



BIODIESEL INVESTMENTS

Ken Arnold

CEO

Company Structure

- Delaware based LLC
- Outside Investors: Cohen & Co (New York), Bank of America
- Founding partners: Ken Arnold, Brandon Sheley

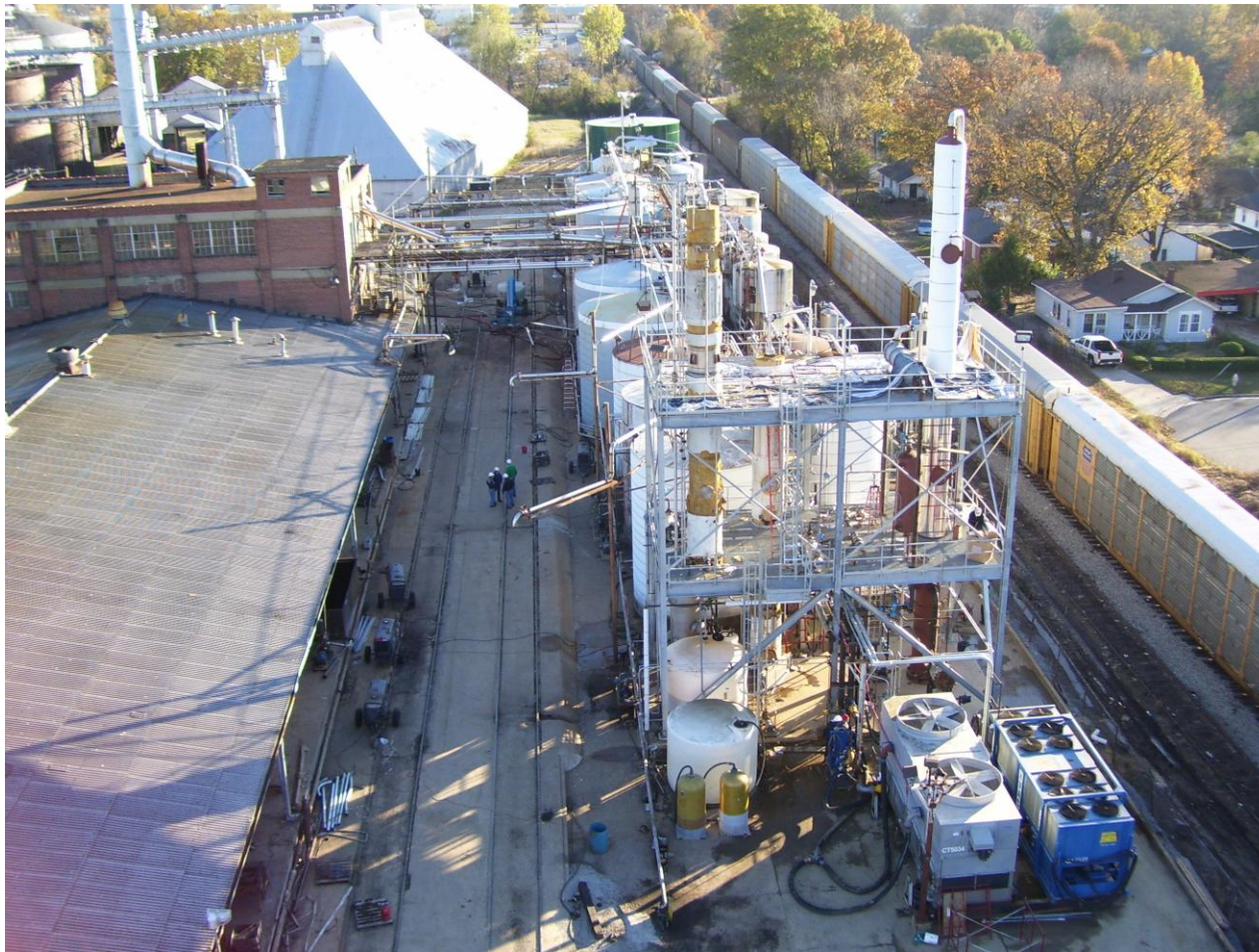
Investment in Tennessee

- 50 million gallon biodiesel capacity
- Over \$15 million invested
- Retrofit of Brownfield chemical plant site in urban Renewable Community
- Over 40 employees in good paying jobs from the Memphis area with an annual payroll close to \$2 million.
- In-house technology developed using local engineering company
- Fully staffed analytical lab
- plc based process control systems designed by Tennessee based engineers
- Biodiesel supply for the local market.

Tennessee Business Partners

- Morgan Keegan-Investment Advisors
- Frazier Barnes Associates-Engineering Consultants
- Ensafe-Environmental Consultants
- Wyatt, Tarrant-Legal
- Baker, Donnelson-Legal

Memphis Plant



Why Tennessee Site?

- Founders already owned an operating chemical facility.
- Retrofit would cost much less than new facility
- Excellent support at state and local level of Economic Development.
- Memphis is an excellent transportation hub.

Key Investment Challenges

- Lack of knowledge in equity markets about biodiesel in 2005
- Regulations for petroleum diesel interpreted to apply to biodiesel
- Rising costs and delayed shipments of key components-the “China factor”.
- Investors wanted Process Guarantee
- Business model dependent on incentives.

Today's Issues

- Feedstock costs and low diesel prices have eliminated margins.
- Biodiesel must be priced below diesel to sell to customers.
- Other states have mandates and incentives.

Cost/Price (5/25)

- Soybean Oil: \$2.85 per gallon
- Diesel Rack: \$2.15
- Diesel Retail: \$2.70-\$2.80
- Biodiesel: \$2.00 (\$3 less \$1 Fed incentive)

COST TO PRODUCE SOY BIODIESEL:

\$3.15

Sustainable Growth for Biodiesel

- Extension of the Federal incentive
- Federal price supports
- National Energy Priority
- Mandate
- State Incentives

Neighbor States

Many of our surrounding states provide such incentives

- *Arkansas* has a tax refund and income tax credit provision
- *Mississippi* authorizes their Commissioner of Agriculture to make production incentive payments
- *Kentucky* offers an income tax credit
- *Virginia* offers biofuels production grants
- *Missouri* offers biodiesel production incentives
- *Illinois* offers a tax exemption for B10 and higher

Reducing demand by as little as 2-5% would have a major impact on the demand for foreign oil.

Economics 101

- Reduced demand reduces prices
- With no price support, biodiesel is not competitive and supply is curtailed
- Oil prices then go up even higher

We need action and not rhetoric.

Biodiesel and other alternative fuels need a long term commitment at the federal and state level.