this point, we anticipate 80% of the corn will come in by rail.

b. Labor

Identify the geographic location your full-time employees will come from.

We anticipate all full-time employees to be located within 15 miles of the Des Moines plant.

c. Technology

Identify any signed, existing contracts with Praj or others.

Praj will provide the process design and license for the facility. An existing contract with Praj is secured.

d. Operation/Maintenance Providers and Suppliers

Identify where you will purchase the above-referenced services and the projected amount to be invested into the local economy, especially Des Moines.

We anticipate purchasing corn within a 30 mile radius. The technology is supplied by Praj.

The daily operation of an ethanol plant requires several distinct services – all of which will employ local Des Moines citizens. Additionally, local businesses will certainly benefit from the increased jobs and traffic.

We expect maintenance items (i.e. bearings, spare parts, etc) to be procured, and service provided by, Des Moines companies and residents. A typical ethanol plant will stock \$1,000,000 of spare parts on site. We will purchase these parts from local suppliers and we will use local labor to install them. Additionally, all shut downs and emergency services will be provided from a Des Moines company which the plant will have a maintenance contract with. Johnson Controls is one such possibility. We will aim for 100% business relationships with Des Moines area businesses, and will only go to other markets (St. Louis, Kansas City, Minneapolis) if needed.

Other items are often overlooked, but are nevertheless important. Items such as janitorial staff and services, vending machine services, pest control, lawn service, predictive/preventive maintenance programs, rail car maintenance, permit compliance, chemical vendors and warranty work from equipment vendors just to name a few.

All of the revenue derived from the above-mentioned goods and services will flow back into the Des Moines economy. Not only do we believe establishing relationships with local businesses is the right thing to do, we believe it will pay incalculable dividends to both our plant and the City of Des Moines.

- (3) Of the projected \$175 million capital budget to construct the facility, how much will be spent on technology (including design and construction) and how much will be expended for facility construction?

Ryan has contracted with PRAJ Industries to provide the process design and license for the facility. The PRAJ engineering and license agreement has a value of less than 2% of the expected total cost. As stated before, we anticipate total cost to be approximately \$175,000,000.

- (4) What is your total projected operating budget for one year at the Des Moines facility? How much will be spent separately on corn, fuel and labor?

We are unwilling to answer these questions due to the sensitive nature of the information and the competitive environment in the ethanol industry.

- (5) What is your projected selling price of one (1) gallon of ethanol? Based on this price/gallon, break out the cost into the following categories:
We are unwilling to answer these questions due to the sensitive nature of the information and the competitive environment in the ethanol industry.

- (6) You provided a break out of the "fuel" portion of your projected sales price of ethanol, as referenced in Question #5. Using the table above, break

out the adjusted cost of fuel for the following natural gas prices at Henry Hub in Louisiana:

We are unwilling to answer these questions due to the sensitive nature of the information and the competitive environment in the ethanol industry.

D. Financing

- (1) Who will be the owners of the Des Moines-based facility? If the percentage of ownership is expected to be different than in your proposal, please update.

The owner of the Des Moines-based facility will be a limited liability company named Vision Fuels Des Moines, LLC. The company will be 100% owned by Vision Fuels Holding Company, LLC which consists of hundreds of individual members ("owners"). We anticipate the vast majority of owners will be Des Moines-area residents. We will strive for the highest possible percentage of local ownership so profits will flow back into the community to the greatest extent possible. Our founding members and directors are all local Des Moines-area residents (with the exception of Mr. Clement) and include the following:

- Pastor Dan Berry
- Chris Boley
- Mark Burrell
- Conrad Clement
- Steve Gillotti
- Eric Groves
- Richard Hurd
- Kevin Kinzler
- Dale McCleish
- Dan Stalzer
- Todd Drake
- Doctor Steven Heddinger
- David Walters
- John Klein
- Randy Walters
- Ed Boesen

- (2) What is the value of Vision Fuels' assets?

Vision Fuels Holding Company, LLC is the parent company for the Vision Fuels Des Moines plant. Vision Fuels Holding Company is in the process of building an ethanol plant in Boone, Iowa which will have total assets of approximately \$175,000,000.

- (3) The project cost is \$175 million. What amount of the financing is to be equity versus debt-related?

Our financing will be a combination of equity and debt capital. We

anticipate that approximately 45% of or financing will be equity capital and the remaining 55% will be debt financed through a senior lender.

- (4) What is the source of equity?

Our equity will come from private investors, the majority of whom will be Des Moines area residents.

See #1 above and #7 below.

- (5) What collateral will be provided to secure debt?

The debt will be secured by the plant.

- (6) What letters of serious interest do you have from financial institutions? Please provide evidence.

The site has not yet been secured, so obtaining any commitment from a bank is not possible at this stage. Our Des Moines site will be financed from the same lenders we are working with on our Boone plant. We are in the process of selecting our preferred lender from a group of large national banks that lend extensively in the ethanol industry. Additionally, we are working with local lenders to put together a participant group which would allow the financing to be provided locally.

- (7) You stated that you intend to conduct a "registered" stock offering. Please explain how this works.

Vision Fuels Holding Company, LLC will conduct a founders offering, a seed capital offering and a registered offering. The founders and seed capital offerings will consist of raising equity primarily from local and Iowa investors and will be structured so that each offering is exempt from federal registration with the SEC. The founders and seed capital offerings are considered private offerings. The registered offering involves raising equity through a public offering that will be federally registered with the SEC. A registered offering involves the preparation of a federal registration statement that is filed with the SEC and registration by coordination which is filed in each state in which the company intends to sell securities. The SEC must declare the federal registration statement effective before sales of securities can be made to any investors in the registered offering.

- (8) How much do you anticipate raising through your stock offering?

We anticipate raising approximately \$79 million in total equity.

- (9) Investors from which geographic area will be able to purchase stock?

Investors in the founders and seed capital offerings will consist primarily of local and Iowa investors. The registered offering will be

filed with the SEC and our focus will be the Des Moines Metropolitan Area.

- (10) What is the minimum investment one must contribute?

The minimum required investment in the founders offering is \$50,000. The minimum required investment in the seed capital offering is \$50,000. The minimum required investment in the registered offering is \$50,000.

FISCAL AND ECONOMIC IMPACT/ECONOMIC FEASIBILITY

The City provided an initial Projected Fiscal and Economic Impact matrix to you dated November 8, 2006. Please refer to this form, as it will be used as the basis for our negotiations.

Here is additional information needed to project your annual payroll.

1. Confirm the number of jobs within 3 months of a Certificate of Occupancy.

We anticipate at least 45 jobs.

2. List the number of employees by title/job classification and starting wages/hour (no ranges).

We are unwilling to answer questions about specific salaries and wages due to the sensitive nature of the information and the competitive environment.

The following core job titles and classifications are expected.

Management:

- 1 operations manager.
- 1 maintenance manager.
- 1 corn buyer.
- 1 load-out manager.
- 1 lab manager.
- 1 various support role / production resources.

One Production Shift:

- 4-6 lead operators.
- 4-6 cooks.
- 6-8 utility operators.
- 4 dryer operators.
- 6 floaters.

Maintenance Staff:

- 12 technicians.
- 2 lab employees.

3. What is the benefit multiplier to add to each job?

We are unwilling to answer these questions without a confidentiality agreement in place due to the sensitive nature of the information and the competitive environment.

4. What bonuses may be possible, if any?

We are unwilling to answer these questions without a confidentiality agreement in place due to the sensitive nature of the information and the competitive environment.

During our negotiations, we will confirm information in your proposal and ask you to discuss with us:

1. Land price (need to sell at \$14,000/acre – Fair Market Value).

See Addendum.

2. Minimum taxable value and additional taxes, if applicable.

See Addendum.

3. How the minimum 10-acre regional storm water detention system will be constructed and paid for (will not need engineers at meeting). For example, there are costs to construct the three separate basins (refer to your site plan) and to install the pipe to the storm water pump station. Also, there are your own storage needs to take care of, which are projected at 2 acres in addition to the 10 acres.

We have anticipated the construction of the three storm water basins in our overall project cost. Vision Fuels will not be asking the City of Des Moines to reimburse us for this expense. The storm water detention facilities will be designed by BCA and sized appropriately based on an anticipated offsite storage requirement of 10 acre-feet. Proper easements will be provided by Vision Fuels across the property we will be purchasing from the City of Des Moines.

See Addendum.

4. Land Assemblage and Infrastructure Fund.

See Addendum.

5. Franchise fees for electricity and gas (or equivalent payment) – 5% and waiver regardless of outcome of court case.

See Addendum.

6. Need for road infrastructure (SE 43rd Street and Vandalia Road), construction and payment. We will explore the potential impact on the City of Pleasant Hill.

See Addendum.

7. How the sale of ethanol would be structured (Mayor requested 1 million gallons).

N/A per staff direction.

8. Potential participation in the company's profitability.

We are unwilling to explore a profit-sharing agreement with the City.

9. Catalytic effect through co-location and partnerships.

See Addendum.

10. Willingness to contractually agree to demolish facility if no longer productive for its individual or alternate use as well as to create a reserve for this purpose.

See Addendum.



STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR
SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF NATURAL RESOURCES
JEFFREY R. VONK, DIRECTOR

November 22, 2006

Ms. Ellen Walkowiak and Mr. Matthew Anderson
City of Des Moines
Office of Economic Development
400 Robert D. Ray Drive
Des Moines, IA 50309

RE: POTENTIAL ENVIRONMENTAL IMPACT RELATED TO PROPOSED DRY MILL ETHANOL
PRODUCTION FACILITY IN THE DES MOINES AGRIMERGENT TECHNOLOGY PARK

Dear Ms. Walkowiak and Mr. Anderson:

On November 17, 2006, we met to discuss with you the potential environmental impact,
especially related to air quality, from the proposed construction of a 100 MM (million) gallon
dry-mill ethanol production facility at SE 43rd Street and Vandalia Road in the Des Moines
Agrimergent Technology Park. Listed below are the answers to your questions.

- 1. How does the Iowa IDNR of Natural Resources (IDNR) ensure that human health is
protected?

IDNR issues air quality permits only after a demonstration that the project can comply with
short- and long-term national ambient air quality standards (NAAQS), regardless of whether the
fuel source is natural gas, coal, or biomass. There are ambient air quality standards for sulfur
dioxide, nitrogen oxide, carbon monoxide, ozone, lead, and fine particulate matter. There are no
ambient standards for toxic emissions such as mercury, hydrogen chloride and other hazardous
air pollutants (HAPS).

Emissions of HAPS such as those mentioned would be subject to one of the National Emission
Standards for Hazardous Air Pollutants (NESHAPS) if there is the potential to emit 10 tons of
any one HAP or 25 tons of all HAPS annually. To date, all dry mills (gas and coal) have taken
limits to stay under those thresholds and thus the HAPS are not subject to any NESHAPS.
However, the IDNR has not reviewed a project for a coal-fired plant producing 100 MM gallons
of ethanol and thus the status regarding the NESHAP applicability is unknown.

Compliance with all permit conditions is demonstrated through emission testing and ongoing
monitoring and recordkeeping regardless of the fuel type used in the project.

- 2. What is the potential environmental impact, especially from using natural gas or low-
sulfur coal, as well as from biomass?

Both natural gas and coal-fired plants emit pollutants. With only the controls needed to meet the New Source Performance Standards (NSPS), natural gas facilities generally produce less nitrogen oxide, particulate matter, sulfur dioxide and no lead, mercury or hydrogen chloride when compared to those that use coal.

With the exception of large ethanol plants (150 MM gallons per year and larger), all facilities have requested limits to keep the plant's emissions for each pollutant under 100 tons/year. The 100-TPY threshold allows the plants to avoid going through the Prevention of Significant Deterioration (PSD) permitting process. The PSD process involves a much more detailed review and ambient air analyses than regular construction permitting.

As we discussed in our meeting, the two proposals involve a 100 MM gallon natural gas-fired ethanol plant by Vision Fuels and a 100 MM gallon coal-fired plant by Lincolnway. The Lincolnway developer has stated their project would be applied for as a PSD project.

The PSD permit application requires the developer to provide the IDNR with sufficient information to conduct thorough air quality analyses and additional impacts analyses. Air dispersion modeling uses computerized mathematical formulas to simulate the atmospheric processes that disperse pollutants emitted by a source. Based on 5-years of meteorological data, projected emission rates, fugitive dust from coal, grain handling, and local traffic as well as stack heights from the new and existing facilities within a 50-kilometer radius, IDNR can predict concentrations at selected downwind receptor locations. In addition, the developer must not exceed the air quality increment available at the specific project location, which is calculated for all existing and proposed sources within a 50-kilometer radius. The increment is intended to prevent the air quality in clean areas from deteriorating to the level set by the NAAQS.

The PSD process also requires the consideration of the potential impacts of the air emissions on soils, vegetation, and visibility caused by any increase in emissions from the proposed project.

Furthermore, the PSD permit requires the installation of Best Available Control Technology (BACT). BACT is an emissions limitation based on the maximum degree of control that can be achieved. It is a case-by-case decision that considers energy, environmental and economic impacts. BACT can be add-on control equipment or modification of the production processes or methods, which could include fuel cleaning or treatment and innovative fuel combustion techniques.

Greater controls are required to reduce pollutants generated by coal-fired plants. These may include using flue gas recirculation or ammonia injection to reduce nitrogen oxides, a limestone scrubber to reduce sulfur dioxide, and a baghouse to reduce particulate matter. These controls also have the potential to reduce emissions of some hazardous air pollutants.

Some types of coal-fired boilers have potential to utilize alternative fuels including biomass.

Burning natural gas generally emits lower levels of pollutants and does not trigger PSD review. A 100 MM gallon natural gas-fired plant would go through a more simplified permitting process that includes modeling to assure compliance with the NAAQS.

3. Provide examples of power plants in the Des Moines area.

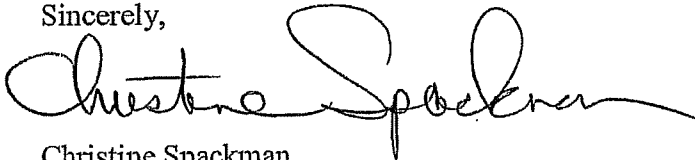
ADM located at 1935 E. Euclid Avenue in Des Moines has a coal-fired boiler that provides 192 mmBTU/hour of heat input. This is in the standard range for 100-million gallon ethanol facilities.

4. Conclusions.

It is feasible to obtain air quality permits for either a natural gas or a coal-fired ethanol facility at this site. In either case, there will be no exceedances of the air quality standards which are designed to protect the public health. There will be no visible signs of pollutants that emanate from the stacks, other than steam.

We have met twice with Lincolnway Energy to discuss the air quality permitting process. Although we have not met with Vision Fuels, we welcome the opportunity to discuss the permitting requirements with them.

Sincerely,



Christine Spackman
Business Assistance Coordinator
Environmental Services Division

**PROPOSAL TO CONSTRUCT A 110-MILLION GALLON, FUEL ETHANOL PRODUCTION FACILITY IN THE
DES MOINES AGRIMERGENT TECHNOLOGY PARK**

LOCAL PARTICIPATION

FOR THE DECEMBER 4, 2006 CITY COUNCIL MEETING

CATEGORY	VISION FUELS DES MOINES, LLC
Developer	<p>Vision Fuels Des Moines, LLC, 2641 86th Street, Urbandale, IA 50322 (David W. Walters, Chairman)</p> <p>Located in Golden Circle (DSM metro area)</p> <p>Formed on September 29, 2006</p>
Project Team	<p><i>Architects:</i></p> <p>Sinclair Hille Architects, 601 E. Locust Street, Des Moines, IA 50309 Brian Clark + Associates, 1300 Walnut Street, Des Moines, IA 50309 SSOE, Inc./New Mech, 400 Robert Street N., St. Paul, MN 55101</p> <p><i>Technology Provider:</i></p> <p>PRAJ Industries Limited, Praj House, Bavdhan, Pune 411 021, INDIA</p> <p><i>Construction Contractor:</i></p> <p>Ryan Companies, 1501 50th Street, West Des Moines, IA 50266 (headquartered in Minneapolis, MN)</p>

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LOCAL PARTICIPATION (2)

CATEGORY	VISION FUELS DES MOINES, LLC
<p>Labor, Production Inputs and Service Providers</p>	<p>Construction labor will come from the Des Moines area (almost 100%). Ryan has partnered with NewMech from St. Paul, MN, who will provide supervisory personnel (6-10 people) from their headquarters.</p> <p>The company was unwilling to divulge where the corn will originate due to the competitive nature of the business but stated that it is diligently working to secure corn origination agreements. It projects that 80% of the corn will come in by rail within a 30-mile radius.</p> <p>Full-time employees are expected to come from within 15 miles of the Des Moines plant.</p> <p>The company has a signed contract with Praj of India for its technology, which engineering and design services have a value of less than 2% (\$3.5 million) of the expected \$175 million total project cost.</p> <p>The company aims to purchase nearly all of its operation/maintenance services from Des Moines area businesses.</p>
<p>Financing</p>	<p>Vision Fuels Des Moines, LLC is 100% owned by Vision Fuels Holding Company, LLC, which will consist of several hundred members in the Des Moines area.</p> <p>Currently, David W. Walters of Urbandale owns 25.66% of Vision Fuels Des Moines, LLC. The company expects this percentage of ownership to decline after it conducts its registered stock offering.</p> <p>Vision Fuels Holding Company is working to build an ethanol facility in Boone, IA, which will have total assets of @ \$175 million.</p> <p>The total project cost of the proposed Des Moines project is \$175 million. Approximately 45% (\$78,750,000) will be equity capital and 55% (\$96,250,000) will be debt financed through a senior lender.</p>

LOCAL PARTICIPATION (3)

CATEGORY	VISION FUELS DES MOINES, LLC
Financing	<p>Equity is projected to come from private investors, the majority of whom will be Des Moines area residents. Debt will be secured by the ethanol facility.</p> <p>The company has not submitted any letters of serious interest in financing the project to date. It stated that it is in process of selecting its preferred lender from a group of large national banks that lend extensively in the ethanol industry. In addition, it is working with local lenders to create a participant group which would allow financing to be provided locally.</p> <p>Vision Fuels Holding Company, LLC will conduct a founders offering, a seed capital offering and a registered offering. The founders and seed capital offerings will consist of raising equity from local and Iowa investors and will be structured so that they are exempt from federal registration with the SEC. The registered offering will involve raising equity through a public offering that will be federally registered through the SEC.</p> <p>The minimum required investment in the founders, seed capital and registered offerings is \$50,000. The registered offering's focus will be the Des Moines metropolitan area.</p> <p>The company intends to raise about \$79 million through its stock offering.</p>

**PROPOSAL TO CONSTRUCT A 110-MILLION GALLON, FUEL ETHANOL PRODUCTION FACILITY IN THE
DES MOINES AGRIMERGENT TECHNOLOGY PARK**

ENVIRONMENTAL IMPACT AND ECONOMIC FEASIBILITY

FOR THE DECEMBER 4, 2006 CITY COUNCIL MEETING

CATEGORY	VISION FUELS DES MOINES, LLC
Fuel source	100% natural gas
Iowa Department of Natural Resources Letter (11/22/06)	It is feasible to obtain an air quality permit at the proposed project site. There will be no exceedances of air quality standards, which are designed to protect the public health. In addition, there will be no visible signs of pollutants that emanate from the stacks, other than steam.
Schmidt & Associates (power plant consultant)	Mr. Schmidt will address environmental impact and economic feasibility at the December 4, 2006 Council meeting.
Leadership in Energy and Environmental Design (LEED)	The developer's administrative office and site will meet LEED certification standards with a goal of reaching LEED silver status. It will design the entire facility with energy efficiency as a foremost concern in order to promote its commitment to renewable energy and environmental sustainability.
Potential conversion to biomass	The developer has researched the potential of using a fluidized bed boiler that would allow it to reduce its natural gas usage by 60%. It is in process of conducting a cost-benefit analysis to determine if the capital cost of this technology is justified.

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STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR
SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF NATURAL RESOURCES
JEFFREY R. VONK, DIRECTOR

November 22, 2006

Ms. Ellen Walkowiak and Mr. Matthew Anderson
City of Des Moines
Office of Economic Development
400 Robert D. Ray Drive
Des Moines, IA 50309

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... PRODUCTION FACILITY IN THE DES MOINES AGRIMERGENT TECHNOLOGY PARK**

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1. How does the Iowa IDNR of Natural Resources (IDNR) ensure that human health is protected?

IDNR issues air quality permits *only* after a demonstration that the project can comply with short- and long-term national ambient air quality standards (NAAQS), regardless of whether the fuel source is natural gas, coal, or biomass. There are ambient air quality standards for sulfur dioxide, nitrogen oxide, carbon monoxide, ozone, lead, and fine particulate matter. There are no ambient standards for toxic emissions such as mercury, hydrogen chloride and other hazardous air pollutants (HAPS).

Emissions of HAPS such as those mentioned would be subject to one of the National Emission Standards for Hazardous Air Pollutants (NESHAPS) if there is the potential to emit 10 tons of any one HAP or 25 tons of all HAPS annually. To date, all dry mills (gas and coal) have taken limits to stay under those thresholds and thus the HAPS are not subject to any NESHAPS. However, the IDNR has not reviewed a project for a coal-fired plant producing 100 MM gallons of ethanol and thus the status regarding the NESHAP applicability is unknown.

Compliance with all permit conditions is demonstrated through emission testing and ongoing monitoring and recordkeeping regardless of the fuel type used in the project.

2. What is the potential environmental impact, especially from using natural gas or low-sulfur coal, as well as from biomass?

Both natural gas and coal-fired plants emit pollutants. With only the controls needed to meet the New Source Performance Standards (NSPS), natural gas facilities generally produce less nitrogen oxide, particulate matter, sulfur dioxide and no lead, mercury or hydrogen chloride when compared to those that use coal.

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The PSD permit application requires the developer to provide the IDNR with sufficient information to conduct thorough air quality analyses and additional impacts analyses. Air dispersion modeling uses computerized mathematical formulas to simulate the atmospheric processes that disperse pollutants emitted by a source. Based on 5-years of meteorological data, projected emission rates, fugitive dust from coal, grain handling, and local traffic as well as stack heights from the new and existing facilities within a 50-kilometer radius, IDNR can predict concentrations at selected downwind receptor locations. In addition, the developer must not exceed the air quality increment available at the specific project location, which is calculated for all existing and proposed sources within a 50-kilometer radius. The increment is intended to prevent the air quality in clean areas from deteriorating to the level set by the NAAQS.

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3. Provide examples of power plants in the Des Moines area.

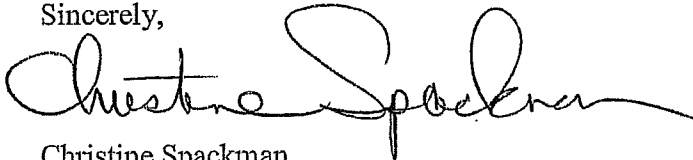
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4. Conclusions.

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We have met twice with Lincolnway Energy to discuss the air quality permitting process. Although we have not met with Vision Fuels, we welcome the opportunity to discuss the permitting requirements with them.

Sincerely,

A handwritten signature in black ink that reads "Christine Spackman". The signature is written in a cursive style with a large, looping initial "C".

Christine Spackman
Business Assistance Coordinator
Environmental Services Division

**PROPOSAL TO CONSTRUCT A 110-MILLION GALLON, FUEL ETHANOL PRODUCTION FACILITY IN THE
DES MOINES AGRIMERGENT TECHNOLOGY PARK**

FISCAL AND ECONOMIC IMPACT

FOR THE DECEMBER 4, 2006 CITY COUNCIL MEETING

CATEGORY: ONE-TIME INVESTMENT	VISION FUELS DES MOINES, LLC
Land price	<p>\$14,000/acre. The total acreage will be determined by survey. The access to SE 43rd Street will be a private drive.</p> <p>Purchase of 128+ acres: \$1,792,000</p>
Storm water detention	<p>The developer will design and construct at its expense the storm water management system to accommodate 26.5 acre-feet of storage needed for the City's regional detention basins south of Vandalia Road, in accordance with City standards. The developer will enlarge the basins to meet the requirements for its own storm water detention needs. The developer will deed all land for storm water detention to the City, which would conduct long-term operation and maintenance on the entire storm water management system.</p> <p>Estimated value of contribution: \$369,000</p>
Land assemblage and infrastructure fund	<p>\$1,000,000, which will be structured into payments of \$200,000/year over the next 5 years (NPV of \$809,000). The first payment will commence on the date construction begins. Funds are to be used for acquisition, relocation and demolition of blighted properties and/or investment in regional storm water management.</p>
Additional payments	<p>\$1,500,000 (\$500,000/year for each of 3 years). \$1,600,000 estimated. The developer offers an additional cash payment of the total acreage determined by survey to be purchased multiplied by \$12,500. The cash payment will be contributed to the land assemblage and infrastructure fund upon receipt of the associated construction permits to commence construction of the facility.</p>

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FISCAL AND ECONOMIC IMPACT/ECONOMIC FEASIBILITY (2)

<p>CATEGORY: ONE-TIME INVESTMENT</p>	<p align="center">VISION FUELS DES MOINES, LLC</p>
<p>Road infrastructure</p>	<p>Amount to be determined. The developer offers to share costs with the City for the pro-rated portion of Vandalia Road and SE 43rd Street improvements when justified by the applicable traffic study correlated with need for improvements. The developer will pay all costs related to improvements needed for its facility, including the construction of a turning lane on SE 43rd Street.</p>
<p>TOTAL ONE-TIME INVESTMENT</p>	<p align="right">\$6,070,000</p>

FISCAL AND ECONOMIC IMPACT/ECONOMIC FEASIBILITY (3)

<p align="center">CATEGORY: RECURRING PAYMENTS</p>	<p align="center">VISION FUELS DES MOINES, LLC</p>
<p>Minimum taxable value on site to be purchased</p>	<p>\$41,538,816 (total minimum taxable value for the development of 128 acres), which will generate about \$1,908,041 of annual tax revenue. This is based on a minimum of \$7.45/sf (with no tax abatement) for all acres to be purchased, including the projected 12.5 acres the developer intends to deed back to the City for the regional storm water detention basins (south of Vandalia Road).</p>
<p>Estimated annual franchise fee – electricity and natural gas*</p> <p><i>*based on generalized information that MidAmerican Energy provided on 11/28/06</i></p>	<p>\$100,000 (\$2 million in electricity costs x 5%)</p> <p>\$1,500,000 (\$30 million in natural gas costs x 5%)</p> <p>The developer offers to pay the current 5% franchise fee for electricity and natural gas and will not file an application seeking a rebate for an industrial or manufacturing facility for three years.</p> <p>The developer offers to pay a 1% franchise fee for electricity and natural gas for three years if the City is legally prevented from collecting it.</p> <p>If the fee is reduced, the developer offers to pay a 1% franchise fee above the legally established limit for electricity and natural gas for three years, which total shall not exceed 5%.</p>
<p>PROJECTED RECURRING PAYMENTS (FOR AT LEAST THREE YEARS)</p>	<p align="center">\$3,508,041</p>

FISCAL AND ECONOMIC IMPACT/ECONOMIC FEASIBILITY (4)

CATEGORY: OTHER	VISION FUELS DES MOINES, LLC
Potential participation (City to profit with company)	The developer does not seek to enter into a profit-sharing agreement with the City.
Jobs and annual payroll	Minimum of 45 jobs and \$2.2 million payroll (based on \$23/hour median wage).
Catalytic effect through co-location and partnerships	The developer has provided a letter to the City of Des Moines confirming good faith efforts to enter into a partnership with Environmental Reclamation and Recycling, LLC (6600 Westown Parkway, West Des Moines), a biomass technology provider that James Myers owns and operates.
Mothballed facility	The developer will contractually agree to demolish the facility if no longer productive and if unable to retrofit for another use; however, it will not create a cash reserve for this purpose.

**PROPOSAL TO CONSTRUCT A 110-MILLION GALLON, FUEL ETHANOL PRODUCTION FACILITY IN THE
DES MOINES AGRIMERGENT TECHNOLOGY PARK**

MIDAMERICAN ENERGY'S ABILITY TO DELIVER NATURAL GAS TO SITE

FOR THE DECEMBER 4, 2006 CITY COUNCIL MEETING

Vision Fuels Des Moines, LLC has entered into a Confidentiality Agreement with MidAmerican Energy related to providing electricity and natural gas to its proposed ethanol facility in the vicinity of SE 43rd Street and Vandalia Road. Consequently, MidAmerican is prohibited from disclosing certain information pursuant to the terms of the Agreement. Most of the information provided below is based on generalized information James Sharp and Kenneth Wunsch of MidAmerican shared with City staff in a teleconference on November 28, 2006.

1. In a letter dated November 27, 2006, James Sharp, Senior Energy Consultant stated that MidAmerican Energy has the infrastructure to be able to provide the requested 30# gas service in the location Vision Fuels specified in its preliminary drawings. Furthermore, he indicated that they are able to complete installation within six months after the company accepts MidAmerican Energy's proposal and its business plans and financials are approved.
According to Vision Fuels, it needs natural gas service for construction in November 2007 and for production use in March 2008.
2. MidAmerican Energy could not specify the route the natural gas pipeline would take (under I-80 or under the Des Moines River) due to homeland security and the need to protect its energy customers.
3. The cost to install the pipeline is kept confidential with the customer.
4. MidAmerican Energy and the customer will pay the cost to construct the natural gas pipeline. MidAmerican calculates five years of net gas revenue as its investment in the project. If costs exceed this amount, the customer is responsible for the remaining payment.

Attachment: MidAmerican Energy Letter

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MidAmerican Energy Company
4299 NW Urbandale Drive
Urbandale, IA 50322

November 27, 2006

Mr. Phil Stover
Third Inning Solutions
2461 86th St
Urbandale, IA 50322

RE: Vision Energy Ethanol Project Gas Information

Dear Phil:

Thank you for the opportunity to provide preliminary energy information. We appreciate being able to share MidAmerican's information with you.

MidAmerican Energy Company has the infrastructure to be able to provide the requested 30 # gas service in the location specified by your preliminary drawings. We are able to complete installation within six months after you accept our proposal and your business plans and financials are approved.

Most large gas users "transport" their commodity and pay fees to the Local Distribution Company (LDC) for transporting the gas to their facility. The current charges of MidAmerican's Large Transportation Rate (LT) contains a per-delivery-point monthly customer charge of \$400 and an administrative charge of \$80 along with a charge of \$0.03012 per therm for all therms delivered by the LDC.

We welcome the opportunity to meet with you to discuss our services in greater detail. Let me know if you have any questions or need additional information.

Sincerely,

James A Sharp
Sr. Energy Consultant
515-252-6766

Des Moines, Iowa
Questions

1. Potential Environmental Impact, at a constant 258,238 pounds of steam flow per hour for 350 days per year.

Emission	Natural gas Tons per year	Coal Tons per year	Biomass Tons per year
Particulate Matter	10	92	96
Sulfur Dioxide (SO ₂)	12	357	0 to ?
Nitrogen Oxide (NO _x)	20	198	138
Carbon Monoxide (CO)	20	165	114
Carbon Dioxide (CO ₂)	165,000	274,500	289,900

2. Advantages of natural gas versus coal

A. Emissions of natural gas as % of coal

- | | | |
|----|--|------|
| 1) | Particulate Matter | 11% |
| 2) | Sulfur Dioxide | 3.4% |
| 3) | Nitrogen Oxide (NO & NO ₂) | 10% |
| 4) | Carbon Monoxide (CO) | 12% |
| 5) | Carbon Dioxide | 60% |

B. Economics

- | | | |
|----|--|--------------|
| 1) | Construction, natural gas plant | \$ 9,500,000 |
| 2) | Construction, coal plant | 60,000,000 |
| 3) | Operating cost (fuel and power) natural gas/yr | 27,122,000 |
| 4) | Operating cost (fuel and power) coal/yr | 10,700,000 |
| 5) | Simple pay out in years of coal operation | |

$$= \frac{\text{Coal plant construction} - \text{Natural gas plant construction}}{\text{Plant yearly operating (Natural gas} - \text{Coal)}}$$

$$\frac{\$60,000,000 - \$9,500,000}{(\$27,122,000 - 10,700,000)}$$

$$= 3.075 \text{ years the coal plant will pay for the additional construction}$$

3. Long term supply of energy

A. Natural gas is 20 to 25 years supply

B. Coal is 200 to 250 years supply

4. Where does natural gas come from?
 - A. 2006
 - 85% of natural gas is domestic (USA)
 - 10% of natural gas is from Canada
 - 5% of natural gas is from LNG (OPEC)
 - B. Environmental impact is low
 - 1) Product is too valuable to waste
 - 2) Delivery is 1000 PSIG to 1400 PSIG pipe lines (major transmission lines)

5. Where does coal come from
 - A. 2006
 - 1) 40% of all coal used domestically is supplied by Powder River Basin (PRB) Northeast Wyoming. Reason 0.33% sulfur the electric utilities are blending PRB coal with local coals to meet sulfur dioxide standards.
 - 2) PRB mines must meet surface topography when mining is complete.
 - 3) PRB coal is rail delivery.

6. Natural gas price effect on Des Moines area residence
 - A. The natural gas used at this plant will be purchased under contract from Henry Hub (Louisiana) or similar hub.
 - B. The plant's usage of natural gas is estimated to be the equivalent of 3,200 homes at a -10°F temperature.

7. Cost to connect natural gas boilers to a fluidized bed boiler that burns Biomass.
 - A. The inexpensive natural gas package boilers at \$9,500,000 of construction is of no value for Biomass.
 - B. The fluidized bed boiler of 285,000 pounds steam flow per hour will cost 50 to 60 million dollars.

8. Carbon Dioxide (CO₂)
 - A. Emissions are proportional to average steam flow.
 - B. 110 million gallons per year plant is based on 258,238 lbs steam per hour.
 - 1) Natural gas 165,000 tons per year (CO₂)
 - 2) Coal 274,000 tons per year (CO₂)

- C. 100 million gallons per year plant said they required 350,000 lbs of steam per hour.
 - 1) Natural gas 223,630 tons per year (CO₂)
 - 2) Coal 371,400 tons per year (CO₂)

- 9. Strategies of CO₂ reduction
 - A. None – we don't have a proven environmental reduction system to reduce CO₂

- 10. Bio mass as fuel source
 - A. Where are you going to get:
 - 1) 27.29 tons per hour of 6,000 Btu per pound biomass
 - 2) 650 tons per day of 6,000 Btu per pound bio mass
 - 3) 229,246 tons per year of 6,000 Btu per pound biomass
 - 4) Twenty (20) year supply or 4,585,000 tons of biomass?

Des Moines, Iowa
Cost of Energy

Date	Type	Cost per unit	Cost per million Btu
Dec. 1, 2006	Crude oil (OPEC basket)	\$57.28/barrel	\$9.55
Dec. 1, 2006	No. 2 fuel oil (Nymex)	\$1.7933/gallon	\$13.28
Dec. 1, 2006	Diesel (Nymex)	\$1.9433/gallon	\$14.56
Dec. 1, 2006	Natural Gas (Nymex) plus transportation and local gas co.		
Dec. 1, 2006	➤ Dec. 2006 (next day)	\$9.83/10 ⁶ Btu	\$9.83
Dec. 1, 2006	➤ Jan 2006	\$10.34/10 ⁶ Btu	\$10.34
Dec. 1, 2006	➤ Feb 2006	\$10.39/10 ⁶ Btu	\$10.39
Dec. 1, 2006	12 month (average) strip	\$10.18/10 ⁶ Btu	\$10.18
Dec. 1, 2006	18 month (average) strip	\$10.26/10 ⁶ Btu	\$10.26
	(Powder River Basin) Wyoming Estimated delivered rail price at plant		
Dec. 2006	Unit trains, 100 cars	\$50.00/ton	\$3.00
Dec. 2006		\$60.00/ton	\$3.60
Dec. 2006		\$70.00/ton	\$4.20
	Bio Mass (6,000 Btu/lb – 29.4% moisture)		
Estimate	Estimated delivered as fuel	\$30.00/ton	\$2.50
Estimate	Estimated delivered as fuel	\$40.00/ton	\$3.33
Estimate	Estimated delivered as fuel	\$60.00/ton	\$5.00

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Des Moines, Iowa
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