



Biodiesel Market Prospectus

*Ender Management Team,
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Introduction

“Our dependence on foreign oil is like a foreign tax on the American Dream, and that tax is growing every year ... It is time to deliver an effective, common-sense energy strategy for the 21st century ... In 1999, biodiesel producers sold about 500,000 gallons of fuel for the year. Last year, biodiesel sales totaled 30 million gallons. That's a sixtyfold increase in five years ...”

-- President George W. Bush, speaking at the opening of the Virginia Biodiesel Refinery in Westpoint, VA, May 16, 2005.

Imported petroleum makes up *one third* of our national trade deficit. Diesel consumption in United States exceeded 60 billion gallons in the past year and biodiesel sales have increased to over 30 million gallons in just a few years time. The use of biodiesel in the United States has grown dramatically during the last few years in part due to a favorable legislative climate. The Energy Policy Act of 1992 (EPAct) was amended by the Energy Conservation Reauthorization Act of 1998 to include biodiesel fuel use as a way for federal, state, and public utility fleets to meet requirements for using alternative fuels.

Pure biodiesel (B100) is considered an alternative fuel under the EPAct. Lower-level biodiesel blends are not considered alternative fuels per se, but covered fleets can earn one EPAct credit for every 450 gallons of B100 purchased for use in blends of 20% (B20) or higher.

Major Government Users of Biodiesel

Amendment of the Energy Policy Act marked the start of a sharp increase in the number of biodiesel users. Significant U.S. government users now include:

- The U.S. Department of Defense
- The U.S. Postal Service
- The U.S. Department of Energy
- The U.S. Department of Agriculture

The Department of Defense, the largest single consumer of fuel in the world, promises to be a major player in the alternative fuels market as 75% of new vehicles must be alternative fuel vehicles.

Other Users of Biodiesel Across the Nation

In addition to government users, countless school districts, transit authorities, national parks, public utility companies, and garbage and recycling companies are already using biodiesel, and many more are planning to transition to using biodiesel in the near future.

Federal Biodiesel Tax Incentive

Currently, there is a biodiesel tax incentive that is a federal tax credit. The credit equates to a one penny per percent of biodiesel in a fuel blend made from agricultural products like vegetable oils, and one-half penny per percent for recycled oils. This incentive is taken by petroleum distributors and passed on to consumers.

A study by the United States Department of Agriculture (USDA) estimated that this incentive will increase the demand for biodiesel to at least 124 million gallons per year. And depending on other factors, especially increasing prices for crude oil prices, the biodiesel industry projects that demand could be much higher.

A Favorable Legislative Climate for Biodiesel in Michigan and Other States

On Wednesday, September 29th, 2005, the House Agriculture and Resource Management Committee passed HB 5942 out of Committee by a 6 to 4 margin. This bill, introduced by Representative Nitz from Baroda, includes a 2% biodiesel requirement for all diesel fuel sold in the State of Michigan. In order to meet demand for B2 when this bill become law, 20 million gallons of B100 will be required annually in the state of Michigan alone. Some revisions to the bill are expected before it is passed to the House floor.

Wednesday, September 29th is significant for another reason too. On this day, the state of Minnesota became the first state to implement a 2% biodiesel standard statewide following on bipartisan support of the state's March 2002 legislation.

Other states that have already implemented legislation providing biodiesel incentives in one form or another include Arkansas, Hawaii, Illinois, Indiana, Missouri, Pennsylvania, and Texas.

It is highly likely that not only Michigan, but many other states will follow suit in implementing minimum B2 standards.

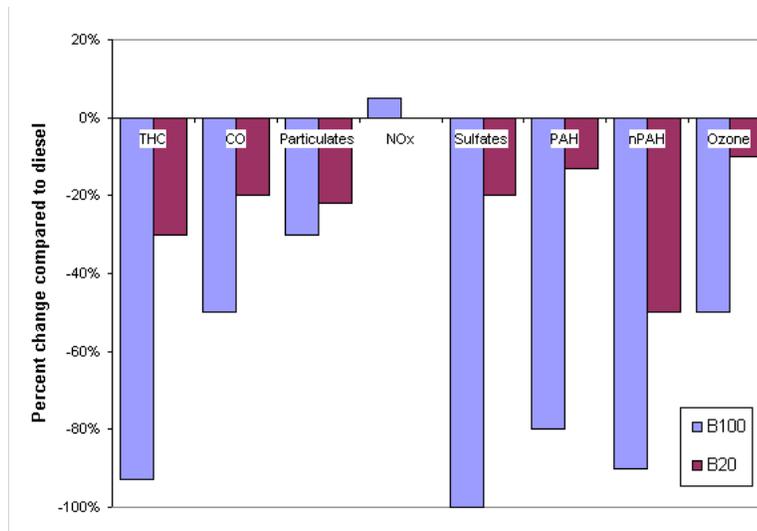
Environmental and Market Benefits in Michigan

A market prospectus regarding any new technology or product is incomplete without an examination of the environmental impact of that product or technology. In the case of biodiesel, the environmental benefits are sufficiently large to engender a very favorable market outlook without even mentioning other arguments in favor of biodiesel, such as the fact that domestically-produced renewable fuels reduce U.S. dependence on imported oil.

Gail R. Frahm, Executive Director of the Michigan Soybean Association, in testimony at the hearing on HB 5942 on September 29th, 2005, noted,

“A 2% biodiesel blend in Michigan diesel fuel each year will annually reduce poisonous carbon monoxide emissions by more than 1.5 million pounds, reduce ozone forming hydrocarbon emissions by 185 thousand pounds, reduce hazardous diesel particulate matter emissions by about 135 thousand pounds, and reduce acid-rain causing sulfur dioxide emissions by more than 88 thousand pounds ... Burning just 2% biodiesel in Michigan would reduce harmful and cancerous POM (polycyclic organic matter) impacts to humans, wildlife and streams by more than 80% for the 20 million gallons of petroleum diesel that would be displaced if this bill were passed.”

Diesel fuel exhaust contains harmful polycyclic organic matter (POM) that can affect the reproductive, developmental, immunological and endocrine (hormone) systems in humans and in wildlife. Everyone will benefit from reduction of these environmental toxins. Frahm concluded her testimony by noting, “Biodiesel use is increasing in our state ... With support ... we’ll be able to reduce our dependence on foreign oil ... It’s good for the engines and good for the environment.”



The environmental benefits of biodiesel are a significant factor contributing to biodiesel's increasing popularity in the emerging U.S. market.

National Biodiesel Price Surveys

In a random survey of biodiesel producers conducted by ENDER last week, we found B100 prices to be between \$2.99 and \$3.29 per gallon (*table below*). These real-world prices from last week are already higher than the selling price specified in ENDER's financial cost projections, thus suggesting that ENDER's current ROI projections are conservative.

Producer	B100 (U.S. \$ per gallon)
AEP, Omaha, NE	\$3.00
World Energy, Chelsea, MA	\$3.29
Griffin Industries, Cold Spring, KY	\$3.20
World Energy, Nevada City, CA	\$3.29
Missouri Better Bean, Bunceton, MO	\$3.00
Gulf Hydrocarbon, Inc. Houston, TX	\$3.20
Worley & Obetz, Inc. Manheim, PA	\$2.99
American Ag Fuels, Defiance, OH	\$3.15

Energy Management Institute's (EMI) Alternative Fuels Indexsm national biodiesel price survey for the week of September 8th, 2005, shows the national average selling price for a gallon of B100 biodiesel at \$3.0857 (*table below*).

AFI's Biodiesel Index for September 8, 2005

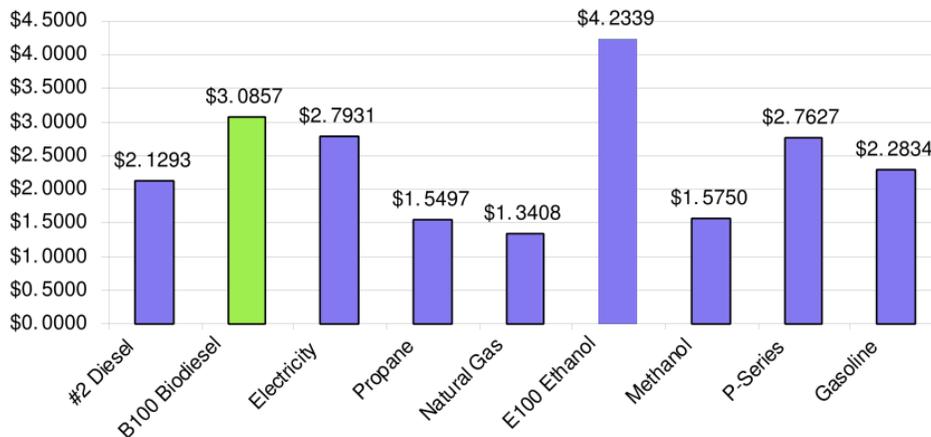
Location	B100	B20	B2	#2Diesel	Location	B100	B20	B2	#2Diesel
Albany,N Y	\$3.0009	\$2.2406	\$2.0695	\$2.0505	Manchester,N H	\$2.9240	\$2.2357	\$2.0808	\$2.0636
Albuquerque,N M	\$3.0750	\$2.4360	\$2.2923	\$2.2763	Miami, FL	\$3.1500	\$2.2990	\$2.1075	\$2.0862
Atlanta,G A	\$3.1500	\$2.2818	\$2.0864	\$2.0647	Minneapolis,MN	\$3.2665	\$2.3563	\$2.1516	\$2.1288
Baltimore,M D	\$3.2275	\$2.2820	\$2.0692	\$2.0456	Nashville,T N	\$3.1730	\$2.3216	\$2.1301	\$2.1088
Billings,M T	\$3.2400	\$2.4614	\$2.2862	\$2.2667	NewO rleans,L A	\$3.0500	\$2.2070	\$2.0174	\$1.9963
Birmingham,A L	\$3.1000	\$2.2413	\$2.0481	\$2.0266	Newark/NYC,N J	\$2.9869	\$2.2165	\$2.0432	\$2.0239
Boise,I D	\$3.2600	\$2.7213	\$2.6001	\$2.5866	OklahomaC ity,O K	\$3.1000	\$2.2917	\$2.1098	\$2.0896
Boston,M A	\$2.8788	\$2.2335	\$2.0883	\$2.0722	Omaha,N E	\$3.2450	\$2.3142	\$2.1048	\$2.0815
Burlington,V T	\$3.1500	\$2.3326	\$2.1487	\$2.1283	PhiladelphiaP A	\$3.2315	\$2.2901	\$2.0783	\$2.0548
Charleston,W V	\$3.1831	\$2.3205	\$2.1264	\$2.1048	Phoenix,A Z	\$2.8625	\$2.4147	\$2.3139	\$2.3027
Cheyenne,W Y	\$3.1600	\$2.4306	\$2.2664	\$2.2482	Pittsburgh,P A	\$3.1763	\$2.2857	\$2.0853	\$2.0630
Chicago,I L	\$3.0441	\$2.2619	\$2.0859	\$2.0663	Portland, ME	\$2.8488	\$2.2322	\$2.0935	\$2.0781
Columbia,S C	\$3.2235	\$2.2923	\$2.0828	\$2.0595	Portland,O R	\$3.0383	\$2.4203	\$2.2813	\$2.2658
Columbus,O H	\$3.1460	\$2.3041	\$2.1146	\$2.0936	Providence,R I	\$3.1500	\$2.2742	\$2.0771	\$2.0552
Dallas,T X	\$3.1000	\$2.2842	\$2.1007	\$2.0803	Raleigh,N C	\$3.2315	\$2.3049	\$2.0965	\$2.0733
Denver,C O	\$3.0400	\$2.3826	\$2.2347	\$2.2183	Richmond,V A	\$3.2275	\$2.2987	\$2.0897	\$2.0665
DesMoines,I A	\$3.1941	\$2.2991	\$2.0978	\$2.0754	SaltLak e City, UT	\$3.0533	\$2.6204	\$2.5230	\$2.5122
Detroit,M I	\$3.1771	\$2.2921	\$2.0930	\$2.0709	San Francisco,C A	\$2.8575	\$2.3457	\$2.2305	\$2.2177
Dover,D E	\$3.1500	\$2.2822	\$2.0869	\$2.0652	Seattle,W A	\$2.9883	\$2.4158	\$2.2870	\$2.2727
Honolulu,H I	\$2.1500				SiouxF alls, SD	\$3.1000	\$2.2905	\$2.1083	\$2.0881
Houston, TX	\$3.1000	\$2.2616	\$2.0730	\$2.0520	St.Lo uis,M O	\$3.1000	\$2.2730	\$2.0870	\$2.0663
Indianapolis,I N	\$3.1189	\$2.3200	\$2.1403	\$2.1203	Witchita, KS	\$3.2739	\$2.3138	\$2.0978	\$2.0738
Jackson,M S	\$3.1000	\$2.1872	\$1.9818	\$1.9590	U.S.A verage:	\$3.0857	\$2.3242	\$2.1488	\$2.1293
Jacksonville,F L	\$3.1500	\$2.3021	\$2.1113	\$2.0901					
KansasC ity,M O	\$3.1000	\$2.2903	\$2.1081	\$2.0879	Halifax,N S*	\$1.8935	\$2.0380	\$2.0705	\$2.0741
LasV egas,N V	\$3.0517	\$2.4962	\$2.3712	\$2.3573	Montreal,Q C	\$3.0280	\$2.2842	\$2.1169	\$2.0983
LittleR ock,A R	\$3.0500	\$2.2826	\$2.1099	\$2.0907	Ottawa,O N	\$2.6342	\$2.2286	\$2.1373	\$2.1272
LosA ngeles,C A	\$2.8575	\$2.3546	\$2.2415	\$2.2289	Sudbury,O N	\$3.1659	\$2.3257	\$2.1366	\$2.1156
Louisville,K Y	\$3.1419	\$2.3045	\$2.1160	\$2.0951	Toronto,O N	\$2.6470	\$2.2219	\$2.1262	\$2.1156
Madison,W I	\$3.1000	\$2.3342	\$2.1619	\$2.1428	CanadaA verage:	\$2.8688	\$2.2651	\$2.1293	\$2.1142

Prices do not include taxes and may be net of certain subsidies. Blended prices may be higher due to additional transportation and blending. Prices are in U.S. dollars per gallon derived from sources deemed reliable. B-100 price for ASTM-spec fuel except as noted by *.

Biodiesel's Market Position Relative To Other Fuels

As shown in the table below based on data from Energy Management Institute's September 8th Alternative Fuels Index, B100 is competitively priced as an alternative fuel, especially relative to ethanol. This fact helps make biodiesel an especially attractive fuel option for fleet owners.

Diesel/Gasoline Gallon Equivalent Average Prices



The market price of biodiesel is very attractive to consumers, especially when compared with other alternative fuels such as ethanol.

When blended, the pump price for B20 is very competitive with that of unblended petroleum diesel. In fact, at the Meijer's gas station on Carpenter Road in Ann Arbor, the price of petroleum diesel and Meijer's B20 biodiesel blend are the same (*photograph below*).



The price of Meijer's B20 is identical to that of unblended petroleum diesel, but the biodiesel offers additional environmental benefits. Photo taken 2005.10.02.

Regional Biodiesel Producers

There are currently 18 operational producers of biodiesel in the United States. Currently none are located in Southeast Michigan, even though Michigan annually consumes over *one billion gallons* of petroleum diesel per year.

The closest producer of biodiesel is Griffin Industries in Cold Spring Kentucky which last week was selling B100 for \$3.20 per gallon. Griffin Industries is approximately 260 miles from Ann Arbor.

The next closest producer of biodiesel is West Central Soy in Ralston, Iowa. West Central Soy started producing biodiesel in 1996 and is now the nation's largest producer of biodiesel. West Central Soy is approximately 650 miles from Ann Arbor.

Wacker Oil, a local fuel blender located in Manchester, MI, currently purchases B100 for blending from a producer in Massachusetts, over 750 miles away. In meetings held last year, Wacker expressed interest in buying biodiesel from ENDER. ENDER has also received interest from Crystal Flash, a blender in Grand Rapids, MI.

Significant Local Users of Biodiesel

Chrysler's Jeep Liberty, produced in Toledo, Ohio, has been factory- filled with a B5 blend of biodiesel since production began in November of 2004.

The Ann Arbor Transportation Authority (AATA) began using bio-diesel in most of its diesel vehicles in 2001, and has continued using it seasonally during the hot and smoggy summer months. AATA uses a B20 blend. The University of Michigan began using bio-diesel in September, 2003 as part of a wider effort to reduce emissions from its fleet of transportation buses. UM also uses a B20 blend. Manchester public schools are using Wacker's B20 blend in their fleet of school buses. These are just a few examples of significant local consumers of biodiesel.

International Market Outlook

The market for biodiesel is growing around the world, not just in the United States. Growth is being driven through mandated biodiesel blends and fiscal incentives. From 2005, the European Union has directed that 2% of the energy content of all petrol and diesel for transport must come from renewable sources. All diesel sold in France is already blended with 2% biodiesel. In India, a 20% blend is possible for 2020. Thailand is aiming for a 10% blend by 2012. Meeting these targets will strongly increase the demand for biodiesel and will open huge national and international markets for this important product.

Appendix: Sources of Biodiesel Market Information

The White House. **President Discusses Biodiesel and Alternative Fuel Sources.** <http://www.whitehouse.gov/news/releases/2005/05/20050516.html>

U.S. Department of Energy, Energy Efficiency and Renewable Energy (EERE) Alternative Fuels Data Center. **Biodiesel Fuel Market.**
http://www.eere.energy.gov/afdc/altfuel/bio_market.html

U.S. Department of Energy, Energy Efficiency and Renewable Energy (EERE) FreedomCAR and Vehicle Technologies Program. **Energy Policy Act.**
<http://www.eere.energy.gov/vehiclesandfuels/epact/>

Michigan Soybean Association. **Legislation Including Biodiesel Passes Out of House Ag Committee.**
<http://www.michigansoybean.org/news/MSA%20news/biodiesel%20legislation%20passes%20out%20of%20house%20ag%20committee.htm>

National Biodiesel Board. **Tax Incentive.**
<http://www.nbb.org/news/taxincentive/>

Energy Management Institute. **Alternative Fuels Index.**
<http://www.energyinstitution.org/Publishing.htm>

D1 Oils. **Global Biodiesel Market - Set for Growth.**
<http://www.d1plc.com/energy/biodiesel.php>

National Biodiesel Board. **Minnesota Diesel Now Contains 2% Biodiesel Statewide.**
http://www.nbb.org/resources/pressreleases/gen/20050929_MN_Mandate_Implemented.pdf

West Central Soy. **SoyPOWER Biodiesel.**
<http://www.soypower.net/>

Griffin Industries. **Bio G-3000 Biodiesel.**
<http://www.biog-3000.com/>

GoBiodiesel.org. **Biodiesel vs. Diesel Emissions.**
<http://www.gobiodiesel.org/media/biodiesel-vs-diesel-emissions.gif>

Biodiesel.org. **Chrysler Group Chooses B5 Blend.**
http://www.biodiesel.org/resources/pressreleases/pas/20040910_Jeep_Liberty.pdf

Ecology Center. **Ann Arbor Invests in Cleaner Fuels.**
<http://www.ecocenter.org/200301/valley.shtml>