



BN National Trail

Presentation

To

Eastern Illinois Business Education Association

By

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Introduction

Larry Zuber – Plant Manager for BN National Trail Biodiesel, LLC in Newton

Thanks

I want to thank Shasta Bennet & the Eastern Illinois Business Education Association for inviting me to speak to you today.

About My Company

BN National Trail is a project of Blue Northern Energy. BNE combines the latest technology advances, refining processes and innovative minds to develop sustainable and profitable biofuel production facilities. BN NATIONAL TRAIL is the Pilot project for BNE. BNE worked with AKER solutions to test and verify the Quicksilver Biodiesel or QSB technology capabilities. When ready to proceed, they looked for a shovel ready site and found that in Newton.

The Newton Plant Project

National Trail Biodiesel Group started in 2001. NTBG was formed as an agricultural coalition of five southern Illinois counties and had over 200 investors. In August 2009, NTBG approved the sale of its development work to Blue Northern Energy after NTBG had conducted several feasibility studies and due diligence was completed by equity firms, government organizations, and private investors.

Over the last several months, BNE and BN National Trail have been working with Aker solutions on the final stages of the design process, for the development of the Newton site. We had obtained all the necessary permits and private financing, and were waiting on final construction documents and grant Approval from the Illinois Department of Commerce & Economic Opportunity, DCEO. During that time, an opportunity was brought to our attention. Our company president, Tony Quinones was contacted by an industry representative about a set of biodiesel processing equipment that was available on the market for at a very economical price. He wanted to know if we were interested and if we wanted to come take a look at it firsthand. We were given some pictures and general information regarding the equipment but not the specifics of who had it built. We said yes, and Tony and I got on a plane 2 days later and flew down to Houston to take a look. When we got there, we were handed the complete documentation of the equipment and Tony could not believe what he was seeing. This equipment was developed, designed, and built by a company called Kriedo Biofuels. Coincidentally, Tony and BNE in its beginning stages investigated this company and its technology and had pursued obtaining their technology, but could not come to an agreement to work together. Now here sat that very equipment, available for only pennies on the dollar for what it had been built. Having already researched and verified the capabilities of this equipment, we took immediate action to purchase it. I worked hurriedly to put together an acceptable storage facility and we had all 28 truckloads of the equipment shipped to us within a month.

New Plan

The new equipment completely changed our overall project. Up till now, we were working on a 2 phase project to first have a 5mgpy plant within a year and then a 30mgpy plant to be completed within another year after that. We now have 50mgpy worth of equipment which we are working to have completed within 1 year.

To help accomplish this, we have hired Frazier Barnes and Associates, FBA, to be our lead process engineers. Although most of the main processing equipment was included in what we already purchased, we still need to specify and obtain all the support equipment to go with it. This includes boilers, chillers and other pre and post processing equipment.

Another effect of the change in primary process equipment is the EPA permitting requirements. We were fortunate in that along with the equipment, we also obtained all the research and documentation for the permits originally obtained for this equipment. That along with the permits we had obtained for the QSB plant and the original permits obtained by NTBG is helping to expedite the permitting process.

We have updated our site civil design and are working with Plocher Construction and Milano and Grunloh Engineers to complete the civil site plan and be ready to start moving dirt before the end of this month.

We are working with Ameren Gas to run a new main line to provide us with the energy required to run the plant. Our usage exceeds the amount available on the South east side of town. The city is in the process of running new underground power to the site, and water and sewer are already to the site and being used at our current office.

We are working with Indiana Railroad to install a rail spur to handle the majority of the transportation of both the feedstock and finished Biodiesel. The 50mgpy output translates to 137,000gal per day, which is 9 rail tankers or 40 trucks per day. We will have the capability to handle all by truck if necessary, but the current plan is by rail when possible

Financing

Along the way there have been various opportunities and obstacles associated with the financing of the project. We have been working to keep the core group of investors relatively small. 37 of the original investors from NTBG transferred into our company and added on to their original investments. Recently we have added several new private investors to the project to help support our continual working capital needs. We have a primary lending institution set up to provide a loan which has approval and backing by the USDA. We are still working with the DCEO on the Grant and hope to have it awarded in the near future.

We are currently working with the South Central Illinois Regional Planning & Development Commission and City of Newton to get a loans through their RLFs or Revolving Loan Funds.

For Operations, we are utilizing funds from the state on a part time worker program, which pays up to \$10/hour for each part time worker meeting their criteria. The Industrial park is part of the City's Enterprise Zone and in the TIFF district, and being an alternative energy plant, we will get to take full advantage of both of those.

Strategic Operating Plan

To insure we can be profitable and be competitive in the market, we have laid out a plan to make sure we can obtain our feedstock, which is the primary cost of operation, at a competitive price. To do that, our plant is designed to utilize a variety of oils which will allow us to change from one type to another as their prices become more opportunistic. This will also allow us to continue to work with other industry leaders and innovators and continue to research and work with new types of feedstocks as they become viable and available in the market. We are working with RJ O'Brien, one of the nation's largest biofuel risk management consultants to guide in our decision making processes.

On the other side of operations is our ability to have a constant demand on all the product we produce, no matter how the market fluctuates. In recent years, many producers relied on tax credits to make the price of the finished product, competitive with petroleum diesel. When that credit expired, the price was too high and the demand went away with it. The Renewable Fuels Standard, or RFS2 required by the EPA puts requirements on major consumers of fuel to use a minimum quantity of Biofuel on all of their petroleum fuel. This creates an overall demand. We have an offtake agreement with one of the world's largest distributors of Petroleum and Biodiesel. This means that we will always have a demand regardless if the sale price of biodiesel is higher than petroleum diesel.

Construction & Operations Plan & Schedule

We have laid out a schedule to put us in operation by the 4th quarter of next year. We plan to break ground by the end of the year and be deep into construction and assembly during the 1st and 2nd quarter of next year. We will start hiring our high level personnel within 6 months from start up and have all personnel on board within a month from full operation, during the final testing phase.

The plant will operate 24hrs a day, 7 days a week. We expect to have 22 to 26 full time employees consisting primarily of high level operators and maintenance personnel with minimal support staff. Some supplies and finished product will be shipped by truck and the loading and unloading will be a 24 hour operation. The railroad will do their main pickup and delivery at night while cars will be transferred during all operating hours.

Summary

In the short term, the project will bring many construction jobs to the community. In the long term the project will maintain approximately 25 full time jobs as well as the transportation and support jobs will be added to the community from our suppliers and customers. We have other projects in development that have a potential to come to the community to supplement our process. Hopefully this is just a start to the expansion and development of our community.

Thank you again for inviting me here to talk to you today.