



NEWS FROM SIGMA CAPITAL GROUP, INC.

For Immediate Release, September 12, 2005

BIODIESEL CCC CREDITS DISAPPEARING: Sigma Capital Rings Alarm on Potential Disruption to Biodiesel Industry.

Harbor Springs, MI: The Commodity Credit Corporation (CCC) Bioenergy Program has been a key enabling factor for the infant biodiesel industry. The CCC biofuels program has provided up to \$0.90 per gallon to biodiesel producers recently. These CCC funds are likely to shrink substantially this year and are scheduled to disappear altogether at the end of the 2006 Federal fiscal year (August 31, 2006). The loss of this financial support from the Federal government could have devastating effects for the biodiesel industry, just as the industry is gaining momentum.

The funding available for the Bioenergy Program for 2006 fiscal year (which began Sept. 1st) could be as little as \$25.5 million, a dramatic reduction from previous years. In the 2003 and 2004, the Bioenergy Program provided \$150 million to the biodiesel and ethanol industries to reduce the cost of feedstock. In the 2005 fiscal year, the program provided \$100 million. The appropriation for the 2006 fiscal year has not been finalized, but will likely be between \$60 million and \$100 million. Unfortunately, the program ran up a \$34.5 million deficit in prior years and this deficit will need to be repaid from the 2006 fiscal year appropriation. In other words, if the appropriation is \$60 million, after the \$34.5 million deficit is repaid, only \$25.5 million will be available for all of the 2006 fiscal year.

To make matters worse, the program expires at the end of the 2006 fiscal year. This vast reduction in the amount of money available coincides with the greatest growth the biodiesel industry has ever seen in the United States creating a perfect storm: increased claims, lower appropriation, and a program deficit, all of which will contribute to greatly reduced payments to biodiesel producers.

But wait a minute you say, what about the biodiesel excise tax credits, which provide for up to \$1.00 per gallon? Good question, but unfortunately, those credits are only available to a biodiesel "blender," which in the majority of cases, is the petroleum company distributing the biodiesel. Accordingly, the biodiesel producers are not seeing any direct benefit from these credits.

The loss of the CCC Bioenergy Program payments may seem okay now, with diesel prices at historic highs. But if diesel prices come down, as is likely, biodiesel producers could quickly find themselves in a financial crunch as feedstock costs continue to rise and biodiesel excise tax credits are absorbed by petroleum distributors. Blenders, with little risk, are getting the full benefit of the biodiesel excise tax credits, while producers, with large capital investments and long paybacks, are shouldering all the risk.

"We are very concerned about the loss of this important revenue stream" said Eric Bowen, Sigma Capital's Vice President, Energy and Director, Biofuels. "The CCC Bioenergy Program has been the principal Federal program directly benefiting biodiesel producers. The loss of the CCC Bioenergy Program has the potential to have a significant adverse impact on the supply of biodiesel in the United States and will make financing new biodiesel plants more difficult".



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“If you are an existing biodiesel producer and your business model is dependant on the CCC credit, we would recommend you develop alternatives to offset this potential loss of credit with new revenue sources or cost reductions ” said Bruce Woodry, Sigma Capital’s CEO. Mr. Woodry continued “As a result of the disappearing CCC Bioenergy credits, sharpened business models and astute financial structuring for proposed biodiesel plants will assure investment grade returns are delivered and funding can be raised in this highly competitive financial marketplace.”

Catastrophes like Katrina highlight the value and importance of a diversified fuel source, and programs such as the CCC Bioenergy Program are instrumental in creating a level playing field for new entrants. The CCC Bioenergy Program enables biodiesel to come to market at a reasonable price point regardless of the price of petroleum. This in turn assures fuel availability and price stability by have a choice of fuels at the pump should there be a price spike or supply disruption in traditional petroleum fuels.

About Sigma Capital:

Sigma Capital Group is a ten-year-old boutique investment bank located in Raleigh, North Carolina, adjacent to Research Triangle Park that has built a strong reputation for improving shareholder value through corporate development activities. Sigma Capital Group provides advisory and representational services to clients in the Energy, Real Estate/Destination Resorts, Telecommunications & Information Technology sectors with transaction values in the \$5M to \$200M range.

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