Delta Sun Biodiesel Company

Business Plan and Financial Projections

Contact Information:

Business Plan Prepared by: alt.Consulting
State University, AR 72467
870.335.8535
This document contains confidential information. It is disclosed to you for informational purposes only. Its contents shall remain the property of Delta Sun Biodiesel Company and shall be returned to Delta Sun Biodiesel Company when requested.

*This is business plan and does not imply an offering of securities.*
Table of Contents

Executive Summary .................................................................................................................. 4
The Venture and Strategy ......................................................................................................... 5
  Vision .................................................................................................................................. 5
  Strategy .............................................................................................................................. 5
  The Venture ......................................................................................................................... 5
Financial Summary .................................................................................................................. 6
Marketing Plan .......................................................................................................................... 7
Pricing and Cost Controls ......................................................................................................... 8
Industry and Competitive Environment .................................................................................. 9
  Industry Overview ............................................................................................................. 9
  Competitive Environment ................................................................................................. 10
Risk Assessment ...................................................................................................................... 11
  Product Risk ..................................................................................................................... 11
  Market Risk and Opportunities ......................................................................................... 12
Company History and Structure ............................................................................................. 13
  Company History ............................................................................................................. 14
  Legal Form ....................................................................................................................... 14
  Ownership ........................................................................................................................ 14
  Consulting Support ......................................................................................................... 14
Management Team .................................................................................................................. 15
Financial Projections .............................................................................................................. 15
Sources and Uses of Funds ..................................................................................................... 15
  Financial Model ................................................................................................................ 15
  Assumptions ...................................................................................................................... 16
Executive Summary

Like many rural parts of America, the Arkansas Delta region has industries and institutions that rely on diesel fuels—from farming to schools and local government to local consumers. Moreover, the Delta region also has the raw materials and technology to make biodiesel at a scale that reflects the local and region demand. The ability to produce fuels using micro-refineries opens up new markets for regional entrepreneurs while providing investors a solid business opportunity with manageable risks.

Delta Sun Biodiesel Company is a startup venture seeking funding for two micro biorefineries to serve the greater Arkansas Delta region. The biorefineries are based on new research and technologies developed by Dr. Srikant Gir. Each refinery produces approximately 200,000 gallons per year, yet can be scaled to produce up to 1 million gallons of fuels per year as demand increases. Product from the bio-refineries would be ASTM certified for B100 fuel or can be used for diesel blends. The micro-refineries can operate profitably without producer tax credits.

For the past 18 months, altConsulting and the Ford Foundation’s Wealth Creation Program have completed feasibility studies and financial projections for this venture. Within this time, a working micro-refinery was built and sales from this prototype have been consistent—testing the technology, the market channels and business model. By having the full value chain within the region, costs for the biodiesel production can be closely controlled. The scale minimizes storage and the mobility of the refinery reduces transportation costs—all of which helps to keep the production expenses competitive.

The Company’s flexible technology and niche size will secure market demand due to the ability to:

- Use an assortment of feedstocks (various waste products and bioenergy crops) that can be adjusted to the time of year, quantity of supply, feedstock prices, and other cost control measures, as compared to storage and transportation cost associated with large refineries using single or limited feedstock methods.
- Produce on-demand and with varying batch sizes without additional production cost or downtime.
- Directly serve local retail and smaller institutional customers, like school districts or local governments that currently have little or no direct supplier; with excess capacity sold to blending operations in need of B100 fuel. The local customer base minimizes the transportation and storage costs associated with larger producers and provides a consistent price for biodiesel users.

Local entrepreneurs are expected to invest up to 20% of the total purchase price while Delta Sun Biodiesel is seeking $700,000 - $750,000 to bring two micro-refineries into operations, with an option to finance each micro-refinery separately. Financial projections, using conservative production levels of 400,000 gallons per year (200,000 each), are estimated to have an after tax return of more than 70% over a five-year
period, with positive cash flow starting in year one. As demand grows, capacity of the refineries can be increased or an additional refinery can be started. There is strong interest by the managing entrepreneurs, financial institutions and local investors to buyout investor equity within three to five years.

**The Venture and Strategy**

**Vision**

*Delta Sun Biodiesel Company* is developing innovative ways of utilizing the Delta’s rich agricultural resources and entrepreneurial spirit to enhance local economic growth and create lasting wealth through renewable energy development.

**Strategy**

Viable business ventures in rural communities tend to have unique interactions among the array of suppliers and customers, creating a value chain that benefits more than just the business itself. Such is the case with Delta Sun Biodiesel. The Company will utilize local businesses to build micro-refineries; local waste or new bioenergy crops to provide feedstock; and local entrepreneurs to refine biomass into biodiesel fuels to support the fuel needs of Delta farms, schools and communities.

This is not a dream. Members of the Arkansas Green Energy Network (AGEN) have worked for almost two years in developing this value chain—in identifying how various residents and businesses in the Delta can participate in the wealth or cost saving created by locally produced and distributed fuel. Researchers have built and are operating a prototype refinery through Mid-South Community College (MSCC) in West Memphis, Arkansas to validate the value chain and strengthen the business model. Owners have done their homework, and are ready to commercialize this project into a viable business venture.

The advantages of the Company’s micro-refinery technology include the ability to use an array of feedstock, allowing the fuel to be produced with the lowest cost and most readily available materials. The scale allows for a broader customer base, allowing for clients such as school districts, farmers or local governments to have a direct source of diesel fuel. It is the combination of technology, scale and marketing channels that make this project economically feasible as well as maximizing the wealth creation within the Mid-South Delta region.

**The Venture**

*Delta Sun Biodiesel Company* will utilize a complete value chain to make cost-effective and scale-appropriate biodiesel refineries.

Secure feedstocks including waste vegetable oil (WVO) and locally grown bioenergy crops.

- WVO will be picked up from source, tested and cleaned, and taken to one of the two biorefineries to be processed into biodiesel. Available sources of WVO
include school cafeterias, restaurants and convenience stores, jails and prisons, food processing plants, casinos and residential recycling programs.

- Virgin oils will be from current and new bioenergy crops grown in the Delta area such as soybean, cotton, sunflower, Canola, Camelina, rapeseed and other oilseed crops. Oilseed will be crushed to extract oil and meal. Oil will be sold to local biorefineries for processing. Meal will be sold to local livestock feed mills.

- The biorefineries will process feedstock and sell biodiesel and related by-products including glycerol. Local customers with consistent demand for diesel fuels include farmers, school districts, local governments (ambulances, fire trucks, garbage trucks, heavy equipment). Excess volume can be sold through wholesale channels to Mid-South refineries such as Valero located in Memphis, Tennessee (a current sales channel for the existing prototype). Estimates for these major markets were completed in the feasibility study.

Additional revenues, not calculated in the financial model, include the fabrication, sale and service of micro biorefineries to customers throughout the United States and in other countries. Small-scale fuel production can be a value process in developing countries or in more sparsely populated regions. Delta Sun Biodiesel is currently pursuing ways to patent the design and process and license the technology.

**Financial Summary**

Total investment request is $700,000 - $750,000 to build and bring to scale two micro biorefineries in two communities. Financial projections using conservative figures and no state or federal incentives, indicates a breakeven point at approximately 150,000 gallons per year. When current incentives of $1.00 per gallon Producer’s Tax Credit for the first year and $.30 per gallon RINs, are added the two micro-refineries selling 400,000 gallons per year is projected to have an after tax return of 72% over a five-year period. As demand grows, capacity of the two refineries can be increased or an additional refinery can be started.
### Five Year Operating Projections for Two Micro Biorefineries

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (gallons per year)</td>
<td>300,000</td>
<td>400,000</td>
<td>400,000</td>
<td>400,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Projected Selling Price (net of taxes)*</td>
<td>$3.73</td>
<td>$3.80</td>
<td>$3.73</td>
<td>$3.80</td>
<td>$3.80</td>
</tr>
<tr>
<td>Producer’s Tax Credit</td>
<td>$1.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>RINs</td>
<td>$0.30</td>
<td>$0.30</td>
<td>$0.30</td>
<td>$0.30</td>
<td>$0.30</td>
</tr>
<tr>
<td>Revenue</td>
<td>$1,509,000</td>
<td>$1,640,000</td>
<td>$1,612,000</td>
<td>$1,640,000</td>
<td>$1,640,000</td>
</tr>
<tr>
<td>Cost of Goods</td>
<td>$688,994</td>
<td>$888,670</td>
<td>$873,676</td>
<td>$888,670</td>
<td>$888,670</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$820,006</td>
<td>$751,330</td>
<td>$738,324</td>
<td>$751,330</td>
<td>$751,330</td>
</tr>
<tr>
<td>Expenses</td>
<td>$364,818</td>
<td>$357,528</td>
<td>$334,746</td>
<td>$340,676</td>
<td>$338,422</td>
</tr>
<tr>
<td>Net Income</td>
<td>$455,188</td>
<td>$393,802</td>
<td>$403,578</td>
<td>$410,654</td>
<td>$412,908</td>
</tr>
</tbody>
</table>

*Department of Energy Estimates

Since each refinery runs independently the revenues, costs/expenses and profit/income of a single refinery is half (50%) of the above.

### Marketing Plan

The demand for biodiesel has been accelerated through Renewable Fuels Standards (RFS) mandates by the Environmental Protection Agency (EPA), along with state incentives. Larger regional refineries like Valero in Memphis, TN continuously face a lack of biodiesel for their blending operations. The prototype refinery currently sells its excess capacity to Valero as it builds a sustained local customer base. Having a combination of retail and wholesale channels will allow the company’s business model to be profitable within its first year of operation.

The Company is focusing on two market channels:

**Local Market**
- Direct retail sale of B100 fuel to farmers, utilizing the region’s farming coops, fuel distributors and other intermediaries to help reach customers and aggregate demand.
- Contract sales (time and/or quantity specific) with institutional entities including school districts and governments, etc. for B5 or B10 blends.

**Regional**
- Wholesale sales to large blending facilities and refineries (Valero) within a three state area in Arkansas, Tennessee and Mississippi.

Delta Sun Biodiesel expects a local to regional customer mix of 30-40% local and 60-70% region in year one moving to 80% local and 20% regional by year five.
Farms and school buses in Arkansas Delta (local markets) use approximately 48 million gallons of diesel per year, yielding a B5 demand of 2.4 million gallons. This does not include local government markets or customers that use B100 fuel, which could increase demand by more 50 percent. At a capacity of 400,000 gallons per year for both micro-refineries, the company seeks to capture approximately 5-10 percent of the local diesel market. With a cost-effective production process, the ability to vary batch sizes according to customer, and a strong preference for supporting local businesses, Delta Sun Biodiesel is confident this modest market share can be reached.

**First customer profile.** There is interest for the micro-refineries in two regions within the Delta, Forrest City/St. Francis County and area around DeWitt, Arkansas. In Forrest City, a local entrepreneur will purchase and operate a microborefinery. The entrepreneur will use the biodiesel in his own fleet of vehicles while the county administration is interested in purchasing biodiesel produced locally. This demand would represent approximately 156,000 gallons per year.

In addition, the Mayor of DeWitt, Arkansas is interested in purchasing biodiesel for city vehicles and equipment. The mayor has also talked to the Dewitt School superintendent about using biodiesel in their buses. Estimated demand for a B20 blend to be used by the school district is 1,500 gallons. A local entrepreneur will purchase a micro-biorefinery to process WVO initially and a mix of WVO and Camelina oil later. This would provide a market for approximately 60,000 gallons per year initially. Both refineries will also have the ability to sell to Valero in Memphis, Tennessee for blending.

**Pricing and Cost Controls**

There are several social factors such as national security, saving environment, etc. that can drive diesel users to buy biodiesel but the most important economic factor is the price of the biodiesel versus petroleum diesel. The key to pricing is finding the lowest cost feedstock to produce biodiesel. A multi-feedstock refinery will allow operators to switch as costs change.

Price of biodiesel is contingent upon the world supply and demand for crude oil that affects petroleum diesel fuel prices. High seasonal demand for biodiesel consumers such as farmers can also affect biodiesel prices. In addition, factors involved in growing or collecting feedstock, processing and distributing biodiesel can contribute to frequent price fluctuations. In recent years, the high cost of feedstock such as soybean oil has pushed biodiesel prices higher than regular diesel, primarily due to the economies of scale needed for production.

---

1 Estimates based on the 2011 Crop Enterprise Budgets, University of Arkansas, Division of Agriculture.
Currently, the producer’s tax credit and sale of Renewable Identification Numbers (REINs) can reduce the overall cost of biodiesel. However, the long term status of producer’s tax credits and REINs is questionable due to government policy. **Delta Sun Biodiesel is poised to produce biodiesel at a competitive price and be profitable, with or without tax credits.**

The uncertainty of tax credits and the changing production costs of feedstock for large production refineries, has lead the company to explore smaller scale alternative feedstocks that make biodiesel profitable without tax credits. Since the micro-refineries can produce small batches, feedstock can be gathered from an array of cost-effective sources. Currently, Delta Sun is pursuing a marketing program to encourage local schools, restaurants, convenience stores and other local businesses to donate their WVO as part of an effort to support local economic growth and green jobs. Where economically feasible, local residential WVO recycling programs will be developed for additional free feedstock, and long-term service contracts will be executed with businesses who can supply continuous quantities of WVO for a set cost.

To supply feedstock on a sustained basis, Delta Sun is working with researchers at Arkansas State University–Jonesboro and Phillips County Community College – UA Dewitt, Arkansas to develop bioenergy crops that are new to the Delta. Oil extracted from these crops will provide an additional affordable feedstock for biodiesel production. The company will share resources between the two biorefineries to reduce cost for technicians, fuel testing, accounting and other administrative costs.

### Industry and Competitive Environment

#### Industry Overview

According to the Biodiesel Board, the U.S. biodiesel industry reached a key production milestone by producing more than 1 billion gallons of fuel in 2011, according to year-end numbers released by the EPA in January 2012. The previous record for biodiesel production was about 690 million gallons in 2008.²

Federal fuel and environmental mandates combined with a need to lessen our dependence on foreign oil sources has

²http://www.biodiesel.org/production/production-statistics
driven U.S production of biodiesel from 500,000 gallons in 1999 to 1.1 Billion gallons in 2011. Under the Energy Independence and Security Act (EISA) of 2007, the RFS program was expanded in several key ways:

- EISA expanded the RFS program to include diesel, in addition to gasoline;
- EISA increased the volume of renewable fuel required to be blended into transportation fuel from 9 billion gallons in 2008 to 36 billion gallons by 2022.

EPA RFS2 mandates for 2013 are 1.28 Billion gallons of biodiesel.

Even without federal mandates, production of biofuel can help drive economic growth and wealth in local communities with the production of feedstocks and the processing and distribution of fuels. However, these pieces of the value chain must be profitable. New innovations in biofuel technologies and production methods continue to reduce costs and allow for variable scale production.

First generation biorefineries relied on a single feedstock such as soybean oil to produce biodiesel. As commodity prices went higher, the biorefinery could not produce biodiesel at a competitive price. Capital investment to build large, complex refineries was high because of their huge capacities. Moreover, these refineries required considerable transportation cost for hauling feedstock from harvest or collection to the refinery and from refinery to user. Costs of starting and stopping these refineries were significant.

New technologies have created biorefineries that use multiple feedstocks flexible enough to switch feedstock sources as costs change. These technologies also allow for smaller scale production that minimizes storage and transportation costs. Universities are working with industry to develop new feedstocks that have higher oil content and can be grown as cover crops, rather than replacement crops for other commodities.

**Competitive Environment**

Current biodiesel capacity in Arkansas in 109 million gallons per year (MGY) in four plants. The capacity of these facilities range from 10 MGY to 59 MGY—requiring them to sell primarily to large retail and wholesale customers. Furthermore, these facilities are dependent on limited types of feedstock (in some cases a single feedstock) to produce fuel. This makes them more prone to seasonal and yearly cost fluctuations as experienced with recent increase in soybean prices that forced several facilities to cease production.

The larger capacity of these facilities requires storage and associated costs for both feedstock and fuel. Sales are primarily to larger customers requiring transportation outside the region, adding another cost factor to their business model. Delta Sun Biodiesel aims to capture smaller and niche markets not well served by current production facilities.

**Delta American Fuel LLC – Helena/West Helena**
Fuel Produced: Biodiesel
Feedstock(s) Used: Soybean oil
Annual Production Capacity: 40 MGY
Status: Began production in January 2010

FutureFuel Corporation – Batesville
Fuel Produced: Biodiesel (B99/B100 tallow methyl ester (TME))
Feedstock(s) Used: Currently only edible-grade beef tallow (though it is vetted for soybean, canola, palm, corn, and cottonseed oils, pork lard, and poultry fat)
Annual Production Capacity: 59 MGY
Status: Began production in October 2005

Pinnacle Biofuels – Crossett
Fuel Produced: Biodiesel
Feedstock(s) Used: Multiple Animal Fats and Vegetable Oils
Annual Production Capacity: 10 MGY
Status: Began production in May 2008

Risk Assessment

Product Risk

- **Feedstock Availability** – Critical to the success of local micro biorefineries is the availability of a dependable, economical feedstock to keep the refinery running efficiently. Current cost of virgin vegetable oil is too high to produce biodiesel at a competitive price. WVO is a more economical feedstock at the present time.
  - A separate business or partnership with an existing business could be developed to locate and pickup supplies of WVO,
  - Several cities across the United States have started residential curbside WVO recycling projects to prevent disposal with other garbage. A similar program could be evaluated for cities and counties in the Arkansas Delta area.
  - Central aggregation, storage and cleaning of WVO could provide additional entrepreneurial opportunities and reduce transportation costs for WVO.
  - Micro crushers will be needed to crush oilseeds for new Delta bioenergy crops such as Camelina. The crushers extract meal and oil from oilseed crops. Oil can be used to produce biodiesel while the meal can be sold to livestock feed mills and offset the cost of biodiesel production.

- **Quality Product** – Poor quality biodiesel can damage engines, produce poor product yields and lose customers for a local biorefinery. While biodiesel of a local refinery used by owners (such as farmers) does not need to meet stringent ASTM standards, sales of biodiesel to outside consumers or refineries must meet these standards. To assure ASTM standards Delta Sun Biodiesel will take the following steps for quality assurance.
  - The Company will work with Mid-South Community College’s new Marion Berry Renewable Energy Center testing lab to provide technical assistance and
local testing for biodiesel in a timely manner. Expertise to correct quality issues can be centralized at the college to avoid having full-time chemists at local refineries.

- To avoid heavily contaminated WVO feedstock that is costly to clean and reduces biodiesel yields, each refinery will have a centralized operation to collect, aggregate and clean WVO. Additional quality control will be introduced during refining where the technology will titrate the oil and adjust levels of methanol and sodium hydroxide as needed.

**Production Expertise** – Production of biodiesel can be complex. The proper mixture of methanol and sodium hydroxide needs to be determined during titration and monitored throughout the production process. Delta Sun Biodiesel will use specific refining technologies and strategic partnerships to ensure high quality fuels.

- The Gir Energy’s micro biorefinery technology has an automated process to reduce errors caused by manual mixing.
- Operators can receive education and technical support from the Arkansas Delta Technical Education Consortium (ADTEC), a group of six local community colleges in the Arkansas Delta, have developed a degree program in diesel/biodiesel technology. In addition to educational opportunities for microbiodiesel operators, faculty and graduates can provide chemical and mechanical engineering expertise for local biorefineries.

**Cost of Product** – Price of finished biodiesel must be competitive with petroleum products for consumers to make the change.

- Currently, the high price of commodities such as soybeans and cottonseed has caused biodiesel made from these feedstocks to be higher than petroleum based diesel. By using local WVO, Delta Sun can reduce production costs for the micro biorefinery and make the biodiesel competitive with petroleum.
- Biodiesel Tax Incentive of $1 per gallon expired on December 31, 2011. The incentive was reinstated in Fall of 2012 retroactive to January 1, 2012. The incentive will expire on December 31, 2013 and it is not known if it will be reinstated. Local biodiesel biorefineries will need to be profitable without the tax incentive. The Company’s process for producing biodiesel is profitable without tax incentives.
- Lower transportation costs should give local bio-refineries a slight competitive price advantage. Delta sun’s small batch production capability will reduce storage costs.
- As the micro-refineries introduce feedstock from bioenergy crops, the crushing process will produce products including vegetable oil that will be used to produce biodiesel and meal by-product than can be sold to the multiple livestock feed producers in the region. Current prices indicate that approximately 40% of crushing costs can be recouped by sales of by-products.

**Market Risk and Opportunities**

of biodiesel from various types of feedstock can reduce the cost to supply biodiesel, demand for fuel will be the driver for profitability. By matching the Company’s capacity to market segments, and taking advantage of consumer trends, company management has evaluated demand risks and concluded:

- **Renewable Fuel Standards will continue to provide a floor for production quantities** - The EPA has issued Renewable Fuel Standards (RFS) of 1.28 Billion gallons
of biodiesel for 2013; an increase of over 25% from the one billion gallons produced in 2012. This will increase demand from refineries for biodiesel to blend with petroleum diesel to meet the standards. As indicated with the prototype currently in operation, excess capacity not purchased by local consumers can be readily sold to petroleum blending facilities.

- **Sales will be targeted to meet niche and local demand markets** – When price across suppliers are similar, market research shows a trends toward consumer preferences to buy local and buy green. Many local and state governments have established preferences for local and/or green suppliers. Delta sun Biodiesel capitalizes on these trends by offering a local, green product to niche markets that have typically do not have the quantity of demand to buy directly from larger producers. Target customers include:
  
  - Local school district using diesel in school buses and other vehicles.
  - Fire department for diesel fire trucks.
  - City and County governments for road equipment, garbage trucks, tractors and other equipment.
  - Local ambulance service providers.
  - Local farmers to replace current petroleum diesel.

**Business and Financial Risk**

Starting a new business is always a risk when technology is changing so rapidly in an industry like renewable energy. New technologies are being developed to convert various kinds of feedstock into ethanol, biodiesel, biochemical and other related products. Business risk has been evaluated:

- Cost of building and testing a new refinery is substantial. Gir Energy has used a Department of Energy grant and other funding to build a “Rolls Royce” test model of a micro biorefinery for use at Mid-South Community College to be used for education purposes.
  
  - Expanding production of the micro biorefinery equipment has not been done at the present time.
  - Cost of refinery equipment has been estimated. Production of the equipment could be less expensive than current estimates.

- Making biodiesel will present certain environmental challenges for a business. Input for the Arkansas Department of Environmental Quality (ADEQ) will be essential during the planning and building stages of the biorefinery. Liability insurance can be purchased to limit the company’s exposure.

- Marketing biodiesel to a variety of customers will be a risk for a new startup. Local governments, businesses and farmers have to be educated about the benefits of buying local biodiesel.

---

**Company History and Structure**
Company History

Delta Sun Biodiesel is a for-profit startup company that will secure feedstock, process biodiesel and sell the biodiesel to local customers with excess volume sold to Mid-South refineries such as Valero located in Memphis, Tennessee.

The company will purchase the micro-refineries at a discounted price from Gir Energy. Each refinery will be operated by a local entrepreneur that will be under contact with Delta Sun until such time that he wishes to buy-out or refinance the operation independently. To ensure skin in the game, each entrepreneur will invest a minimum of 20%($150,000) into the operation of their micro-refinery.

Alt. Consulting will provide business and management assistance by helping to establish management and financial systems and tapping into their network of advisors and mentors to help launch each refinery and build solid management teams. Alt. Consulting personnel will meet with Company management monthly for the first six months and thereafter as needed to discuss their financial situation and other matters. The AGEN partnership provides an initial marketing channel for sales and connections to other potential customers.

Alt consulting also is a CFDI and is willing to finance a very small portion of the amount needed for working capital.

Board of Directors

A local board of directors will be established. Local partners including business owners, bankers, government officials and others will serve on the board. In addition, investors will have a minimum of two slots on each board.

Legal Form

Delta Sun Biodiesel is a limited liability corporation (LLC) registered in Arkansas.

Ownership

Owners will be local entrepreneurs who will purchase the biorefinery and then run or hire management to run the refinery. Specific ownership of the business model has not been determined at this time.

Consulting Support

The Company has a working relationship with Alt. Consulting which assists small businesses in their growth through needed management systems, financial modeling, financial management training as well as business and strategic planning. The Company has an active scope of services with Alt. Consulting at this time and will continue to work with Alt. Consulting.
Management Team

Management team will be determined after the Company has been organized.

Financial Projections

Sources and Uses of Funds

The following sources and uses of funds are estimated for the Company:

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside Investment</td>
<td>$ 750,000</td>
</tr>
<tr>
<td>Owner Investment</td>
<td>$ 150,000</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>$ 1,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>Building</td>
<td>$ 200,000</td>
</tr>
<tr>
<td>Equipment and Machinery</td>
<td>$ 570,000</td>
</tr>
<tr>
<td>Working Capital</td>
<td>$ 205,000</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td>$ 1,000,000</td>
</tr>
</tbody>
</table>

Local and outside owners will raise a total of $1,000,000 to fund the project. The funds will be used to purchase land, construct a building, purchase equipment and provide working capital for two biorefineries in the Arkansas Delta area.

Financial Model

Based on available information, alt.Consulting has developed an integrated financial model based on current information. The model integrates demand, current and projected prices and cost estimates into a projected income statement as follows:
### Five Year Operating Projections for Two Micro Biorefineries

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (gallons per year)</td>
<td>300,000</td>
<td>400,000</td>
<td>400,000</td>
<td>400,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Projected Selling Price (net of taxes)*</td>
<td>$3.73</td>
<td>$3.80</td>
<td>$3.73</td>
<td>$3.80</td>
<td>$3.80</td>
</tr>
<tr>
<td>Producer’s Tax Credit</td>
<td>$1.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>RINs</td>
<td>$0.30</td>
<td>$0.30</td>
<td>$0.30</td>
<td>$0.30</td>
<td>$0.30</td>
</tr>
<tr>
<td>Revenue</td>
<td>$1,509,000</td>
<td>$1,640,000</td>
<td>$1,612,000</td>
<td>$1,640,000</td>
<td>$1,640,000</td>
</tr>
<tr>
<td>Cost of Goods</td>
<td>688,994</td>
<td>888,670</td>
<td>873,676</td>
<td>888,670</td>
<td>888,670</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$820,006</td>
<td>$751,330</td>
<td>$738,324</td>
<td>$751,330</td>
<td>$751,330</td>
</tr>
<tr>
<td>Expenses</td>
<td>364,818</td>
<td>357,528</td>
<td>334,746</td>
<td>340,676</td>
<td>338,422</td>
</tr>
<tr>
<td>Net Income</td>
<td>$455,188</td>
<td>$393,802</td>
<td>$403,578</td>
<td>$410,654</td>
<td>$412,908</td>
</tr>
</tbody>
</table>

*Department of Energy Estimates

## Assumptions

### Revenues:

Sales of biodiesel are expected to grow slowly from 300,000 gallons the first year to full capacity of 400,000 gallons for remainder of the plan period. Using DOE estimates, the price of biodiesel will be $3.73 per gallon for year's one and three and $3.80 per gallon the other three years.

The Producer's Tax Credit of $1.00 is included in Revenue for year One only. RINs of $0.30 per gallon are included for the entire planning period.

### Direct Costs:

A forecast of the future cost of WVO is not readily available. Most experts use a 49% of soybean oil. Cost of Goods sold is based on 49% of the USDA forecast for soybean oil over the planning period times the number of gallons sold.

### Operating Expenses:
**Labor** – Labor costs per refinery include an operator’s salary of $30,000 per year plus benefits and part-time workers with total salaries of $20,000 plus benefits. Labor costs are expected to increase 3% annually.

**Supplies** – Supplies for each refinery are budgeted at $1,000 per month.

**Maintenance** – The first two years maintenance on equipment should be minimal. An estimated $400 per month for each refinery is forecast.

**Advertising** – Critical to the success of each refinery will be the amount of available WVO at an affordable price. An advertising campaign to encourage WVO recycling will be used at each refinery. A budget of $6,000 annually for advertising for each refinery is used.

**Telephone** – Budgeted at $5,000 per year.

**Utilities** – Cost of electricity used will be minimal. An estimated budget of $1,000 per month is forecast.

**Insurance** – A comprehensive package include liability insurance is budgeted at $10,000 annually.

**Real Estate Taxes** – Real and personal property taxes are estimated at $2,000 annually.

**Interest** – A fixed interest rate of 6% annually for 10 years is budgeted.

**Depreciation** – Annual depreciation and amortization of $50,370 is included.