
Ashland City Council

MINUTES FOR THE WORK SESSION OF COUNCIL January 24, 2007

PLEDGE OF ALLEGIANCE

PRESENTATION OF MINUTES: None

Wednesday, January 24, 2007 2:00 pm 3rd floor Conference Room

PURPOSE- Ethanol Meeting

Glen Stewart - The goal this afternoon is to hold the presentation including questions and answers to 2 hours. Those that wish to speak after the presentation, I am going to go by the list of those who signed up on the way in, first one first and if you signed on here and choose not to speak that is perfectly okay. But that is how I am going to take the first speakers, is off of that list and if you signed it because you thought it was an attendance sheet, that is okay also. Just say I really do not want to speak. We are going to send around the attendance sheet, it is on the way and please sign in.

When you speak, I want you to stand and when you are recognized, please give your name and address to our Clerk of Council so we can record that. I want to share with you that if any of you need to leave, this meeting is an open meeting and you can leave at any time you choose. Be as quiet as you can, that is all we ask and not everyone has 2 hours to sit here and listen to this process. I would ask that you turn your cell phones to at least a quiet position and with that we are going to get this meeting started. We are going to ask for introductions and I am going to start to my far left: Robert M. Valentine, Ward 2, Ruth Detrow Ward 3, Paul Wertz Ward 4, Glen Stewart, Councilman at Large and I am going to start here with Fire Chief Mark Burgess, Larry Paxton, Engineering, Jim Cooper, Engineering, Ellie Grubb, Mayor's Asst., William Linson, Municipal Court, Jerry Mack, Street Dept., Anna Tomasek, Finance Director, Bruce Wisner, Water Treatment, Curt Young, Water Distribution Sanitation, William Miracle, Police Chief, Robert Valentine Ward 1, Mayor Bill Strine.

Any other City elected officials in the audience? Any County elected officials, please stand and give your name please: Mike Wells, County Commissioner, Kim Edwards, County Commissioner, County Auditor.
Twp elected officials: Richard Westner, Montgomery Twp Trustee. Martha Pendelton, Ashland City Schools.

Stewart: Thank you everyone for your attendance this afternoon. We are going to go through a presentation this afternoon. If you will note, I have on Item #3 Presentation by Dean Homayouni and Glenn Hyman. Glen Hyman is not an officer of the company. They are going to make their presentation and that will be followed by questions and answers. The process we are going to use and the questions and answers, City Council will have the opportunity to ask questions and City Council and other elected and appointed officials within the city, and then I would like to go to the general audience and start there. With that, Dean would you care to start?

Dean Homayouni- Good afternoon, my name is Dean Homayouni. I am from Las Vegas Nevada and to give you a little background about our group. We started looking at in January 2005 about trying to find a way to differentiate our stations from the competition. Our group is currently distributing about 800 million dollars in gasoline a year in over 400 gas stations in Idaho, Montana, and the state of Nevada, Utah and all the way down to Phoenix. One of our

founders came across this alternative energy product called E85 which is 85% Ethanol. We looked at selling the product from about January of 2005 all the way to June of 2005 and spent a good 6 months. They have been in the gasoline industry for over 30 years. So they are not Wall Street guys and they are not fly by nighters. They have built a company from scratch, from 0 sales to almost 800 million dollars in revenue through hard work, outstanding surface and participating with gas station owners they surface day in and day out. So we spent about 6 months looking at alternative energy products and found that it is a really great idea because:

1. Ethanol uses its source from corn, it employs farmers.
2. It keeps the dollars within the United States. We do not have all this money going out to foreign countries and we are actually going to see one of the slides about where all the oil is and who uses the oil.
3. It also employs Americans all the way on the down cycle and one of the studies we have shows that this Ethanol plant, which we are going to give to the City Council is going to effect or provide downstream somewhere between 600 and 800 jobs. That is what is going to create between all of these additional retail jobs between people of the plant, between the guaranteed employment of the farmers and their workers because these plants are supplied by Corn. Starting in June of 2005, we actually approached these projects in a very detailed manner starting in June 2005 before President Bush got up for the State of the Union Address back in January of 2006 and he mentioned Ethanol and the whole thing crazy. We test marketed the product at 4 stations, so if you go to E85fuel.com and there is 4 gas stations there, they are selling the E85 product. We own those gas stations because we wanted to make sure before you wind up selling a product; we wanted to go through the diligence we have to perform. I owned one of those gas stations where the product was sold. I literally talked to thousands and thousands of customers about the E85 product. We were originally buying it from a brokerage group out of the California area, that relationship did not work. We then decided to start the rails product on the manufacturer of Ethanol which is Aberdeen and were rail-ing it from Minnesota, that did not work for us because we are in the business of selling gasoline products the way gas station owners work, is that when they call up to have their product delivered, they want it here in 24 hours. They don't want to hear it is taking a train an extra 7 days to get the product delivered to our location and therefore you are going to be out of product. During this period of time, we have been selling the product; there were times where my gas station had no E85 to sell for 11 days. Because we were dependent upon rail, it happens all the time. So starting in about November of 2005, which again that we already had spent about 11 months on this project already. The two main guys swung around and asked me to go out and perform the research to figure out what did we have to do to really create a distribution channel originally where anyone selling the E85 product or a person could buy a flexible vehicle and drive all the way to Billings Montana, all the way to Phoenix, Arizona to buy a car. Because as we are going to see in some of the slides, there is one station selling E85 in Idaho, there is two in Utah, there is 4 in Nevada and as of a few months ago, I think there were 0 in Arizona. Those are the main markets we server right now. Back in the Super Bowl of last year, GM started running their ads on flexible fuel vehicles. Those are the cars they are showing where they have the corn fields and they say that you can get this alternative energy vehicle, a flexible fuel vehicle can burn any combination of 0 Ethanol all the way up to 85%. But the reality is, is that the American public is really not getting advantage of those vehicles unless people step forward to be able to deliver the product where people can drive from point A to point B and they go on a 400 mile trip and they are able to fill their car along the way. That was our original vision, starting in November, we said, you know something? We wanted to build a local plant that we are not dependent upon rail that someday can drive from Billings, Montana to Phoenix Arizona and hurry out 150 stations along the way for people to be able to fill up their cars. This alternative energy is not going to work unless you have a distribution outlet to allow the consumer to buy the product. So then we turned around and say, lets look at other states where we are able to build a plant because the big problem with that, Idaho grows no corn. It only grows 6.7 million bushels of corn and almost all of it is silage. They grind it up and use it to feed the cattle and this plant, for the farmers is going to require about 18 million bushels of corn. This plant is going to require every 8-9 days 105-110 train carloads of corn or about 400 dump trucks full of corn shelved at that plant every week. Each one of these plants, a 50 million gallon plant consumes about 110,000.00 acres of corn. That is a lot of corn. Now did anyone see President George Bush's State of the Union Address yesterday? I missed it but I know that he talked about Ethanol and one of the things he talked about was 35 billion gallons of alternative fuels which is a combination between bio-diesel and ethanol by the year of 2017. We are currently producing about 6.7 billion gallons, so we have a long ways to go. We talking about, do we need to produce 6 times more of this alternative energy product and the only way we are going to get there is either find some other source or ask our farmers to grow a lot more

corn. Because that every time we are able to reduce our dependency on foreign oil, it increases the security of our country. There is only one reason we are in Iraq, spending billions of dollars right now. And we are over there because we want to guarantee the oil supply. So that is kind of like overall today a little background about us that we are a 1 term company doing business, the two major people finding the company has been in business over 30 years. They built their company from scratch. They are not Wall Street guys, they are not Bankers. They are people who day in and day out has built their companies from nothing and I think this year we are going to be about 800 million in revenue. They're in this alternative energy market for a long term. They are not people who are going to come out of here and build a plant and decide to walk on that plant.

The second thing we did was we then started to look at other states where to build plants and we looked at Mississippi, looked at Texas and we looked at building a plant in Texas using sugar cane. We looked at Oregon; we looked at the state of Ohio. We did a tremendous amount of research. We settled on two locations, one of them is in Idaho which is where the founders home base is and the other location is in Ashland, OH we love Ashland Ohio. We are distributors of Petroleum Products. We want to roll and make it where the consumer has the ability to buy a flexible vehicle from Ford, GM or Chrysler. We will see some of those cars which are available today and the consumer is able to buy it when they go on a trip. That is our expertise. We are not experts in sourcing corn and we are not expert in running plants. What we do know how to do is going to the gas station owners based on our actual experiences to explain to them what is the reaction of the consumer to create this market. We want to be the first to market, to distribute the product directly to the consumer. That is our goal; that is what we want to do. Now I talked to thousands of people just like yourselves. There would come into the gas station and would ask me about the E85 product. I could talk for hours about the E85 product. It is clear burning, it is made in the United States. What is the downside? A flexible fuel vehicle which I went and bought my son and Explorer sports gap because it is a flexible fuel vehicle. Ethanol gets somewhere between 5-10% less gas mileage per gallon, has about 25% less BTU's. In order to be fair to the consumer we intend to price that product 5-10% below what regular gasoline costs you right now. We are not here to cheat the consumer. Our goal is to say to the average American and say if you could buy a fuel made in the United States and you will get the same exact gas mileage for dollar spent and it is going to help the American Economy, it is going to employ Americans and the money is going to stay here and is going to wind up reducing our dependency on foreign oil. The consumers I talked to in Las Vegas are very enthusiastic. A lot of people have defined this product our response was much better than we actually thought it was going to be. In fact we were completely surprised that we wind up getting rid of our super gasoline, which frankly our stations were selling about 3,000.00 gallons a month then we replaced on super with E85 and we sold about 30,000.00 gallons a month of the E85 fuel. So for us as marketers, it is better for us because the product that we are replacing, it was going about 10 times the volume. So that is a little background and now I am going to step us through with a slide show which will give you a little more background about alternative energy, about who we are, about what these plants are going to entail to build, how long they are going to take to build and I think you are going to find it informative.

So, the entity that we are going to propose to set up here is going to be called Ohio State Ethanol, Inc. and you are going to see that we use the same for all of our entities. I made a little boo boo even though I am a Lawyer. I went and applied to register 10 million shares and the state came back and wanted something like 97,000.00 dollars from me so I am going to be refilling the paper work and we are going to adjust the number of shares we have outstanding.

We are a developing stage entity. Glen is here today, Glen do you want to stand up? Glen Hyman. Glen is the person who is working with us to help us finalize our plans and also he is working with various groups regarding the funding on the plants. Like I said, we got out, have done a tremendous amount of research, we looked at multiple states and we are going to form this entity. It is going to be an Ohio based entity and our business plan is to build Ethanol plants and the major people which are owners of the parent of this entity which is called Silver State Ethanol, Inc. Every single owner is a client of my law office and every single person who owns stock 75% of them are in the Petroleum business and they own gas stations. The principles have a combined 65 years experience in the energy market and like I said before, they are not Wall Street people. They are not guys who are trying to make a quick buck. These are guys that have spent

their lives in energy sector. What's our structure? We have a parent called Silver State Ethanol Inc. and we have that name because our parent is located in the state of Nevada and provides a very advantages tax structure to us and is known as the Silver State. We have a few entities which are called Idaho State Ethanol Inc which is that ISEI and have another entity called Ohio State Ethanol Inc. We set up another called Oregon State Ethanol Inc, and we are actually looking at a potato plant in Oregon to build a plant. Our ultimate plan is because we have also looked at another alternative energy which is called Bio-Diesel. We are also looking at building a Bio-diesel plant which is that ISDI Yellow under Idaho also one in Ohio and another one in Oregon. So our phase I is to get these Ethanol plants built and to build a Bio-Diesel plant. Bio-Diesel is another good product, it is made out of soybean, made out of sunflower seen and you can also make it out of animal fat and it is also a low sulfur burning fuel. So you also wind up having a lot of environmental benefits related to bio-diesel.

MISSION: We sat down about a year ago when we decided to put this slide show together and we said, we want to capitalize on the increasing demand for the ethanol product and frankly almost all of the ethanol today is being used in what is called the E10 blend where the Federal Government mandates 26 major US cities in the United States and uses a 10% blend of Ethanol during a certain period of the year because ethanol burns 30% cleaner. EPA standards put President Bush, is really referring to when he wants us to produce Ethanol. He wants that all the states and all the cities to be required to use a 10% blend. That is one of our markets. We test marketed the E85 product. We want to sell and distribute the product, which is actually 85% ethanol. Now the East Coast is going to become a major center regarding a demand for ethanol. We are going to see later on, here is two additives used in gasoline, one of them is called MTBE which is a petroleum based additive and that is one of the replacements of not having to use ethanol during this period when the EPA requires the cities to use that product. But the MTBE had a lot of problems. It attaches to ground water, it caused water pollution of ground water. It was tested and it also causes Cancer. So the state of California as an example, outlawed using MTBE as part of their mixture as of December 2005. We are going to see a slide of a bunch of states which have actually outlawed use of it and the federal government said you can't use anymore MTBE's as part of the mixture as of December 31, 2010. And that is what is going to drive a lot of usage here. And we are going to see a slide later on in the states which currently do not allow you to use that product. So we think we got organized and we think we are very strategic and I hope the Mayor and the City Council also agree with me. We think that we are a very efficient business. You don't grow a business from 0 to 800 million in revenue by being ineffective, you don't grow it by giving lousy customer service. And the business we are in, you make a penny or 2 pennies a gallon for you all to know. So it is not a high profit margin business and demands, it requires that we give excellent customer service. We would not have 400-500 gas station owners buying fuel from us if we do not give good service. Our goal is to replace MTBE in a reformed related gasoline which is an RFG, and once again the RFG is that 10% mixture you need during certain periods of the year in these 26 major U.S. cities and is required by the EPA. We think that there is going to be a 1.6 billion gallon demand on the East Coast alone just to replace the MTBE's. These are big numbers. So what are the 5 things that the country needs and we need to create an alternative energy opportunity? We need competitive clean technologies and ethanol has been around forever. It is basically alcohol made from a still, it is Moonshine. We really have perfected technology over the last 20 years. The yields are going up per bushel. They started out at about 2.2 gallons per bushel. It is now up on an average to about 2.8 gallons per bushel. They are working on some new enzymes and the process is trying to get that technology of above 3 gallons per bushel. Another thing we have is higher oil and gas prices. We actually had a discussion about this. Gas has kind of dipped back down. Now I am from Las Vegas and yesterday gas is selling for 2.39 cents a gallon regular gasoline. I fly out here and it is \$ 1.89 per gallon. I thought I would never see gas under 2.00 dollars. During the next 10 years, China and India are going to be using as much Petroleum as the entire work uses today. That is only 10 years from now. So you can imagine what sort of pressure that is going to wind up putting on the world markets about our petroleum supply, so even though everybody is feeling good and our energy crisis has dipped my feeling is the chart is going to be going up and down but it is only going to go one way. If we have a war in the Middle East or we have another hurricane come through the Gulf, the prices are be going thru the roof again. So the good thing we have is energy security. We also need State and Federal incentives. One thing you all need to realize is the Federal government is part of President Bush's 2005 energy bill. They give a 51-cent per gallon tax credit to the company which is directly delivering the product to the gas station owner. That is called a blender of record credit. That is why

we want to use our expertise to distribute fuel that we want to distribute it directly because we want to get that 51 cents a gallon. That gives us 25 million dollars a year from the federal government. What it really does is that is a hedge on our business plan against corn. Because corn over the last 7 months has gone up from about 2.50 dollars a bushel all the way to 4.00 dollars a bushel. So we need some built in strategy, something which gives our company a competitive edge over everybody else to make sure that plant is going to run and that is where the blender of record credit, the state and federal incentive gives the ability based on our expertise to deliver fuel to be able to go out to the federal government and say "Guess What" we have 25 million dollars he owes because of we are distributing the fuel directly and then we also have the environmental and also the consumer of carry. What does that mean? That we got prices ethanol product, to the end consumer to make sure that he gets the same gas mileage per dollar spent because we want the consumer to be treated fairly. That is the only way it is going to work. You all have got to get that product, the end consumer has got to get that product somewhere between 5 and 10% cheaper than what regular gas prices are. Now if we are hoping to solve all these issues or else for our company in tandem with the farmers and a lot of other ethanol producers to help us address some of these issues. So then once again, the 3 elements sustainable to energy that we need, the technology which we have, the plants have been in operation a long time, we need the ability to finance the plants and of course you have heard about all of these plants getting bilked, there is a lot of money going around to finance alternative energy. We think it is even going to be a lot more than Glen and I have in my pocket value. Clearly President Bush, last night on the State of the Union Address, said he wants 300-400 hundred more Ethanol plants built. That is the amount of product that we are actually referring to and he shows policies that clearly the federal government or at least President Bush is putting forth a very affirmative policy about alternative energy. So what is our gripes? And one of the things he talks about was the nations security and that one blue line; that shows our domestic oil production. Our production is only going one way. It is going down. It is not going up. We like to see the line that shows our production of petroleum products or some form of energy to drive our vehicles. And I think President Bush was very smart. He said that we need to do two things. We need to make Ethanol and Bio-Diesel and alternative energy 20% of our gasoline supply and we need to increase the miles per gallon on our cars. Has anyone seen that movie by Al Gore, The Undeniable Truth? Anyone see that? Our cars in the U.S. we get 20 miles a gallon. In China the average car gets 31 mpg and in Japan they get 42 mpg. We would like to decrease our dependency very quickly by trying to move to the mpg standards other countries have in place right now. But, by the year 2020, we have a gap. We have a certain amount of production and we have this gap there which shows that all that other energy has got to come from someplace. It either has to come from alternative energy or it has to come from foreign countries. So we all looked at where is our energy coming from? Who has the oil and who uses the oil? Saudi Arabia, Iraq, Iran, Venezuela, Russia, China, Mexico, Libya and Nigeria. They got the oil. We have 2%. Who uses the oil? We use 26% of oil but we have 2% in the nation's reserves. So that is one of the reasons why we keep hearing about alternative energy about producing Ethanol, about going Bio-Diesel because somebody can look at this chart and say; what are we doing? We are like consuming a lot of oil, but we really don't have that supply. So what kind of emerged and what has really happened is; once we saw the chart, what has emerged is that Ethanol, the technology has been involved in the mass and in the amount being produced in tandem with FFV being outlawed has like really started to create a market where it is kind of like a snowball going downhill. You start out really slow and is not really moving and all of a sudden it gets bigger and bigger and bigger and finally you hit a critical mass and that snowball just starts moving. Now they referred to two types of Ethanol, one is called Foreign Ethanol and the other is Cellulistic Ethanol. And that substance is made out of wood chips or President Bush talks about Switch Grass. These are other alternative Bio Mass products to make Ethanol out of and when we were looking at building a plant in Idaho that we looked at straw, we looked at soy gum, we looked at hay, we looked at potatoes, we looked at sweet peas, we looked at 10 different products to make Ethanol out of. Potatoes also. Corn is still the cheapest. Now clearly, the country needs the farmers to produce corn, we have a shortage of corn. That is why corn is going through the roof. You all know it. You are farmers. The corn yesterday was about \$ 4.00 dollars a bushel. Clearly President Bush and Congress is asking the American farmer to help with this because the only real viable economical technology that we have to produce the Ethanol product as of today is corn. Now what is our strategy? We would love to come out here, at Ashland, build a plant out here. Once again, why did we pick Ashland? Because Ashland is within 4 major metropolitan cities. Because that we are distributors of gasoline products, we want to put a regional plant in the area that we think we can deliver the product by truck within 2 ½ hours. And if we can get Cleve-

land, Columbus, Detroit, Toledo, Pittsburgh. If we think that we have a relatively large population basis within 2 ½ to 3 ½ hour drives by truck. Now why do we limit it to that! Because federal law states that a truck driver can only drive 10 hours before they have to take a break. So we want to have a location of where we are going to deliver the product to, to at least be within that 10 hour turn-a-round, or preferably less. So we kind of driven in a circle and say here is our markets. We started out at 54 million; our standard plant is now is 50. We think the county is going to need 30 plants just to handle the East coast. We want to expand as the market grows and then based on the renewable fuels act, which was passed in 2005, the goal was to have about 9 billion gallons of Ethanol a year produced. That Act requires 240 plants across the country. So imagine if you got President Bush now and says he wants 30 billion gallons of Ethanol per year. We are talking about producing 3 times more. He is really saying by the year 2020 he wants about 700 plants. That is a lot of plants. A lot of communities, a lot of corn. Remember each 50 million gallon plant requires about 110,000.00 acres of corn. So what is Ethanol? It is moonshine. It is 100% alcohol; it is made from Biomass. Corn is used to make it. It is 200 proof. It is an excellent additive to gasoline to boost the octane level by 2.5 points. E85, the octane level is 105. To get an idea, Super I think is 89. So it is much higher, that is why it is cleaner burning. It also burns 30% cleaner than gasoline. It helps the environment. It is now becoming a significant source of renewable energy and clearly the country is moving in the direction of using alternative energy to reduce our dependency on foreign oil. So once again I think we have had this discussion about before. The states were requiring that these 26 major cities are now requiring a 10% blend of Ethanol to gasoline, mostly because it burns cleaner. We talked about the energy bill that did require 4 billion gallons of alternative fuels in 2006. I think we are at 7.6 million gallons right now. That amount has got to increase up to a total amount of 12 billion gallons by 2012. We talked about President Bush the using of Ethanol in January 2006. General Motors ran a bunch of commercials. Has anyone here seen the commercials GM ran about their flex-fuel vehicles? They are great commercials, the problem is the consumer does not have any place to buy the pump. So one of the states would say no more MTBE's. We talked about the 10% you need to blend. All these states in blue said no more MTBE's by these states, so it is expanding, clearly there is a market. The biggest market is California. And then what is the RFG? That is where we have a 10% blend it has been required since 1995 concentration of the cities are on the East and West coast. RFG is requiring cities which is comprised of about 25% of our population and then Ethanol and MTB are the 2 choices at this moment. So we said before the MTB because it attaches to ground water is leaving ground water that we think causes cancer. That blue line shows by 2010 it has to be gone. And the red line, the only practical replacement they have for it is Ethanol that is driving what is called the E10 market and you can see the amount of Ethanol going up. Do we want to role E85 to use as an alternative fuel to replace the gasoline. That yellow line would be off the chart. It would be up the flagpole. The flexible fuel vehicles. How many people here know what a flexible fuel vehicle is? A flexible fuel vehicle can run on any mixture of regular gasoline which is 100% gasoline all the way up to 85% Ethanol. Like I said, I bought my son a car, the only thing he did was abuse it. He used a bunch of gasoline, finally I had to take it away from him a couple of times. But Ford, GM and Chrysler, they started to produce Flexible Fuel Vehicles down in Brazil. Brazil, for the last 20 years has had a law which states every gas station has to offer diesel, and offer at least a 30% blend of alcohol. All their cars made in Brazil today are flexible fuel vehicles. They do not allow cars to be sold right now if it is not a flexible fuel vehicle. Brazil reduced their dependency on foreign oil from 85% all the way down to 10% but they did over a 20 year period. It is not something that happened overnight and frankly it is not something we like to necessarily do. Because I ran the numbers, if we wanted to create the same source of market as Brazil, it would actually consume 93% of our farmland for growing corn. So because Brazil has got a much smaller energy market, they are able to produce enough Ethanol to get rid of the amount of foreign oil coming in. And then also Brazil makes their Ethanol out of Sugar Cane. Next, we are going to see some of the cars that GM and Chrysler are offering regarding Flexible Fuel vehicles. The cars automatically adjust to the firing depending on what percentage of Ethanol you have in your tank. So they have a little sensor determining what percentage you have because you may go fill up your car with gas or even half way and then fill it up with Ethanol blend products so that computer chip has to recognize really to determine, I got all the way from 1% to 85% and the problem is though which we are going to see, this E85 is not available. So here is some example of cars which are offered today, flexible fuel vehicles. These are the Dodge cars, they have some trucks, they have the Sebring, and they have the Dodge Caravan. It does not cost any extra money to get a flexible fuel vehicle. You get the exact same gas mileage using regular gasoline. So the only thing you have is the upside potential. There is like no downside of owning a flexi-

ble fuel vehicle. These are some of the cars offered by Ford. 85% of their offerings are going to have the ability to have a flexible fuel engine. And then of course you have GM leading the way. They have quite a few trucks and cars and the SUV which are available today via a flexible fuel vehicle. But what is the problem? GM spent millions and millions of dollars on the flexible fuel vehicle and they were way ahead of the curve and we understood that the average consumer had no place to buy E85 at. The most ridiculous thing is you got Ford, GM and Chrysler spending millions of dollars to advertise flexible fuel vehicles in California and consumer cannot even buy a product there. The most ridiculous thing I ever heard of. So this shows my state from top to bottom where the stations are at that actually offer the E85 product. Minnesota clearly leads it and Illinois because that is where all the Ethanol plants originally started. So our goal is to find a way to bring 220 some stations which are in Minnesota to all of these other states and we are going to see that Ohio has 8 and believe or not 4 of those are Air Forces bases. Nevada has 4. California has 4 and all of those are like the Pow Wow to a research center. They are all government facilities. The consumer cannot go buy the product. We have people talking about the E85 flexible fuel vehicle market. It is extremely hard to try to convince someone to buy that car if they have no place to fill up your vehicle. Look at all these states: Alabama, Alaska, Arkansas, Connecticut, Delaware, Hawaii, Louisiana, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont have 0, there is not 1 place a consumer could go to fill up your car with E85. Idaho has 2, and that is 2 Air Force bases. So because that we are distributors and we decided to test market the product, we felt there is an opportunity here to be the first to market. But in order to do that we have to have regional plans that are able to deliver the fuel to the gas station owner within 24 hours, otherwise they are not going to hear it. So what do you need to build a plant? And that is always a big thing. We need Railroad access, we also need a water source and I need to be corrected on the water. It takes about 350 thousand gallons of water a day to fill up the fermentation VATS, but we are actually going to need another 300 – 350 thousand gallons a day for the cold water. So the numbers I have here are not correct. I called the builders today. One of the builders which like gave us those numbers said yes it is possible, but it winds up we have to put in a special process that is going to cost us about 14 million dollars and that is why people are not putting in those processes so your great Mayor pointed out that fact to me last night. I went and rechecked it and he was actually right on the mark. Very impressive by the way. We also we need the freeway access, the natural gas and we need cattle because if we are going to see that one of the by-products that Ethanol processes produces is what is called the Stiller grains. So for every 54 lbs in a bushel the end process produces about 24 lbs of this protein mash which is called the distiller grains which is what the cows are really able to do. We are going to try to create the smallest footprint we can for this plant and we think it is going to be somewhere between 40-50 acres at the current industrial park. So we are working the land down to try and hopefully work with the city. What does it take, and what is the time to build the plant? This is what happens. Once our financing guys say go, we then have got to spend about 1 million ½ dollars to the engineering firms that we have retained. They spend about 2 ½ months drawing all the designs for the plants. And of course we built these plants, a lot of times that are giving you the same designs but are just taking us for a bunch of money. They are really not hearing these things. Now after they produce that, they hung out with what is called a schedule A. Schedule A is every single piece of equipment which is going in that plan including the amount of emissions for each piece of equipment. That then gets admitted into the state agencies along with the EPA. And within the State of Ohio, you are not allowed to turn a shovel of dirt until you have all of your permits. That is going to be your Air Permit, your Water permit, all the stuff you need. So you bet it takes about 2 ½ months to do the plans and we think the city is going to take 4-6 months before we get issued a permit. We really cannot begin construction of this plant somewhere between 6-8 months. It is going to cost about 98 million dollars to build somewhere around there. It does not include our working capitol. Our working capitol is about another 15-20 million. We think our estimated cost that we use per gallon is 150. That has actually gone up now, corn is going up and we think are estimated sales price is going to

be \$2.25 per gallon and that includes on the long run that .51 cent per gallon credit that we get from the Federal Government. So our true net is going to \$2.25 minus the 51 cents so it comes out to about \$ 1.74. Our expected income at one point in time was we thought was going to be 39 that now is going to be ½. Why is half? Because corn has gone up. For every dollar that corn goes up, we have to pay an extra 18 million dollars but at the same time the distiller grade increases in price because foreign corn has gotten more so it is about a 66% ratio for every dollar corn goes up, it costs us about .66 cents more per gallon to produce. How many folks in here are farmers? I am sure you all know the corn prices. So what does the production cost us? Basically you get the corn, chew it up, clean it, you put in this mash. It is fermented. It actually releases CO2. It then gets distilled. You dehydrate it. Which means you use a chemical process to remove the water from the Ethanol. You get it down to 99.9 % pure alcohol. And then you add a 5% mixture of gasoline to it before you go to store it, because it is alcohol, you do not want anyone to be drinking it. By like putting a foreign substance in it, it smells and people are not going to wind up drinking it. The next thing we do is other products. We add the distiller grains. We have to dry them, we centrifuge them first, the dryers are 12 million dollars. These are the types of investments we are talking about making. \$12 million dollars to take the distiller grains and get the water out of them the first pass and then dry them because the distiller grains on a wet basis only have a shelf life of about 3-5 days. So most of the plants are drying them out because they don't want to end up having an extended shelf life and they are able to ship them around the country where the cattle are located at. And then of course you have the silage which is kind of leftovers and that gets evaporated either through a cooling tower. Now we talk about distiller grains. For you all to understand the amount of distiller grains coming out is we are going to produce 150 thousand tons per year. That comes to 566 tons per day. That plant is going to produce 1.1 million lbs of distiller grains a day. That is a lot of distiller grains. The number of cattle those distiller grains are able to feed are 188 thousand dairy cows and 63 thousand beef cows. So do we think we are going to be able to offload all these distiller grains locally. At this point, it doesn't call for that as part of our plant. That is why we have to wind up putting a dryer in at this plant. Because we are going to wind up shipping some of these distiller grains. A lot of them go to Texas and the Oklahoma area. Of course, if in fact that we are lucky enough to build a plant here. While the plant is being built, then we are going to be aggressively going around to the dairy farmers and the cattle farmers and try to get them to buy distiller grains from us. So what do the plants look like? Has anyone here seen an Ethanol plant? These are some ideas. I have 4 pictures of 40 million gallon plants and will admit I get the cleanest ones. Our goal is we want to have a plant which is maintained and looks like these plants. And you can kind of see it is a factory, they have grain silos and the major things that one plant has here which is actually a perfect plant is: It has a Railroad, has rail, has water and is in Farm country. So because you have the Silos, it kind of mixes in around the environment. Other examples, I love this plant which is in Missouri. I think it is just a beautiful plant. You can see the railroad. The roads they have but that gives you an idea of what this plant is going to look like. Okay, someone has asked us about the smell and the plants they make the alcohol. They have stills. These plants are built supposedly ¼ mile downwind from the plant. You should not smell anything from that plant. So if you all want to know what the smell zone is. You would take the particular site, draw a nice little circle around it and that is really the area which would wind up being effected. As like, has anyone driven by a beer plant? Which is a ferment. The smell is nowhere near as bad as a beer plant. Here are some ideas of the plant layout. Like I said I would love to see us have a plant like this nice and green, very clean, shows you what plants like, the silos are there and we need a lot of corn. So before I talk about the tax credit. We all get a little visualization. The Federal Government gives a .10-cent per gallon what is called a small producer of Ethanol, the producers credit on the first 15 million gallons produced. If we wind up, there is two ways for us to distribute

the product. The one is for us to do what we do best which is sell gasoline. We know how to do that. We know how to go out to gas station owners and talk to them about gasoline, selling gasoline. In fact I told a couple guys last night. I gave them a story. We had two guys from California that we originally buying the Ethanol from, really nice guys, MBA's from Harvard, slick hair. They looked like movie stars, not like me. They went out to Las Vegas and they tried to get stations to sign to buy Ethanol. They are out there 3 months and they did not get one station to sign. Our president went out on 1 weekend and got 20 stations to sign up. So why? Because he knows what gas station owners want to hear. He knows what terms they want. He knows they want the product delivered there and they don't have to pay for it for 10 days. He knows the gas station owner wants someone to pay to convert their station. They don't want to go through the hassle. That is why when he goes out to talk to people they can talk to a gas station owner about the product, what it takes to install it. So if we distribute it through our methodology on the left which is where we are going to distribute it directly to gas stations with a .51cent per gallon credit, we plan on selling it to gas stations in Ohio, Pennsylvania, Indiana and the state of Kentucky. If we are not able to sell that product directly, we can sell that product 4 times over right now today by going to a third party, the marketing group and telling of the selling of the product. But we do not want to do that because the way corn is going, we need to get that blender of record credit to make sure that there is plenty for those 8 months. That's our hedge, that is why the bankers like us. The bankers have hundreds of different plans they receive as far as building the Ethanol plants. They understand we are in this thing for the long haul and that we have been selling gasoline for an extended period of time almost 30 years. We like to build the company from scratch and at the end they have the confidence that we know what we're doing. So that is kind of our plan.

I do have for city council today. Some of the questions were asked regarding the economic impact of the Ethanol plant. We have one study which was done for you all to understand. Says here, new jobs are created at the consequence of increased economic activity caused by Ethanol production. The increased output resulting from ongoing production of 50 million gallons per year Ethanol plant will support the creation of as many of 836 new jobs. Lets talk about how that is going to affect Ashland. While this plant is being built, there is going to be from anywhere 100-200 people that are going to be out here full time for a 14 month period building. They are all getting paid. Now they are staying in your hotels, buying gas from gas stations, going to the stores to shop, going also to your restaurants. Clearly you are going to have a significant amount of people who are going to be spending money while this plant is being built. When this plant is being built, all of a sudden there is going to be somewhere between 37-45 employees that are going to be here full time running the plant. But what does this plant do, employs the farmers around here for the corn. It supports the people that are going to trucking, restaurants spending money and that rotates through the economy 7- 8 times. For each dollar paid by a manufacturing plant to its employees that same dollar rotates through the economy 8 times. You also need to understand that your schools are going to wind up getting taxes based on the gross value of this plant. This plant is probably going to have a fixed asset amounting to about 80 million dollars so your schools are going to have a benefit. And because we are going to be directly employing up to 45 employees which says is going to create upward to 836 jobs in total. Those 45 employees what kind of jobs are they going to have. Insurance benefits, 401 K, they get their tuition paid for, all part of our personal policies. If you want to go to college, it is paid tuition. That is 45 people that are like going to wind up having a job, are able to buy a house, 45 people who have insurance for them and their family. Besides the other jobs which are created as the result of all of these dollars going through the economy. Well, we also have other studies which was in the Ethanol industry in Minnesota. So you can get an idea. Within the state of Minnesota, of course Minnesota as we saw, they have 222 gas stations selling E85 and clearly have got a lot of

plants. The economic impact was 404 million dollars to manufacturing, 44 million to wholesale and trade, 41 million to service (which would be restaurants, etc.). The total economic impact in the state of Minnesota by then moving full speed ahead with the Ethanol plants came out to 587 million dollars. The employment impact was about 2600 jobs total. So that is some of the data and I will leave these reports with City Council and you all can have some additional back up for the Mayor. And with that said, I appreciate the time.

Stewart- Thank you Dean, I would like to open this question and answer and I will start to my far left Bob Valentine. I would like for each one of you to consider your most important single question and move through the Council. Give the Mayor the opportunity to ask a question and let us move in that direction.

COMMENTS OR QUESTIONS FROM THE AUDIENCE:

Robert M.Valentine, Ward 2- Question: The Farmers' corn prices, and I know you need lots of corn and I know you are going to have to go around the counties to get what you need. I keep looking back at Wal Mart. What they did Vlastic, what they did to Schwinn. Once they got to the point where they were really independent, then they zapped the price down. I just want to know, how are we going to keep the price up for the farmers?

Dean Homayouni- Answer: Our regional plant involves us using a group called Sclar to source our corn. Sclar is a very good group and they actually have a center which is located in South Central Ohio. And we're mostly using them for Idaho because there is no corn grown in Idaho. So we clearly have got to use some group to get the corn for us. Now one of the reasons we decided to come out to Ashland is that Ohio, I think grows about 250 million bushels of corn per year. So we started looking at states and our criteria was, where does the corn grow and which state has got the population centers. Because if we want to sell the E85 product in Ashland, we had to be close to the primary structures. Now we would love to buy all the corn locally, but I think that what that is going to require of the farmers is that they need to form a co-op and be able to come to us and say, you know something? We can supply 10 million bushels per year. I don't know what that number is going to be. Okay, and then to be able to give us some sort of system to be able to get the corn here. Cause remember, that we are going to have 105 to 110 railroad cars of corn every 8 days showing up or 400 dump trucks of corn. That is a lot of corn. So we have to have some effective system for us to get that product delivered to us in a relatively short time when we need it. So one of the things we talked about with the Railroad guys this morning, they said, one of the ways to do it is if someone has a grain storage or Grain Silo area. The farmers bring all their corn there to store it and then we are able to load it into some sort of effective transportation method, but clearly with all the Ethanol plants getting built and what President Bush said last night. He wants 500 more Ethanol plants built. He wants 500 times 110,000.00 acres. I don't know what does that number come to? It is a big number of acreage. If the farmers don't sell the corn to us, they can sell it to someone else. There are going to be plenty of opportunities and plenty of a market long-term for whoever is growing corn to have a market to sell their product to. There is approximately 37 additional Ethanol plants under construction right now. The thing that we would ask is. We would love to buy the corn locally, but we are going to ask the farmers, hopefully working with the City Council and the Economic Development office to have some sort of Co-op formed so that number one, we do not want to go out and negotiate with 400 different farmers to buy their corn. It is just not going to work for us. But if the farmers form a Co-op and they bring all their corn to one spot and it is stored in one spot; we would love to buy all the corn we can from the farmers here.

But that price is going to have to be competitive with what our sourcing guys are able to go out and do the risk management, etc. It is like basic business at that point.

Robert L. Valentine, Ward 1- I thought that you had a great presentation. I have a lot of questions and I believe you answered a lot of them also. Some very fundamental. Question: Is there going to be any kind of abatement involved here? With the State? As far as taxes.

Dean Homayouni- Answer- Okay, The state does a couple of things, on the plane ride out here, I printed all the tax items we can get, we would like to apply for the state for a job creation tax credit of which is always to pay the employees 1 ½ times whatever the minimum wage is. They give us a rebate on state taxes, also they give us some dollars to train the employees, of course we have to apply for that. We have got to identify the site where the plant is going to go. The state also give us an abatement on like I think it is up to 75% of our property taxes related to machinery or any equipment which is used for schools for I think a maximum of 10 years. Any abatement that we are going to get that would be subject to the Mayor's approval, it is going to be subject to the City Council and of course that is for you all to run through your numbers to figure out how bad you want us or whether you even want us at all. You may turn around and say that we don't want and Ethanol plant! We want to build a plant here, but it is subject to the citizens working with their Council members and the Mayor and the Economic Development Department to make a decision of whether or not that you want this plant. So we haven't done anything final as far as asking the city for any abatements or anything like that. The first thing we have to do is make sure that the Mayor and the City Council and the citizens want us to build a plant here. Cause if you don't want us to build the plant here, then why go any further really.

Robert L. Valentine, Ward 1 – Question: You mentioned 600-800 jobs downstream or upstream which ever way you want to go and 37-45 employees in the plant full-time. What do you mean by Upstream/Downstream?

Dean Homayouni, Attorney: Answer: Okay, for every dollar that is produced by a manufacturing entity, that rotates from 5-10 times through your economy. So this person is getting paid. He is then going spending money in a restaurant or going he is going to Home Depot to redo his house or he is going to Wal Mart. All of those increased dollars increase the economic effect. But besides the plant. In our discussions with the Railroad guys, today they said to service our plant they are going to hire 10-12 employees. So that is a perfect example that there are other additional services and other additional people being hired which are outside of the plant itself.

Robert L. Valentine, Ward 1- Question: But technically it is 37-45 employees full- time in your plant:

Dean Homayouni- Answer: Yes.

Ruth Detrow- Question: I certainly understand you wanting that Federal .51 cents/gallon. That is a blenders subsidy. Where is it going to be blended? You are going to produce Ethanol here and you say you are going to go out and talk to individual service stations so it is going to have to be blended before it gets there?

Dean Homayouni- Answer: Correct. Let me tell you the way we do it now in Las Vegas. Is that these trucks that carry the fuel which you have all seen them, you have 2 types of trucks. One of them has about 9-10 thousand gallon tanker on it. So then you got other trucks. They have the one tanker and then they have a secondary tanker. Those trucks hold about 15 thousand gallons. Now within the 1 truck tank, they have com-

partments in there. So it is not just one big tank. So what happens, is we are currently going to where our Ethanol is stored at in a rail car and we pump the Ethanol out of the rail car to one compartment in that tank and then the truck drives over to the rack and the rack is where it is recently a big distribution center for gasoline products. We pump gasoline into another one of the compartments. Then when the truck goes out they have the special trucks that we use, as the fuel is going into the gas tank, we say; what blend do we want out of each tank. So if we're selling E85, we want 85% to come out of this compartment and 15% out of the other compartment and it blends it right there on the spot. At the service station. Because in order to get the blender of record credit, Ohio has a regulation 205.04. It gives 3 scenarios of what your allowed to get blender of record credit. In order to do that, you can go to a rack and pick up E85 fuel. You actually have got to be the blender. So if you take Ethanol out of your plant and drive over to the rack and you put the gasoline in it and you buy from the rack and then you drop it off at the gas station, you are the blender of record. Likewise if you build a holding tank, because lets say that we are selling the E85 fuel and this plant is going to produce somewhere I think 170,000.00 gallons per day of Ethanol. So if we are selling E85, that means that we need about 32 thousand gallons a day of gasoline to make the E85 product. Clearly the vast majority of the Ethanol's that we have made depending upon the final distribution the final call, they may wind up putting 200,000.00 or 100,000.00 gallon storage tank on the property for gasoline so when the trucks go to service the stations locally, they would just line up filling up the gasoline at the tankers right there. But because the E10 market is so much better, that would be something where would not store than particular gasoline on site. It is just going to be too much gasoline. If we wanted to use 90,000.00 gallons per day of Ethanol as E10 and we wind up fixing it with gasoline, then we would have to store 1 million gallons of gasoline on site and we are just not going to do that.

Ruth Detrow- Question: But you do have sources? You wouldn't be saying okay now, where am I going to get the gasoline?

Dean Homayouni: Answer: Okay, You all know the Flying J, you know the Flying J gas stations, right? Mr. Hall, one of our founders, Brad Hall who started this company 30 years ago is selling fuel. He is probably 1 of the major customers of Flying J. He buys all of his petroleum right now out of Salt Lake City. That is where he is getting the product from now. They are highly competent. They are going to be able to obtain the petroleum based gasoline they need otherwise they would not be building this plant out here. So that is what makes our plant viable. It is because when they go up to refinery to buy fuel, are they going to someone to contract to buy fuel, They are putting a balance sheet in front of them that shows 60 million dollars in net worth and they are showing 800 million dollars to revenue. So, I guess, what I said, they are not Wall Street guys. They have been in the business a long time and you walk up and say I have been in the business for 30 years. I built my company from scratch. I have been audited financially and did 800 million dollars in sales. People want to do business with you. If you are a lawyer and CPA like me, no one wants to do business with me. If I try to go buy a product, no one is going to sell it to me. Because I do not have that track record. That is why it is very critical as part of our distribution plan that the top 2 guys have got an extensive track record, long-term, not fly-by-nighter guys who have been with us day in and day out for 30 some years. So they are completely confident that they are going to be able to get the gasoline. But before they go out to do the contracts to get the gasoline, they have to know where the plant is going to be, when the plant is going to be done, and they are going to have to know when do we need that supply.

Paul Wertz, Ward 4- Question: When the first plants were being built, they had trouble with water, ground water. The newer plants and technology is going to be better, but how much water is being left out of the system.

Dean Homayouni- Answer: Okay, They have some newer technology through Wynn Bender, called the Delta D. which is what the vendors were looking at. They told me it is 350 – 500 thousand gallons a day.

Paul Wertz, Ward 4- what I am asking is, when you use it, how much of that water is going to be pumped back out? The discharge.

Dean- because we are probably not going to spend 20 million dollars to do a 0 discharge, that we think what is going to go into the sewage system per day, it is going to be about somewhere in about 100,000.00 gallons a day.

Stewart- Question: Lets say all of us get together, get married and we build a plant. And it has been in operation a couple of years, and then the bottom falls out and Ohio State Ethanol goes under. What happens? How do we recover that site?

Dean- the first thing is clearly from a legal point of view, which I am just going to speak as a lawyer. If you have Ohio State Ethanol Inc, winds up buying the land, and then they build a plant, then the owners of that plant, all of a sudden corn goes to 9.00 dollars a bushel, it is going to be tough for that plant to make money, but those are always the type of risks you have in a business. You have to have enough money to carry you through when the times aren't so great and you have to conserve some of that money when in fact you are turning a profit. The first thing is if like we go out of business, I got a lender who wants their plant back. That lender is President Bush stating we need, he wants 520 more plants built by the year 2017 or 2020. Someone is going to come and buy that plant. In fact I told Glen, We have a person, probably one of the best phone guys I have ever met. Like if you ask this guy to call up President Bush in a day, he would be on the phone with him the next day. I asked this person to go out and try to find us plants, because the price of corn had gone up and my feeling was, there were going to be people who were not in the distribution business that weren't going to get the blender of record credit the way we are and I thought some of these plants were going to be struggling, especially if you have not signed a long term hedging contract and now you are paying \$ 4.20 for your corn. I told him, I said "Go out and try to find me a plant for \$ 80 million dollars built already". We don't have to go through the hassle of building a plant, we don't have to deal with the construction people and maybe there is someone out there who has decided they want out of the Ethanol business. This guy has been looking for a month, he has not found one group to sell us a plant. Not one group would sell us a plant. So because you have that policy and we have looked at the major factors, the policy is the federal government wants alternative energy, my personal opinion is if like we were not able to cut it, sooner or later when you have a change in the pricing structure to make it profitable to run those plants, someone is going to come in and take over that plant. It is just inevitable. That is where we are sort of going. And that is the only type of answer I can give you right now. But clearly that we are not making a substantial investment and our Bankers are not making a substantial investment based on a project that we think is going to fail. I think if the Federal Government comes along and mandates, then all states have got to get rid of MTBE and they want 10% gasoline in all the gasoline all year long, we are not going to have enough Ethanol.

Stewart: We have 3 County Commissioners here. Mike would you like to ask a question?

Michael Welch, County Commissioner- Question: Just one point I would like to bring up! I feel that this would be a real opportunity for this area to address an issue that has been talked about probably for about 15 years and that is land preservation. So often, it is clear, a couple of times we have articles about land preservation and I feel that if we as a community can help farmers to market their crop, lessen the transportation cost, that it is simple mathematics that the farmers are probably going to stay in business and not sell his ground for development. So even if a farmer does make more money, he is going to turn that money over many times. There is seed companies, fertilizer companies, implement dealers who hire mechanics, tire dealers, petroleum, every day needs. If you are a Dairy Farmer or Beef Farmer you have veterinarian and feed companies. So I would hope that everybody would take an open mind toward this project.

Kim Edwards, County Commissioner- Question: Foreign Corn. Is there a flexibility to this company to do soybean or any other product? What is that flexibility?

Dean- Answer: I like you asked about Soybean because part of our plan is also to build a Bio-Diesel plant, Soybean is a main ingredient. The two guys who are really the drivers behind the business is like I said, they are not Wall Street guys, they are gas distribution guys. We actually had BBI which is one of these international companies, actually 2 of the feasibility studies for the state of Idaho. They looked at multiple products to make Ethanol out of including wheat, straw, soy gum, barley, potatoes, sugar beets and corn. What happened was all of these other products they did a study on was costing anywhere from \$2.70 to \$ 4.50 for a gallon of Ethanol, so it just wasn't feasible. Now Congress and President Bush, they are working on other enzymes hypothesis to try to create what is called Cellulistic Ethanol which is Ethanol made from biomass other than corn. Corn has got some disadvantages, a beanstalk food source that we use to feed our cattle, we used to feed our chickens, we used to feed our hogs and we are using that to produce energy and of course that you know with the corn going up, it is going to have an effect upon other downstream food source, like I am worried if I can have Corn-on-the-cob this summer. Maybe not. You know really like corn goes up, basically the amount you feed cattle goes up and then cause we have these distiller grains, they have gone up so some of the prices of your beef is going to go up and chicken, hog farmers will really be upset because it is costing them a lot more to feed their hogs. So the Federal Government right now is spending millions of dollars trying to create technologies to produce Ethanol. If we wanted to replicate the Brazilian model for Ethanol, it would consume, using corn, it would consume 93% of our farmland. It is just not going to work. Now President Bush is referring to Switch Grass and that is grass that grows on the prairie and is natural growing. Imagine you had these gigantic harvesters go out and they just mow the prairie. They bring it back, they bundle it up and wind up making it out of that. Now 5 years ago they said they thought they were going to have a breakthrough and you would be able to make the Switch grass, it grows on land, you can't really use as farmland. And because it is so dense for us to completely replace all of our gasoline using Ethanol would require 13% of our farmland growing Switch grass. So it sounds great. It is not 92% only 13%, it is a prairie grass, it grows on land which does not require water and you can't really use it for farmland. The problem is they still have not figured out the process of having to be able to make Ethanol out of that biomass product. They said they were going to have it 5 years ago. It is still not done. Now they are talking about another 5 years. So who knows when that process will be put in place? The risk that we have is that our entity we have to constantly keep up and understand what are the technologies out there to produce Ethanol and make sure that we have enough money on hand if a cheaper source comes into play, we have the ability to convert the plant. So a perfect example is for us to switch our plant over to use potatoes instead of corn, it would cost us about 10 million dollars; so clearly we have to have some money sitting in reserve in case some new

technology comes along to enable us to be able to use an alternative source. But the government is always working on that stuff, they are spending a lot of money on it. Clearly corn is still the major item we are using. We don't see any of that changing for at least another 5 years minimum, but you never know what is going to happen. You hear about all types of Cancer every day. Then it comes out in the paper, someone could come out in the paper next year and say that they finally figured out how to use the Switch grass. But that is something that our company has to be flexible enough to adjust to is the technology changing. But corn is by far still the cheapest.

Stewart: Matt would you like to ask something? Nothing?

At this point, I am going to ask Dean if a, I have a sheet and a half of people that want to ask questions. Keep your questions focused and keep it short so we can get through as many people as we like. The first person I have on my list is John Roberts.

John Roberts: I am interested in this because of a one-time interest, I used to teach at Ohio State University, OSU has done Ethanol and Bio-Diesel for approximately 50-60 years continuously. I taught a class in Bio-Diesel at OSU and I also received an Ethanol grant for approximately \$1.6 million dollars and have been actively involved in that. Why all that? Simply because I am now employed with the Ashland West Holmes Career Center and the Adult Education area and we are actively interested in trying to support educationally. I propose that we do something immediately because that is the right thing to do, but that is my personal view. I think that it is the right thing to do and the right time to do it and we need to get it done because of our survival. Other than that I also promise to at least look into all educational classes. Bob Grundy here who I team up with and Evan and I have worked together, so we offer the possibility of classes since I taught those classes at Ohio State. So I offer my support and I will give my address and everything. Thank you very much.

Ted McFadden, 810 West 10th Street: How will I know how much this is going to cost the people of Ashland. I just want to also make a general statement. I will bet you all the Tea in China, that if this thing goes through and the corn goes into this thing, the soybeans goes into it, your cost of living in a short time will double and any of you spending on groceries know that it is flying up right now. Thank you.

Anthony Watson, 1025 Elmarna Ave.: I worked 37 years for General Motors and retired from General Motors. I drove the E85 Yukon Denali since they came with it. Like he says, the problem is the distribution, there is not enough gas stations that handles the E85. General Motors has put E85 stations in the Myers course in Michigan. My son moved from Phoenix AZ, to Iowa city so I go get a newspaper, and they editorials in there that up in Cedar Rapids, this man here told me that we need water, how many gallons it takes per gallon to produce 1 gallon of Ethanol.

Dean: On a 50 million gallon a year plan, basically you are going to have 350 thousand gallons of water that is going to go into this big fermentation vat. The total process to produce say 160 thousand gallons a day, I know my math is probably off. Between the discharge going in the sewer and the amount of water you put into the vat, the evaporation happens in the cooling towers and if we don't put in this \$ 22 million dollar process which we are probably not going to wind up doing, that plant is going to use about 700,000.00 gallons of water a day. So you figure that out, it is going to take about 5 gallons of water, or a little less to produce 1 gallon of Ethanol.

Have you looked into the capacity of this area?

Dean: It is my understanding that in order for that type of water to be supplied to the city, you would have to drill a new well. The city is also looking at building a Reservoir.

And clearly there would be some discussions about who is going to wind up paying for that well. It's our plant. We need the water.

I would like to see it come here, it creates jobs. I don't have any problem with it coming here if you have the resources to do it.

Stewart: I guess I would like to respond to that in that you are absolutely right, we had a drought; we had to reduce our water usage. We have tables that show that we are using over the past 5 years somewhat less than 3 million gallons of water a day anywhere from about 262 to 283 or 289 this past year. We have, what we feel is a sustainable capacity, who can help me with that number, about 3.7 million? Is that what it is? 3.6 million gallons today in the water structure that we have today. We need, in my opinion; we would need to put another high production well in service in the near future before this plant would start in production. Now that is just my opinion, that is not City Council's opinion, that is not the administration's opinion, I am offering an opinion that as many of you are. It is very doable in the longer term, as Dean has pointed out, we have purchased the land for a Reservoir, and we have not started a reservoir. There are studies going on as we speak and Mr. Cooper.

James Cooper: We are hoping in February, is when we are coming back.

Stewart: We are not sitting on our hands, but we don't have all the answers yet.

Ron Augustine, 1072 TR 979: No questions.

Jerry D. Meng, 202 C.R. 1675, Jeromesville: No questions.

Al Lawrence, Mansfield News Journal- Questions after the meeting.

John Boyer, 1327 C.R. 1475- no questions.

Ron White, 106 C.R. 1181, Nova- My question is, the byproduct that comes from this. What will the price be for this commodity coming out of the plant and what kind of protein and energy are we looking at?

Dean: the byproduct is actually referred to as the distiller grains, and you get about 24 lbs of this protein mash distiller grain from each 1 bushel of corn. It is about 1/3. These distiller grains, the price moves in tandem with the corn. So if corn goes down, distiller grains go down also and if corn goes up, distiller grains go up but there is a 3rd fact we have to consider with all these Ethanol plants getting bilked from the constant decrease in what people are obtaining before the distiller grains. Right now it is about \$8.00 a ton. There are articles on the benefits and protein on using the distiller grains to feed dairy cattle and also the beef cows. Clearly, a lot of that product is going to come off of that production line. Dairy farmers in Idaho they like it in a wet status because they are able to work easily to mix other products in with it so that is why they want it wet, not dry. They put vitamins, enzymes in there. If someone wants to give me their E-mail and would be happy to send articles on that. I am not really the expert on that regarding the protein and content is. I know a lot of the cattle farmers are using that product.

Bruce Wiser, Water treatment: The only thing that I was going to question was the 100,000.00 gallons of discharge to the city will undoubtedly be a pretty high strength waste. I would hope that we could work together to find a way and get the waste to a condition to where it would not become a problem for us.

Dean: The engineers, the people who are building the plant, they work very closely with sewage, the treatment people to figure out what processes do we have to do up front for two factors: 1) what you want done, 2) what it economically costs us to get it done to be able to deliver some relatively cleaner sewage product to you. If you want to send me his E-mail, I can send it to the people from Delta and also ask and he can call them up and they will give you some more detailed information about what the waste is on that particular 100,000.00 thousand gallons a day.

Kim Edwards: It has to do with natural gas. You commented earlier about natural gas. Have you had conversations with Columbia Gas regarding the amount of natural gas transmissions where you would have to run another line from those two transmission lines that are in that vicinity?

Dean: We have gone through a bunch of calculations regarding the natural gas, in fact a really nice book for everybody to understand about Ethanol plants and what they require, BBI.com and they have what it takes to build an Ethanol plant. This plant is going to require about 50 thousands therms a day to just be able to produce the Ethanol. That doesn't include the amount of natural gas that we need to dry the distiller grains and we are not going to know how much we have got to dry the distiller grains until we build the plant and actively go out to the farmers. A bunch of farmers, they may come up and say we want half of the distiller grains and we want them wet. So we don't necessarily know what that number is going to be. We haven't had the discussion with the gas entity yet and here is a perfect example. We have to run a 6-mile gas line up in Idaho to bring us the amount of gasoline. That project is going to be anywhere from \$ 5-6 million dollars. We are paying for that. Once the city tells us they want us here and the citizens tell us that yes we have all decided and we have another meeting and we all vote and then we really start going gung-ho. We start dealing with the Railroad companies, get a final quote, we call the gas entity and figure out how many therms are being pushed through that gas-line today. If we have to upgrade the line, that's part of our analysis and we will do to make sure the site is correct. We need railroad which Ashland has. We need a freeway, which Ashland has. We need water which we hope we are going to have. We need corn which the state of Ohio has and we need cattle which the state also has to have. We kind of left that gas issue out there because frankly, I know we can always get the amount of gas that we are going to need. That is not a major concern of ours. The biggest concern is that the citizens of Ashland, the City Council, the Mayor and everybody else who is going to make this decision to actually want us to come here. It is your decision about whether you want us or not. That is our kind of get of jail card, pass go. If we don't have that first, then we will have to go looking somewhere else.

Chris Harding: no comment

John Chorpening, 1126 Overlook- I am also concerned about the water usage, we are talking about 700,000.00 gallons of water a day and I understand that there is still the creation of other jobs down the line. I am also concerned about how many trucks will be leaving the plant, is it 20 a day? That is what the math comes out to.

Dean: There are 2 types of trucks. If we take the 50 million gallons divided by 360 days, I do not have a calculator, I know it is 150 gallons probably, somewhere around there. Now if you use the larger trucks, those hold between 14 and 15 thousand gallons between the two tanks. So we would have somewhere between 10 and 15 trucks a day going out. So because the plant is running 24 hours a day, the place just does not shut down, Ethanol is being produced and when you are going to gas stations, we are opened 24 hours a day, so we can deliver at anytime. You would be having a truck coming and going about once every 1 hour ½. So if you have 15 trucks loaded and is

going out 24 hours with the continuous operation. We are talking a truck every 45 minutes. These trucks are always in operation. There is no truck parked. They will run 24 hours/day. So I am just kind of using that as a gauge. I think we really got conservative. Lets say a truck would come and go every ½ half an hour. That would be a decision once again, something else for the City Council to consider, overbearing on the traffic. The reason I am asking, we were originally going to use tankers to ship them out. Well we have two different capabilities, we actually put it up on the chart. We told them 1 chart, we would deliver the product ourselves directly, and then we get that blender of record credit. If we are not able to get that delivered ourselves then we sell it to the 3rd party marketer. That means we do not get a blender of record credit and typically we ship all the stuff around the country. But our main, especially with corn going up is going to be more critical for us to sell the product directly because we need that blender of record credit to offset the increase in corn prices.

Stewart- I just want to comment, we have approximately 15 minutes left and we are halfway through our list that have signed up and want to honor those who have signed up for a question.

Marla Akridge, Chamber of Commerce – One of the questions, would the farmers here have the first opportunity to sell to you.

Dean: We would love to buy as much corn as we could from the local farmers comparing into what our risk management guys are doing. If Scolar comes along and they say that we are going to sell your corn at \$3.20 a bushel and whatever hedging we are doing to get you that price and then we are able to go to the local farmer co-op and of course it will all be open. We are not going to hide the ball. We are going to turn and say, here is what these guys have recently committed to give us our corn for. If your co-op wants to match that price, we would love to buy all the corn from you. Because Scolar charges us besides the price that they are going to pay also the shipping. So clearly by buying the corn locally, that is a benefit to us. It gives the farmer the benefit and know that we are not trying to cheat them or pull the wool over their eyes. We are more than happy to show the farmers what we are going to buy for. The only thing we ask of the co-op is that they form a group, gets all your corn, put it in one place then the railroad guys will bring the train in. One of the solutions they said today was they have a big grain storage in Mansfield and also in Ashland. We just want to make sure that we can effectively transport that corn. We do not want 400 dump trucks showing up a week at this site, we need some efficient methodology used and of course for us to go out and know that we have our corn. That plant has got to have that corn and if we can get the local farmers to supply 25% of that corn or half the corn or basically the entire plant. That is why we are here trying to build a plant in the state of Ohio because Ohio grows a lot of corn.

Bob Thompson, Co-op- is it possible to get a copy of the slide presentation today. There is an area that I am confused on where the numbers. Some of the numbers aren't adding up.

Tom McGee, 1728 W. Circle Drive- I have been looking at Ethanol plants for several years now and I have to mention this is the best program that I have seen. There are 3 things that you look at to have a successful Ethanol plant. First one is the availability of supply, we are in the Corn Belt but I think the system that he has worked out is pretty good so you will have the supply. Second, the operating costs- I wanted to ask you the utilities, I think we will be competitive as about any place, I am not sure what the cost for water will be, but our gas is competitive, electricity is a little bit high, but I think we are going to be all right on the operating costs and where this plant really

shines though is on the marketing seen. The E85 marketing technique they are using is very very helpful in the success of this plant.

Dan Kliner, 1407 Twp Rd. 843- Dean gave a pretty good presentation and he answered questions that I had.

Guy Howman, 1406 Twp Rd 843- how is this going to affect all this land that is set aside to help supply this.

Tom- There is what you call Conservation Land; there is a lot of land set aside for conservation purposes. Actually the Government is opening that up for energy crops, it appears that way at least.

Bill Hinson, 1924 Stone Ridge Drive- I guess the one question I have, what is the risk that in the short-term production will outpace demand by the distributors and demand by the consumer.

Dean: I think I said before, that where everybody is selling the product at right now is under that gasoline at 10% emission. That is not our game plan or in our business. Our business plan is to go create E85 markets that a lot of people have flexible fuel vehicles and drive all the way from Pittsburgh to Indiana to Kentucky to be able to fill up their cars. We think that entire plant is going to be consumed by 150 gas stations. We are talking about Eastern Indiana and State of Ohio, Western Pennsylvania all the way down to Kentucky. That is a lot of states. That is the market that we are going after so on the market that we are going after, we don't think there is ever going to be an over supply. We think that we could sell every single drop and that is where our expertise, us doing our marketing research and us test marketing the product and us understanding what the consumer wants. We are going after a market no one else is really going after. We are not necessarily going after the 10% market even though that is available to us. We want to go out to the 85% market that we think is wide open. I have seen this all the time. When was the last time a person had the opportunity to go into the biggest market in the world which is energy. It is a sector the biggest part in the world that no one is selling it to. When was the last time that happened? I will say this, When Bill Gates developed Windows. No one else is going at that. I think that is where we are at right now. We want the service of market as seen on the slides all those states. There is 8 stations in Ohio, 2 in Kentucky, more in Indiana about 22. We think this market is wide open and that is the market we are going to want. We are not concerned about over supply.

Chester Milliron, 960 Twp Rd 1104- is there any possibility you can recycle this water.

Stewart: I think that is where the investment came from of an additional plant site investment that would consider recycling water.

Dean: In order for us to use half the amount of water, the number was between \$ 15 to 21 million dollars and none of those plants are spending that much. It is actually much cheaper for those to buy your water. I don't foresee us at that time making a commitment to spend upwards of 21 million dollars to save a certain number of gallons per day.

Stewart- Water conservation is a big number, a big thing on the forefront of everybody's mind. I think there is some opportunities to work with if Ohio State Ethanol would come to Ashland Ohio, I think there are some opportunities to work with them in the water arena.

Kathy Berg, Ashland Water- Couple of comments: First of all there was a question about some of the farm ground, there is always opportunity for farmers to put land back in production. Also there seems to be a lot of concern about the demand for supply and demand and if there is going to be a market out there. Last Spring I can attest to this because I was actually in Wayne County once a week and I have a Dodge Caravan Flexible Fuel Vehicle I am taking advantage of E85 and there is only 1 station that sold it by the fairgrounds in Wooster. At that point it was about 10-15 cents more a gallon than regular gas and there were many times I went there and they did not have any supply, they were out. Which is a challenge, because the worse thing you can do to those flexible fuel vehicles is go back and forth. So that is a big issue. The other thing I would like to say is if we don't open our eyes to except this here, someone else is gladly going to put this company on the map for them. Because I do not think this alternative fuel issue is going to go away right now. This is an opportunity to help our local farmers and on the water issue as farmland is developed there is more water consumed as well. Every household that goes in consumes water and that is not going to be to the quantity granted of the 700,000.00 gallons but you will get the big picture I think there is a lot of advantages you can do here, it can help our community, it can help the environment and put this place on the map.

Judith Shafer, 1334 St Rt N. 603- I am a resident of Milton Twp, adjacent to the Industrial Park. I am also a Supervisor with Soil and Conservation District. Something you did not cover in your presentation and I wish you would ensure me that in case of plant failure, There is nothing hazardous that would be airborne or stream borne correct?

Dean: Okay, The first thing, Ethanol is an alcohol; the reason that the government is using Ethanol is to replace MTBE because if you have a spill, it evaporates. The plant is a petrol-chemical plant; you can call it Ethanol, alternative energy and put a nice ring to it but bottom line is we are producing a material which can catch fire. I am not going to hide it, I am not going to try and cover it, sounds great, it is great energy, alternative energy but it is still a chemical plant. That is what we are producing. So, Can we guarantee that the plant is never going to blow up? No I cannot do that cause I am a Lawyer. I see plants this happens all the time. But we will do whatever we must do to make sure that plant is run properly. And believe me that we are. Lenders are going to insist it, OCEA is going to insist it but us as people that own that project including the highly qualified people that we are going to hire. We are going to make that that plant is of the utmost safety we can possibly have. If something goes wrong at that plant, we are wiped out, we're done. The 30 years of work is over. So some of the things we need to discuss is we don't employees working at that plant who smoke. We need very responsible people showing up here. The plant is going to require drug testing and it is going to be periodic drug testing. We do not want people using illegal substances or have got an alcohol problem, cause once again you have responsibilities. Once again we will do the best that we can to hire the most competent people to run that plant but it is a chemical plant.

Stewart- Thank you Dean.

Robert Valentine, Ward 2- these double tinkered vehicles, what is the gross vehicle weight? Our roads are built to code.

Dean: Will mail that back to you.

Adjournment

The Work Session ended at 3:05 p.m.

Submitted by
Valarie F. Bishoff
Clerk of Council

