

Application For *ConnectOregon* Program 2005-2006

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PART A- Project Summary and Certification: Use this form or a replica. Print and sign one original. Attach additional text at the end as necessary identified with the corresponding question number.

APPLICANT

ORGANIZATION NAME Treasure Valley Renewable Resources, LLC	PRIMARY CONTACT PERSON AND TITLE John D. Hamilton, manager (tvrr@fmtc.com)
ADDRESS P.O. Box 549 REVISED #033-06 3/2/06	TELEPHONE 208-452-7807
CITY, STATE AND ZIP CODE Fruitland, Idaho 83619	FAX 208-452-7809

CO-APPLICANT / CO-SPONSOR

ORGANIZATION NAME	PRIMARY CONTACT PERSON AND TITLE
ADDRESS	TELEPHONE
CITY, STATE AND ZIP CODE	FAX

3. PROJECT NAME AND LOCATION

TVRR, 3880 Alameda Drive, Ontario, Oregon 97914

4. SUMMARY OF PROJECT

Build a 5 million bushel grain storage and loading/unloading rail and truck facility to support a food-grade processing and 30 mil gal. ethanol plant

5. COST SUMMARY

a) <i>ConnectOregon</i> Grant Amount	\$4,500,000	
b) <i>ConnectOregon</i> Loan Amount	\$	
c) Subtotal <i>ConnectOregon</i> Funds	\$4,500,000	
d) Match Amount	\$ 3,960,000	
e) Other Fund Amount	\$	
f) Project Total (c + d + e)	\$8,460,000	

6. CERTIFICATION

I certify that Treasure Valley Renewable Resources, LLC (applicant organization) supports the proposed project, has the legal authority to pledge matching funds, and has the legal authority to apply for *ConnectOregon* funds. I further certify that matching funds are available or will be available for the proposed project. I understand that all State rules for contracting, auditing, underwriting (where applicable) and payment will apply to this project.

	2-16-2006	
APPLICANT SIGNATURE	DATE	PRINTED NAME

CO APPLICANT SIGNATURE	DATE	PRINTED NAME

ConnectOregon Program

Application

PART B - Applicant Qualifications

1. CONTACT INFORMATION

APPLICANT

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ORGANIZATION NAME	PRIMARY CONTACT PERSON AND TITLE
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CITY, STATE AND ZIP CODE	FAX

2. IS / ARE THE APPLICANT(S) CURRENT ON ALL STATE AND LOCAL TAXES, FEES AND ASSESSMENTS?

YES NO If NO, Explain:

PART C - Project Description

3. PROJECT DESCRIPTION AND PURPOSE: Summarize the project's description and purpose. Provide maps in 8 1/2 "X 11" format as hard copy only.

Treasure Valley Renewable Resources, LLC is developing a "biorefinery" in Ontario, Oregon. The plan is to utilize local and regional crops (barley, wheat and corn) in the production of human food ingredients [see attached Flow Diagrams]. The fractions and waste material not utilized for human food will be converted to fuel-grade ethanol. It is anticipated that 12 to 15 million bushels of grain will be required to operate the facility year-round. The grain will be sourced in the Treasure Valley (southeastern Oregon and southwest Idaho); Pendleton and LeGrande, Oregon; and southeast Washington.

Food product ingredients will be shipped in bulk or in packaged form by rail or truck to market. As required by law, 90% of the ethanol will be shipped by rail; 10% will be shipped by truck to local markets. Local incoming grain will arrive at the facility by farm truck. Regional grain will be shipped to the facility via back-haul truck or rail.

Continued on ADDENDUM PAGE 8

4. ConnectOregon (CO) Project Budget

SOURCES OF FUNDS: Please identify the source and amount of moneys comprising your project budget in terms of grants, loans, match and other funds.

SOURCES:	Amount	Percent of Total	DATE AVAILABLE	
			Cal Year	Quarter
a. ConnectOregon Grant	\$ 4,500,000	53%	2006	3rd
b. ConnectOregon Loan	\$	%		
c. Required Match (Grants -20% of Total Project) 1	\$3,960,000	47%	2006	2nd
d. Other Leveraged Funds (2)	\$	%		
e. Other Leveraged Funds (2)	\$	%		
f. Other Non-Leveraged Funds (Describe)	\$	%		
g. Other Non-Leveraged Funds (Describe)	\$	%		
TOTAL*	\$8,460,000	100%		

(1) Please describe the source and timing of the 20% match shown above. If applicable include the cost basis of property.

d. - Constuction funds and permanent financing \$2,557,500
f. - Land purchase \$402,500
g. - Equity funds provided by ownership \$1,000,000

(2) If your project leverages other funds beyond the ConnectOregon grants, loans and match required for your project, please describe the source, timing and basis for valuing the other funds. Leveraged funds must be shown in 1(d) and 1(e) above.

Construction and debt funds will come from private source available April 15, 2006.

USES OF FUNDS: Please identify the proposed uses and amount of moneys comprising the project budget.

USES:	Amount	Percent of Total	DATE AVAILABLE	
			Cal Year	Quarter
Labor (Payroll)	\$2115000.00	25%		
Contracted Services (If Known)	\$1,015,200.00	12%		
Materials and Supplies	\$	%		
Capital Outlay (Land)	\$402,500	4.76%		
Capital Outlay (Buildings)	\$2,304,504.00	27.24%		
Capital Outlay (Equipment)	\$2,622,796.00	31%		
Other (Describe): _____	\$	%		
Other (Describe): _____	\$	%		
Other (Describe): _____	\$	%		
Other (Describe): _____	\$	%		
TOTAL*	\$8,460,000.00	100%		

**Totals for Sources of Funds and Uses of Funds must be equal*

5. REAL ESTATE

EXACT ADDRESS OR LEGAL DESCRIPTION:

a. IS PROPERTY OWNED BY APPLICANT(S)? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	PURCHASE PRICE 402,500	DATE August 2004
b. IS PROPERTY TO BE PURCHASED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	PURCHASE PRICE	DATE
c. IS PROPERTY TO BE LEASED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO		
d. DOES THE PROJECT INCLUDE EASEMENTS OR DONATED PROPERTY? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO		

Provide any additional details here:

a. - Deed attached (purchase of land complete, no further real estate required)
d. - Oregon Eastern Railroad easement

PART D - Project Considerations

NOTE: The independent review consultant who will evaluate the project may consider other published or publicly available information when conducting this review.

6. TRANSPORTATION COST REDUCTION: Describe how the project reduces transportation costs for Oregon businesses.

This project will reduce costs incurred by regional grain producers; at present, in eastern Oregon and western Idaho, wheat and barley are priced at 'Portland minus freight.' As an example, if the price of wheat was \$3.00 per bushel, the cost of freight would be \$.85 per bushel, resulting in a net of \$2.15 per bushel to the grower. When the TVRR facility is complete, that same bushel of grain will cost the grower approx. \$.07 for freight (depending on the grower's location), resulting in a net of \$2.93 per bushel to the grower. The \$.78 per bushel savings in freight, when multiplied by 15 million bushels (number necessary to operate the facility), is \$11.7 million more money for the grain growers.

Continued on ADDENDUM PAGE 8.

7. MODAL CONNECTIVITY: Describe how the project benefits or connects two or more modes of transportation.

The TVRR grain receiving and storage facility will connect farm truck, commercial grain haulers, the Oregon Eastern Railroad, and the Union Pacific Railroad. At present, there is nothing in eastern Oregon that connects these modes of transportation.

When built, the TVRR facility will reduce grain truck traffic to Portland by approximately 4,267 trucks per year. Moreover, it will increase rail traffic for the Oregon Eastern Railroad by approximately 4,186 cars annually [see attached document from Loren Canaday]. The increased rail traffic for Oregon Eastern assures the continued operation of the shortline - one of the great assets of Malheur County when it comes to future industrial development.

8. STATEWIDE OR REGIONAL TRANSPORTATION LINK: Describe how the project creates a critical link in a statewide or regional transportation system.

Grain growers in the Treasure Valley are the major group this project will impact. At 260,000 acres, Malheur County Oregon has the largest number of irrigated acres. By county, Idaho acreage will also be greatly impacted by the TVRR project: Canyon - 221,051 acres; Gem - 37,183 acres; Owyhee - 131,976 acres; Washington - 44,686 acres; and Payette - 52,566 acres, for a total of 747,462 acres in the Treasure Valley [see attached charts - Comparison of Irrigated Acres...].

The major crops of sugar beets and onions in the Treasure Valley require a rotation of grain; without the TVRR facility, the majority of grain will continue to be shipped via truck to Portland. At present, there is no alternative.

The grain handling and storage for the TVRR project will improve the utilization of the Oregon Eastern Railroad by 300% - measurable by rail invoices. Outgoing product will be transferred to the Union Pacific Railroad, which will generate more traffic for the long line. All finished product from the TVRR facility will be shipped from Oregon to users, including those in the Pacific Rim.

TVRR will utilize locally grown crops, add value to those crops, and then export products to other states and nations.

9. COST BORNE BY APPLICANT(S): Provide the amount by which the project will exceed, or, provide a match beyond *ConnectOregon's* minimum grant-match requirement of 20%.

Treasure Valley Renewable Resources will provide a 47% match. ADDENDUM PAGE 8.

10. PERMANENT AND CONSTRUCTION JOBS CREATION/RETENTION: Describe how the project creates and retains permanent and construction jobs in Oregon.

There will be 60 or more permanent, family wage jobs created by the TVRR project [see attached TVRR Staffing Plan]. The average salary will be in the \$28,000 per year range, plus benefits. Included in the jobs will be 10 full-time positions for the receiving and handling of grain.

Per stipulations of the Enterprise Zone, TVRR has agreed to hire employees through the Oregon Department of Employment. However, TVRR does not anticipate that all its employees will live in the Ontario area, as being a border town, approximately 40% of Ontario's workforce reside in Idaho. TVRR has no reason to expect that ratio to change as it hires employees for the Biorefinery. Another issue of concern is housing in the Ontario area, as it is limited. That is not the case in southwestern Idaho, along its border with Oregon. Southwestern Idaho also has the majority of higher-end housing.

Continued on ADDENDUM PAGE 9.

11. ANTICIPATED CONSTRUCTION START DATE OR EQUIVALENT: Groundbreaking Apr. 2006

12. ANTICIPATED PROJECT COMPLETION DATE: August 2007

13. CONSTRUCTION READINESS: Provide a project timeline and describe where the project is on this timeline in relation to planning, design and permitting issues.

As of this date, all land use issues and statewide permits are in place. The preliminary design is complete; final design has begun as of this date. The only permits still to be issued are county building permits. These will be obtained by TVRR as final engineering is completed. TVRR expects to break ground the first part of April 2006. Ground work, underground utilities and railbeds should be completed by July 2006. Construction on the grain handling facility should be completed by October 2006.

Construction of the mill should begin June 2006 and be completed by October 2006. The milling equipment is expected to arrive late September 2006 and be installed in December 2006/January 2007. The warehouse for finished goods and packaging will follow the mill timeline. Construction of the ethanol plant will begin September 2006, with equipment delivery expected in February 2007; equipment installation will be completed by June 2007. Construction of the water treatment facility will commence in August/September 2006 and be completed by summer 2007.

The goal is to have the Biorefinery built, tested and operational to receive and process the 2007 grain crop, which is typically harvested in July/August.

14. PROJECT OPERATIONS: How will the ongoing maintenance, operation and replacement of the project be financed?

The ongoing operation, maintenance, and replacement of the equipment will not be financed, but will come from operational cash flow.

15. OTHER CONSIDERATIONS AND INFORMATION: Describe any other considerations and information you would like taken into account about the project.

- * State of Oregon LLC registration document, attached as PART E.
- * Application for Structural Permit - Grain Storage Bin/Receiving, attached as PART E.
- * List of support letters and copies of said letters are attached as PART E.

PART E - Supporting Materials: Provide a list here of supporting materials that will be provided as part of your hard copy submission.

1. Flow Diagrams
2. Deed to property - 3880 Alameda Drive, Ontario, Oregon
3. Oregon Eastern Railroad letter - Loren Canaday
4. Comparison of Irrigated Acreage in Treasure Valley
5. TVRR Staffing and Wages
6. Radius Map
7. Preliminary Engineering Drawings
8. Water Rights - Oregon Water Resources Department
9. M-3 Agricultural Industrial Zone change
10. Malheur County Site Review approval
11. ODEQ Standard Air Containment Discharge Permit
12. ODEQ Waste Disposal Permit
13. Malheur County Sanitary Site Evaluation
14. NPDES Storm Water Discharge Permit No. 1200-C
15. Enterprise Zone - Malheur County
16. ODOE Site Review Exemption
17. Industrial Rail Spur Agreement - ODOT Rail
18. Oregon Secretary of State LLC registration
19. Malheur County Structural Permit
20. Letters of Support

ADDENDUM PAGE 8: Attach additional text here as necessary, identifying the corresponding application question number you are completing.

PART C - PROJECT DESCRIPTION - 3. Project Description and Purpose, con't.

The facility will be located approximately 1 1/2 miles south of the city of Ontario. The junction of Alameda Drive and Railroad Avenue is the nearest intersection. Oregon Eastern Railroad borders the property at the north and the Union Pacific Railroad borders the property at the east. Highway 84 can be accessed in approximately 2 1/2 miles, at an interchange north of Ontario's city center. Other major highways are State Highways 20, 26 and 201, all within one mile of the property [see attached Radius Map].

Preliminary engineering has been completed [see attached Drawings]. Water rights have been secured [see attached Oregon Water Resources Department]; zoning has been changed to M-3 Agricultural Industrial [see attached Ordinance No. 148-12-17-03]; and the Malheur County Site Review process has been completed [see attached Malheur County Notice of Affirmation...].

The following permits have been issued: air and water permits by the Oregon Department of Environmental Quality (ODEQ) [see attached Standard Air Quality Discharge Permit and Waste Disposal Permit]; ODEQ Waste Disposal Permit (see attached permit); Sanitary Permit from Malheur County [see attached document from Environmental Health]; Storm Water permit from ODEQ [see attached NPDES Permit No. 1200-C]; and the property has been placed in an Enterprise Zone [see attached Agreement for Malheur County Enterprise Zone...]. And, the Oregon Department of Energy (ODOE) has issued its Exemption of Site Review [see attached Order Granting Exemption]. Building permits will be issued on completion of each stage of final engineering.

The ConnectOregon Grant Application for \$4.5 million would help TVRR fund the construction of a 5-million bushel grain handling and storage facility, for the receipt of grain by rail and truck. The estimated cost of the grain facility is \$8,460,000; total capital cost for the total TVRR project is estimated at \$77,480,000.

PART D - PROJECT CONSIDERATION - 6. Transportation Costs Reduction, con't.

The rail connection will give growers in the Pendleton/LeGrande and southeast Washington, similar savings. Currently, the price of grain from those areas is determined by Portland price minus freight, much like grain from the Treasure Valley. The freight price from Pendleton/LeGrande and southeast Washington is approximately \$.65 per bushel. Unlike the Treasure Valley, those areas have on-farm storage and commercial (co-op) storage. They also have rail loading facilities. If grain is stored and shipped to the TVRR facility when needed, growers will not have to pay the \$.65 for freight out of their proceeds. In fact, growers will receive additional income from the company who agrees to pay storage and an in-and-out fee. The cost of freight from those areas to TVRR will be approximately \$.22 as a backhaul by either truck or rail. These backhauls do not exist today because there are no handling facilities that utilize grain in the production of food products.

The major advantage to the Oregon transportation system is that 15 million bushels of grain will no longer have to be shipped to Portland. Moreover, the grain will provide truckers and the railroads a backhaul that will increase incomes and reduce costs.

PART D - PROJECT CONSIDERATION - 9. Cost Borne by Applicant

The total TVRR project is estimated at \$77,480,000. Grain loading, unloading and storage is estimated at \$8,460,000. If TVRR receives the ConnectOregon grant of \$4.5 million, it will be able to decrease the amount of its long-term debt, saving significant costs.

To date, TVRR has spent \$1.5 million, which includes the purchase of land (\$402,500); permits ; preliminary engineering; and Business Plan.

The Department of Transportation Rail Division has awarded TVRR an Industrial Rail Spur Grant of \$910,000 to offset the \$2.1 million cost of putting in an on-site rail spur [see attached Industrial Rail Spur Program Agreement].

ADDENDUM PAGE 9: Attach additional text here as necessary, identifying the corresponding application question number you are completing.

PART D - PROJECT CONSIDERATION - 10. Permanent and Construction Jobs Creation/Retention, con't.

In the construction phase, preliminary engineering estimates that approximately 200,000 man-hours will be required to construct the facility. Duration of construction is estimated at 12-16 months. TVRR has agreed that wherever possible, local labor will be utilized. Highly skilled labor is available in Oregon. TVRR has no intention of importing labor for this project. TVRR is further committed to pay the prevailing wage for all labor categories.

The only induced jobs that have become apparent is the increase of the Oregon Eastern Railroad crew. It is reported that an additional crew will be required to handle the increased rail traffic generated by the TVRR facility.

ADDENDUM PAGE 10: Attach additional text here as necessary, identifying the corresponding application question number you are completing.

ADDENDUM PAGE 11: Attach additional text here as necessary, identifying the corresponding application question number you are completing.

ADDENDUM PAGE 12: Attach additional text here as necessary, identifying the corresponding application question number you are completing.