

BIODIESEL PROCESSING PROPOSAL

(Approx. 1,000 gallons per month)

USP POLLOCK, U.S. PENITENTIARY
1000 AIRBASE ROAD
POLLOCK, LA 71467

Attn.: Byron

Phone: 318-561-5300, Fax: 318-561-5391



Vanguard Synfuels' plant at Pollock, LA



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Since 2006



Vanguard Synfuels is committed to maintaining a clean and sustainable environment

PROPOSAL OVERVIEW

The following proposes that Vanguard Synfuels (VSL) process 100% biodiesel (B100) from approx. 1,000 gallons of waste kitchen grease to be supplied by USP Pollock (USP) at no charge to VSL.

VSL will charge a nominal fee to USP Pollock for feedstock pick-up and processing, and will deliver back to USP Pollock finished biodiesel (B100) ready for blending with USP's petrodiesel or pre-blended with VSL's petrodiesel option - and ready for use in all weather.

GENERAL CONDITIONS

FEEDSTOCK	:	USP to provide waste kitchen grease, also called yellow grease (YG) at no charge to VSL
QUANTITY	:	Approx. 1,040 gallons per month
QUALITY	:	Approx. 15% FFA, 2% MIU (Moisture, Impurities and Unsaponifiables)
OFF-SPEC. FEEDSTOCK	:	For feedstock that does not meet quality specification of <15% FFA and <2% MIU, VSL will either attempt to blend it with higher quality feedstock and process it or discard it – at its option. VSL will report any issues and amounts of feedstock it is unable to process
CONVERSION YIELD	:	Typically, VSL will be able to convert approximately 99% of the feedstock it receives into biodiesel (B100) after deducting the by-product of biodiesel, glycerine (approx. 10% of the feedstock volume)
INCOMING FEEDSTOCK	:	VSL will pick up, in its own totes, approximately 520 gallons of YG from USP every two weeks. When product arrives at VSL's facilities it will be measured for weight (lbs) and volume (gallons)
FEEDSTOCK STORAGE	:	VSL will supply USP with totes to store YG for pick-up

LOADING/UNLOADING	:	USP will provide means to load and unload totes containing feedstock or biodiesel at USP's facility
FINISHED BIODIESEL	:	VSL will deliver back to USP in totes finished B100 biodiesel ready for blending (with petro-diesel). Or, for use as B100, without blending as per USP's preference
TESTING	:	Before leaving VSL's processing facilities, all biodiesel is measured by weight and volume, and tested to meet ASTM A Certificate of Analysis (CoA) will accompany each batch of biodiesel delivered to USP
BIODIESEL SPECIFICATION	:	Meets or exceeds: ASTM D 6751-08 (100% biodiesel) Passes: Cold Soak Filtration Test ASTM 6217-b Cold Filter Plugging Point (CFPP) = FAME 10°C.
BLENDING OPTION	:	VSL will provide blending services at its own facility and provide USP with a diesel-biodiesel blend of its choice. Typically, 20% biodiesel and 80% petro-diesel for spring through fall use, B20; and 10% biodiesel and 90% petrodiesel for use from late October until early March, B10). <i>See Pricing for option cost</i>
RECORD KEEPING	:	VSL will maintain accurate records of all feedstock received and all biodiesel delivered including copies of all tests and CoAs for three (3) years
PICK-UP AND DELIVERY	:	USP will provide times Vanguard may pick up feedstock and deliver biodiesel VSL and USP will inform one another when a pick up or delivery will occur at a time interval agreeable to both parties
DAMAGE	:	VSL will replace any damaged feedstock caused by its own negligence or plant failure
DOCUMENTS (FEEDSTOCK)	:	To be determined by USP, but essentially: <ul style="list-style-type: none"> - Bill of Lading with gallon amount and # of totes - Pick-up receipt
DOCUMENTS (BIODIESEL)	:	The documents will accompany shipments of biodiesel will include: <ul style="list-style-type: none"> - Product transfer document - CoA - Material Safety Sheet - Bill of Lading - Accounting of feedstock received, amount of glycerine waste and total biodiesel yield in gallons
INVOICING	:	VSL will invoice USP monthly, 2% NET 30 (or as required of USP by federal govt.)

- CANCELLATION** : Either party may cancel this Agreement with 60 days prior notice in writing (no reasons required)
- DESIGNATED CONTACT** : VSL and USP will each designate a contact person with back-up contact and phone numbers
- DISPUTE RESOLUTION** : In case of a dispute, VSL and USP agree to meet as soon as an issue develops and resolve the differences amicably

PRICING

- PROCESSING** : B100 biodiesel: VSL will charge USP \$0.25 for each gallon of biodiesel it is able to yield (process) from the feedstock supplied by USP. Pick up and delivery is included. An accounting of glycerine and any un-processed feedstock will be included with the invoice for each shipment
- BLENDING** : If USP opts for VSL to blend to B20 or B10 Biodiesel, the above amount will be added to the daily rack rate for the diesel fuel used in the blending process less all taxes, plus a \$0.03/gallon blending fee;

Example: VSL blends to achieve B20 with 900 gallons of biodiesel which would require 3,600 gallons of petrodiesel:

Today's rack price for #2 diesel	= \$x.xx X 3,600 gallons
B20 Biodiesel	= \$0.25 X 900 gallons
Blending fee	= \$0.03 X 4,500 gallons
Today's rack price for #2 diesel	= \$x.xx X 8,100 gallons
B10 Biodiesel	= \$0.25 X 900 gallons
Blending fee	= \$0.03 X 9,000 gallons

- GLYCERINE** : VSL will dispose of the glycerine (approx. 10% of feedstock incoming volume)
- TAX CREDITS¹** : Any tax credits due go to the account of VSL
- RIN CREDITS²** : Any RIN (renewable identification number) credits go to the account of VSL.

IN WITNESS WHEREOF, Each of the Parties has caused this Agreement to be duly executed and signed by its authorized representative to be effective as of the Effective Date.

Vanguard Synfuels, LLC

USP POLLOCK, U.S. PENITENTIARY

_____	_____	_____	_____
Name & Title	Date	Name & Title	Date

¹ If eliminated would require re-negotiated contract pricing (possible starting Jan. 2012)
² If eliminated would require re-negotiated contract pricing (not likely to happen until Jan. 2023)

PLANT OVERVIEW

VANGUARD'S CAPABILITIES AND LOGISTICS

The plant currently has a production capacity of up to 12 million gallons per year, and since 2006 Vanguard has always produced the highest quality biodiesel available for both the domestic and European markets.

Most feedstocks are processed from low FFA animal fats to most crop oils; however, the company is currently installing esterification equipment to process high FFA feedstocks such as yellow grease, waste vegetable oil, tallows and poultry fats.

There is direct access to the Union Pacific Railroad with on-site rail access. Also, Gulf shipping terminals are within about 250 miles via the Red River.



TESTING LABORATORY

Vanguard produces the highest quality biodiesel because it not only has highly qualified chemists and managers, but the most up-to-date tools and equipment needed to do the job with expertise.

A complete on-site GC laboratory has all the instruments necessary to certify that all biodiesel produced meets ASTM D6751 and EN 14214 specifications.

The lab is run by a professional chemist with 30 years experience, three directly in biodiesel. Equipment is state-of-the-art including use of a spectrometer to test at certain points during the production cycle.

This ensures completed product reaches finishing tanks on time and in spec., and prior to the final Certificate of Analysis testing is performed.

Lab equipment consists of the following key components:

- Chromotograph, to measure free and total glycerin
- Ransimat, to evaluate oxidative stability
- Ultra violet fluorescence, to measure sulfur
- Flash point measuring device
- Densitometer, to measure density
- Centrifuge, to measure water and sediment
- Titrimeter, to measure acid number
- Unit to measure phosphorous, sodium, Potassium, Calcium and Magnesium
- Viscometer, to measure viscosity
- Karl Fischer Titrator, to measure water
- Herzog unit, to measure cloud and pour point.



end