

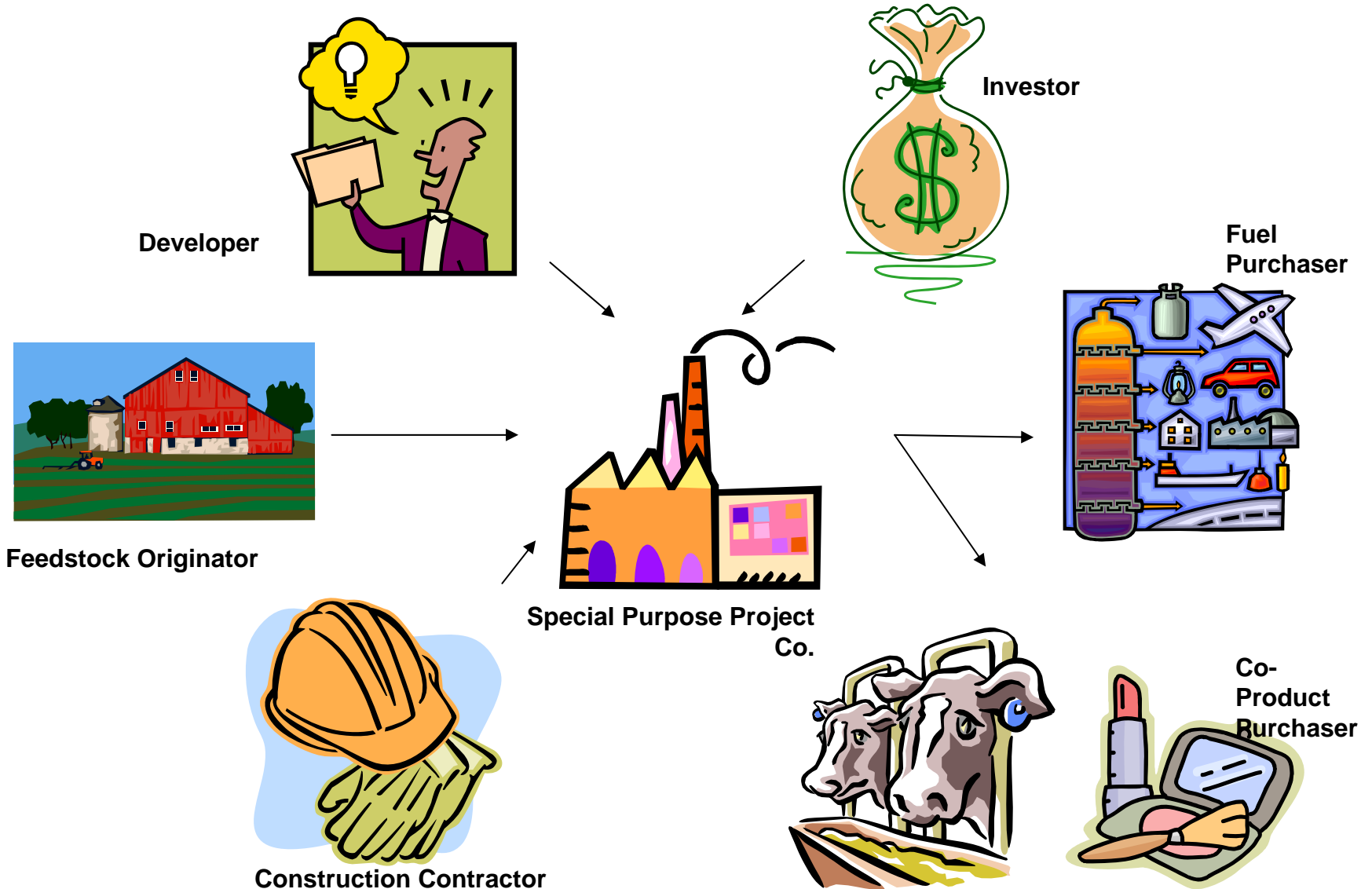
Risks of Biofuels Investment

**ALLISON CLEMENTS
CHADBOURNE & PARKE LLP
NEW YORK CITY**

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- ⊙ International law firm with offices in U.S., Europe and Asia
- ⊙ Recognized as one of the leading law firms in the domestic energy sector, including biofuels
- ⊙ Representing participants in connection with the development of more than 5 billion gallons of ethanol and 300 million gallons of biodiesel
- ⊙ Clients include Morgan Stanley, WestLB, Credit Suisse, Macquarie Bank, TD Banknorth, Biofuel Energy, US Renewables Group, Virgin Fuels and Ethanex

Typical Project Structure



Types of Biofuels Investors

- ⊙ Commercial Banks
- ⊙ Equity Providers
- ⊙ Government Financing
- ⊙ Developers/Strategic Partners
- ⊙ Export Credit Agencies

Risks of Biofuels Investments

- ◎ Site Selection
- ◎ Construction Contract
- ◎ Equity/Strategic Partner Involvement
- ◎ Revenue/Expense Uncertainty

- ⊙ Availability/Price of Feedstock
- ⊙ Transportation
- ⊙ Permitting/Regulatory Environment
- ⊙ Zoning
- ⊙ Utilities
- ⊙ Labor
- ⊙ Origination v. Destination

- ◎ Technology Provider
- ◎ Construction Timing
- ◎ Liquidated Damages
- ◎ Requirements of Debt and Equity Sources
- ◎ Optimizing Risk Allocation

Equity/Strategic Partner Risk

- ◎ PPM v. Private Equity
- ◎ Carried Interest for Initial Developers
- ◎ Management Team Expertise
- ◎ Strategic Partner
- ◎ Exit Strategies
- ◎ Allocation of Control

- ◎ **Lack of correlation between the price of feedstock and the price of biofuel**

- ◎ Risk Management Strategies:
 - ◎ Hedging

 - ◎ Tolling

 - ◎ Synthetic Tolling

 - ◎ Fuel Supply/Offtake Arrangements

 - ◎ Fractionation

- ◎ Extend the Blender Tax Credit
- ◎ Increase the Renewable Fuels Standard
- ◎ Public Loan Guarantees
- ◎ Department of Defense Contracts

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