CountryMark Cooperative LLC
CAB CS 08.2

“We need to grow our business. Simply riding the eventual downturn in the petroleum refining market is not an option. We need to strategically redeploy our current earnings for the benefit of the company and its stakeholders.” — Charlie Smith, president and CEO, CountryMark Cooperative LLC

It is March, 2008 in Indianapolis, Ind. Charlie Smith, president and CEO of Countrymark Cooperative LLC, is reviewing his presentation for the upcoming board meeting. Tomorrow, Charlie will present his latest version of the company’s long-range strategic plan.

Charlie is charged with how to grow this “quiet” Midwestern small-town petroleum refining and marketing company. It is one of only a few refineries located in the heartland of the United States that uses 100 percent American crude oil. The refinery sources all of its 26,000 barrels per day of crude oil from the Illinois Basin, which has a current production capacity of approximately 50,000 barrels per day.

CountryMark owns private, dedicated petroleum distribution assets (a pipeline and distribution terminals) throughout Indiana. These assets serve 20 local retail cooperatives across Indiana, Southern Michigan and Western Ohio (Exhibit 1). The cooperative provides petroleum products for farm, commercial and residential use, and serves more than 70 percent of the agricultural fuel market.

CountryMark became Indiana’s leader in biodiesel distribution and sales in 2003, when it opened the nation’s first metered blending rack. In 2004, it opened the
nation's first inline injection rack. By early 2005, it distributed biodiesel throughout Indiana. Now, 80 percent of the biodiesel sold in Indiana originates from one of CountryMark's four terminals.

In addition to biodiesel, CountryMark has supported Indiana's growing ethanol industry. It assists branded retailers with E-85 implementation and promotion throughout their territory. In February 2008, it converted all of its gasoline products to 100 percent E-10 ethanol blends.

CountryMark has enjoyed a series of profitable years with significant increases in sales and net income as of 2003. In recent years, the management team has pursued several initiatives to reinvest in their core assets, brand and distribution network. These strategies have positioned the company to be competitive in the petroleum marketplace.

Nonetheless, the company is a small, regional operation surrounded by huge, international petroleum companies. The sheer scale needed to be a major player in the national petroleum refining markets far exceeds the capital available to CountryMark. Thus, while the recent investments made in the refining facilities have improved profitability, CountryMark would remain a small, regional company even if it invested all of its available resources in refining operations.

Charlie’s concern is that some of the recent success can be attributed to market forces beyond the company’s control. To move CountryMark forward, he must develop a plan for deploying its newly accumulated cash resources in ways that position the company for long-term sustainability. The company is now very strong financially, and prospects are for cash reserves to continue growing, even if the petroleum industry takes a downturn.

Given the industry constraints and the political uncertainty surrounding the growing renewable fuels industry, Charlie seeks a balance in CountryMark’s strategy. He wants to leverage its strengths while recognizing the need to invest in the company’s future.

Charlie has collected data on petroleum and biofuels industries to help him address some key questions:

1. How does a small, Midwestern refinery grow its business? Improvements in the
current refining facility have had good payoffs, but those investments are limited. Even with substantial investments in the current facility, CountryMark is still a very small player in the petroleum refining market.

2. The strong brand and distribution assets are core to CountryMark’s success, but the geographic footprint is limited. What opportunities exist to leverage these assets?

3. What is the future of biofuels? As a regional cooperative owned by a series of farmer-owned cooperatives, there is pressure to play a role in this industry. But, what role should CountryMark play? Should they be a producer, marketer or both? Will the industry be self-sustaining or will it be forced to rely on government mandates and subsidies to survive? CountryMark’s management expertise is limited in the production end of this industry.

4. CountryMark has a strong product lineup in distillates (diesel and its derivatives), but is long on gasoline production, which results in price pressure in the gasoline market. How can the company address the distillate shortage and reduce the pressure from being long on gasoline?

The U.S. Petroleum Market

As of April 2002, the price of oil had been on an almost uninterrupted rise from approximately $20 per barrel to nearly $100 per barrel. By January 2008, the market called for a continuous rise. A portion of this increase in oil prices could be attributed to the weakening of the U.S. dollar relative to other currencies. Exhibit A1 compares the price of oil in U.S. dollars to the price of oil in the Euro. This reflects both the rapid increase in the price of oil and the nearly $35 per barrel difference attributed to the devaluation of the dollar. The combination of the rising oil prices and the reduction in the U.S. dollar began to affect the demand for petroleum products in the United States.

Despite rising crude oil prices, the general margins for the refining industry were also rising. Exhibit A2 reflects the rising margins, called the crack spread, from 1999 through 2008. This rising margin reflects the growing gap between U.S. petroleum fuel demand and the refining capacity within the United States. Exhibits A3 and A4 show the rising amount of gasoline and diesel fuel imports to the United States. The rapidly rising gasoline imports from “long-haul” countries, including those outside of the Americas, is indicative of areas like the Far East having ample supplies of gasoline.
However, the amount of long-haul imports of diesel has not been growing because regions such as Europe, Asia and South America do not have as much excess diesel production. The imported finished fuels are generally more expensive than domestically produced products. This supports the margins in the domestic refining industry. Despite the improved margins for the industry and some increase in investment to expand refining capacity, long-term projections called for North American refining capacity growth to remain short of the anticipated growth in demand.

The latest forecasts for the U.S. economy anticipate much slower growth in 2008 and 2009 with continued inflation pressures, particularly in commodities. Charlie was concerned that the slowing economy would result in a slowing demand for fuel. The possibility of a decreased demand for fuel, combined with the government-led push for an increase in production of renewable fuels, might put substantial pressure on crack spreads in the future.

Moreover, the 2007 Energy Bill replaced the original renewable fuels standard passed by the U.S. Congress in 2005. This new renewable fuels standard substantially accelerated the required amount of renewable fuel production relative to the Department of Energy’s forecast for renewable fuel production (Exhibit A6). The government mandated use of ethanol among other renewable fuels is likely to have a substantial impact on the future supplies of gasoline and distillate products.

Exhibit A7 illustrates the estimated growth of gasoline supplies in the areas surrounding CountryMark’s trade territory and the mix of sources that make up those supplies. Gasoline supplies are expected to increase by more than 1.5 million barrels per day from 2008 to 2020, when production is expected to be six million barrels per day. Most of the production increase will come from ethanol. The production of corn ethanol will rise through 2015, after which the production of cellulosic-based ethanol will increase.

Exhibit A8 shows projected diesel production through 2020. The use of renewable fuels is not nearly as prominent in diesel production, since the renewable fuels mandate calls for only one billion gallons of biodiesel by 2020. Because ethanol is expected to fill much of the expanded production capacity needed for gasoline, refining capacity is not likely to grow rapidly. This will result in little to no growth in diesel supplies. To make up for the expected production shortfalls in diesel, imports are expected to increase.
Given the slowing economy, expanding U.S. production capacity in renewable fuels, and the anticipated tightening of supplies in diesel, crack spreads are expected to decline over the next several years. Exhibit A8 shows the anticipated 50 percent decline in gasoline crack spreads from 2008 through 2020. The diesel crack spreads, shown in Exhibit A9, are also expected to decline through 2020, but are likely to remain above $10 per barrel in the Indianapolis region.

Diesel spreads being higher than gasoline spreads is a recent phenomenon. Historically, gasoline has always had a premium crack spread. But, the increasing gap between refining capacity and demand, combined with the ability of ethanol to fill the gap for gasoline, is widening the difference between gasoline and diesel crack spreads.

The Biofuels Market

The biofuels market began its growth period with ethanol, starting in 2006. Ethanol production has skyrocketed from four billion gallons in late 2006 to an expected 13 billion gallons by July 2009 (Exhibit A11). This far exceeds the renewable fuels mandate set forth in the 2007 Energy Bill. Corn demand has also skyrocketed from 2.1 billion bushels used for ethanol production in 2006 to an estimated 5.3 billion bushels by the time corn ethanol production is expected to mature at 15 billion gallons (Exhibit A12).

The rapid increase in the use of corn has caused corn prices to rise much faster than ethanol prices have risen in recent periods. The escalating cost has, in turn, squeezed ethanol margins. With ethanol production exceeding the renewable fuels mandate for the next several years, the profits for ethanol are expected to weaken.

Exhibit A13 illustrates the estimated trend in ethanol profits per bushel of corn milled through early 2011. Profits are expected to decline dramatically through the middle of 2009 and then stabilize around 20 cents per bushel of corn. Given the investment cost estimates of 60 cents per bushel or higher, it is unlikely that the industry will expand very rapidly over the 2009 through 2011 period. Since the renewable fuel mandate only requires 15 billion gallons by 2012, this slowdown in industry growth does not seem that surprising.

Biodiesel production is the other primary liquid renewable fuel being produced
today. It is quite small relative to ethanol production. However, the production is anticipated to grow during the next several years to meet the renewable fuel standard of one billion gallons of biodiesel by 2012. The sudden rise in corn prices in 2006 was followed by an equally sudden rise in soybean and soybean oil prices. Soybean oil accounts for approximately 70 percent of the feedstocks used to produce biodiesel, so the increase in price has placed significant pressure on the profitability of biodiesel in recent periods. The net operating returns are estimated to be negative through 2010 and then slowly rise to about 20 cents per gallon by 2018.

Other renewable liquid fuels are also receiving increased consideration. Ethanol from cellulosic material is receiving the most attention. Yet, most estimates indicate that cellulosic is far from being profitable. The first commercial plants are not expected to be in production until 2010 at the earliest, with significant production not expected until 2012 or later. Many alternatives to soybean-based biodiesel are also being explored, including the use of alternative oil-producing crops, animal fats, used cooking greases, algae and the conversion of coal to liquid fuel. All of these feedstocks are likely to be used in future production of biodiesel with varying degrees of profitability.

To date, fuel quality has been as variable as the types of feedstocks used to produce it. How quickly any of these alternative means for producing renewable liquid fuels becomes a significant contributor to the market depends heavily on the political pressure to have government invest in the research, expansion and protection of these industries.

**CountryMark Cooperative**

In the 1920s, several Indiana member cooperatives collectively purchased lubricating oils for their farm equipment. By 1930, 77 members formed the Indiana Farm Bureau Cooperative Association (IFBCA). IFBCA’s farmer-directors soon saw the need for higher-quality fuels and began construction of a private refinery in southwestern Indiana. It is ideally located between Illinois Basin crude oil fields and Ohio River barge traffic.

By the 1940s, IFBCA was fully involved in drilling, refining and distribution. By the 1950s, a 238-mile private pipeline was under construction. IFBCA’s flagship product, Super Dieslex-4, was introduced to the agricultural market in 1961.
In 1991, IFBCA merged with CountryMark cooperative in Ohio and Michigan, creating the CountryMark Cooperative that exists today. This merged cooperative had four core businesses, including petroleum, feed, agricultural inputs and grain handling. In the mid-90s, the company experienced a rapid decline in financial condition.

In October 1998, the agriculture-focused businesses of CountryMark were sold to avoid bankruptcy. This allowed the board and management team to focus on the petroleum refining and distribution business and begin the process of recovering financial health.

CountryMark hired Charlie Smith as the president and CEO in 2003, after which he worked with the board of directors to establish a set of priorities and objectives. This initiative resulted in a stated set of four fiscal priorities and six strategic objectives (Appendix B). Charlie and his management staff have been working under these broad guidelines since.

CountryMark is a regional cooperative owned by the 20 local retail cooperatives. A seven-member board of directors governs the company. It includes five farmers, who are also board members for their local cooperatives, and two local retail managers.

Charlie considers the board to be relatively progressive and understanding of the need to grow the business for the benefit of all members. However, the board’s lack of knowledge in the nuances of the petroleum industry poses limitations. Charlie believes that the board is beginning to move beyond the extremely fiscal conservative attitudes driven by the company’s past financial troubles. He also believes that while having to educate the board on the nuances of the petroleum industry can be cumbersome at times, it forces the management team to be deliberate in vetting their assumptions with the board. This consistent communication likely improves their decision-making processes.

CountryMark was historically organized around seven key executive managers (Appendix C). They were responsible for marketing, finance, corporate services, pipeline and terminals, refining and corporate planning. In 2005, CountryMark’s organizational structure was streamlined to consolidate corporate services, pipeline and terminals, and refining under one executive responsible for operations. This structure allows CountryMark to leverage operations planning functions.
The management team was very strong in carrying out its functions within the boundaries of the current operation. However, the team was limited in terms of time and expertise to explore or execute alternatives outside of the core business. In 2005, Charlie said:

“Right now, in terms of the people with time and skills to look at this company and determine the right ‘new and different’ things we should be pursuing, I am the only one.”

Recently, a director of business development position has been added to focus on new and different business opportunities. This function had been traditionally carried out by Charlie with assistance from those in operations. The new position will free the operations staff’s time and remove Charlie from assuming the primary responsibility for the analysis of new opportunities. Charlie believes that one of the major constraints to the future growth of CountryMark outside of its core business is the limited strategic human capital.

As of Dec. 31, 2007, CountryMark’s balance sheet was very strong. Total assets were $360 million. Current assets totaled $207 million and included $60 million in cash, $118 million in inventories and $27 million in receivables. Non-current assets were $153 million, including $88 million in plants, facilities and equipment less accumulated depreciation, and $49 million of investments in other cooperatives. Total liabilities were $170 million, which was almost entirely due to current payables and deferred income taxes. There was no long-term debt. Shareholders’ and patrons’ equity was $190 million, including $65 million of paid in capital and allocated member equity credits and general reserve funds of $124 million.

CountryMark’s assets have been appraised at $365 million since 2007. Much of the asset value is attributed to the refinery operation and the pipeline and terminal infrastructure. The refinery has the capacity to process 26,500 barrels of crude oil each day. CountryMark also owns 400 miles of pipe throughout the Illinois oil basin and a fleet of 25 crude-hauling trucks that delivers crude from the wellhead directly to the plant. It distributes most of the fuel products from the refinery in Mt. Vernon Ind., through its 1,100 barrel per hour pipeline located throughout Indiana. CountryMark uses independent haulers to distribute its products from pipeline terminal locations in Switz City, Jolietville and Peru to its member and non-member customers.
The company employees 350 people in the refining and distribution operations. Safety is a key focus. A number of investments have been made in the last five years to improve employees’ safety. Charlie characterizes his employees as “solid, hardworking individuals.” Many of CountryMark’s employees are second- or third-generation. Charlie appreciates the longevity of employees, but recognizes that changing the business practices of a small town company with a traditional cooperative mindset to a state-of-the-art liquid petroleum company that remains competitive in the 21st century can pose a challenge.

“The thing that most keeps me up at night is making sure that I am leading the company in a direction that assures the safety and livelihood of the 350 employees that work for this company,” Charlie said.

One of CountryMark’s core strengths is its brand. Underlying this brand is a promise that has been validated by market surveys and focus groups:

*CountryMark’s passion for quality and innovation, and our commitment to help each individual customer succeed, is why more and more businesses trust our people to consistently deliver the fuel industry’s highest-performing products and services.*

A core brand strategy initiative was undertaken in early 2007. The brand itself was changed and reintroduced to the marketplace. The signage at member cooperatives was updated and a marketing campaign was initiated to communicate the brand value.

This brand strategy has seen positive results. Recent customer surveys indicate that brand recognition has risen from approximately 10 percent to more than 65 percent in a six-month period. In addition, customers indicated that the CountryMark brand represents a leading supplier of petroleum products that customer’s can trust. Appendix D summarizes the financial performance of CountryMark since 1997. The company struggled to maintain profitability from 1997 through 2003 (Exhibit D1). Compounding the low profitability was a critical shortage of cash stemming from the company’s financial troubles in the early 90s. The sale of non-petroleum assets in late 1998 allowed the company to stabilize its cash position in 1999. However, continued poor profitability again eroded the balance sheet.

Upon Charlie’s arrival to CountryMark in 2003, the company began making signifi-
cant investments in the refining facility to meet EPA requirements, increase efficiency and improve safety. These investments began to come to fruition in 2005. In 2006, net income was $52.5 million on $878 million in sales. In 2007, the company ended the year with an estimated $60 million in net income on $964 million in sales. As a result, the company entered 2008 with $87 million in cash and receivables with no long-term debt.

The Future

Using macroeconomic forecasts, the management team assembled an operating performance forecast of the company for the next 10 years. Charlie was concerned with the relatively large change in financial performance projections that resulted from an update in the macroeconomic projections. These projections reflected the change in the renewable fuels mandates and the latest forecasts for crack spreads. While the most recent forecast was still relatively favorable, the fact that the company was so heavily dependent on one industry was concerning. Charlie felt that CountryMark needed to find ways to diversify its income streams.

The updated forecast of CountryMark’s income streams (Exhibit D4) reflects the declining crack spreads. However, even after accounting for the planned investments in the company’s core business (Exhibit D5) and expected cash patronage refunds, the cumulative cash flow for CountryMark is projected to grow rapidly through 2017.

This forecast anticipates that the company will remain debt free throughout the planning period. Despite the less then favorable forecast for the industry, the investments made in the core operations have positioned CountryMark well for a downturn. The issue is what should be done with the expected increase in cash reserves to best serve the owners of the company.

As Charlie prepared for the upcoming board meeting, he reflected on the previous year’s strategic planning session, during which the board developed criteria for considering new opportunities. This lead to the identification of a preferential criteria for new and different opportunities that management could consider:

1. Cooperative structure preferred, but not required.
2. Patronage preferred over dividends, but not required.
3. Farmer cooperative governance is not a must; can consider other governance models.
4. Financial performance required at reasonable levels; core 8 percent and non-core 12 percent.
5. Flexible in choosing growth versus strategic, but look to create long-term value.
6. Control should be proportional to investment.
7. Preference for businesses related to our core.
8. Positive to neutral impact on production agriculture.

In addition to the criteria for new investments, Charlie and the board also identified the areas they believed to be the foundation of their core competency. These included:

- Pipelines
- Truck logistics
- Hydrocarbon processing
- Product distribution
- Agriculture/petroleum relationships
- Brand marketing
- Customer service
- Management team

During the past several years, the management team has explored many opportunities outside of the core business. A list of several opportunities is provided in Table E1. Most of those opportunities seek to diversify the company into the related biofuels industry. However, none of those opportunities has resulted in an investment.

The brainstorming efforts among the management team and the board of directors have also resulted in a number of potential options for the company to consider. These range from horizontal growth options that expand the pipeline and terminal infrastructure to a broader geographic area, to vertical growth options into value-added products, such as wind or solar energy and CO2 sequestration. Some options have even considered investments in unrelated diversification areas, such as agricultural processing, specialty chemicals or venture capital. Table E2 summarizes the list of possibilities.

The day has grown long and the board meeting starts early tomorrow. As Charlie
prepares to leave the office, he remains preoccupied with several thoughts. He believes that the company must find more direction for future growth. The eventual downturn in the cycle for the petroleum refining industry is inevitable. He is not sure when it will come, but he knows it is coming.

CountryMark has made significant improvements in its operations to transition into a formidable small competitor in the petroleum markets. The concern is no longer about the ability of the company to survive. The challenge now is finding the right direction to grow the company.

Charlie views the company as:

- A small, niche refiner with a tight geographic footprint.
- Fully committed to the success of its branded member network.
- A recognized leader in biofuels, particularly biodiesel.
- Committed to the long-term sustainability of service to its member patrons.

Despite the recent success of the company, Charlie also identifies key challenges. He views CountryMark as:

- Highly dependent on Illinois Basin production.
- Income dependent on a single asset and industry.
- Long gasoline, which sells at the bottom of the market.
- Short distillate, which dictates a balance in sale price versus cost of supply.
- Must work to maintain a leadership in biofuels as the industry accelerates.
- Threatened by aggressive renewable fuel mandates that will displace key products from the marketplace and reduce profitability.

With this backdrop, Charlie plans to address strategic questions with the board tomorrow. Questions include:

1. How should a company position itself to compete in a market in which its core assets are concentrated in an industry dominated by very large competitors? Horizontal growth opportunities exist, but to “matter to the market” might be very difficult.
2. The current influence of the biofuels industry certainly presents opportunities, but it also provides significant challenges to the core business of CountryMark. How should the company respond to this industry? Is diversification into biofuels production the right way to go? Should they leverage their distribution capacity to play a broader role?

3. If the high-return investments in the refining operations have mostly run their course, what are the next high-payoff investments to pursue? Should they invest in projects that are related or unrelated to their core business? Is it better to use current cash to redeem equity to the membership than invest in businesses that have little direct benefit to current members?

4. How do you grow the managerial talent base of CountryMark to capture synergies that may exist between the current business and new markets and new industries?

5. Is the cooperative organizational structure currently helpful or a hindrance for CountryMark? Are the limitations with respect to capital and the need for new business to be of direct benefit to members too restrictive?

6. Should CountryMark consider a strategic alliance or partnership to grow its business while continuing to leverage its core strengths?
Exhibit 1. Country Mark’s Market Area
Appendix A: Overview of the Petroleum and Renewable Fuels Industries

Exhibit A1. Crude Oil Prices in U.S. Dollars and Euros

Exhibit A2. Historical 3-2-1 Crack Spreads
Exhibit A3. Imports of Gasoline, Components and Oxygenates

• More gasoline imports from “long-haul” suppliers

Exhibit A4. Imports of Distillate Fuels

• More limited “long-haul” diesel suppliers
Exhibit A5. Projections of Refining Capacity relative to Demand through 2030

Exhibit A7. Estimates of Future Gasoline Supply within PADD’s 1, 2 and 3

Exhibit A8. Estimates of Future Distillate Supplies within PADD’s 1, 2 and 3
Exhibit A9. Forecasted Crack Spreads for Gasoline in Selected Markets

Exhibit A10. Forecasted Crack Spreads for Diesel in Selected Markets
Exhibit A11. Ethanol Production Capacity and Corn Demand through July 2009

Exhibit A12. Ethanol Impact on Corn Use
Exhibit A13. Estimated Ethanol Plant Profitability Trend Based on Chicago Board of Trade Forecasts.

Exhibit A14. Biodiesel Supply and Demand Estimates

Source: Food and Agricultural Policy Research Institute, University of Missouri, March 2008
Appendix B. CountryMark’s Priorities and Strategic Objectives

CountryMark has four stated fiscal priorities:

1. Manage cash/debt
2. Invest in the future
3. Pay patronage
4. Redeem equity

CountryMark has six stated strategic objectives:

1. Maintain and execute base capital plan and achieve appropriate financial performance compared to their identified peer group
2. To ensure the long-term viability of the CountryMark branded dealer network by delivering quality fuels at competitive prices and providing resources to improve the margins of CountryMark and our branded customers.
3. Maintain our core assets to mitigate safety and environmental risk an achieve “acceptable” insurance ratings.
4. Invest in our core business with projects having an 8 percent minimum ROR.
5. Invest in synergistic new business in which we can attain a competitive advantage and a 12 percent ROR.
6. Attract and retain quality employees who possess critical thinking skills and provide training programs that can advance CountryMark as an organization.
Appendix C. Organizational Structure for CountryMark Cooperative

Exhibit C1. Organizational Structure
Exhibit D1. Net Income and Revenue History for CountryMark Cooperative

Exhibit D2. Cash on Hand/Bank Debt History for CountryMark Cooperative
Exhibit D3. Pre-Tax/Pre-Patronage Income Projections for CountryMark Before and After 2008 Mid-Year Macroeconomic Forecasts

Exhibit D4. Planned Investments in the Core Business from 2008 through 2017
Exhibit D5. Cumulative Cash Flow after Planned Investments, Patronage Refunds and Recast of Macroeconomic Conditions in mid-2008
Appendix E. Partial List of Opportunities CountryMark’s Opportunities Outside of the Core Business

Table E1. List of Opportunities Examined since 2005 and Reasons for Foregoing the Opportunity

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Reason(s)</th>
</tr>
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<tbody>
<tr>
<td>Integrity Biofuels, Morristown — BioDiesel</td>
<td>Not comfortable with small size of facility; lack of BQ-9000 rating</td>
</tr>
<tr>
<td>Claypool BioDiesel</td>
<td>Not comfortable with structure/governance</td>
</tr>
<tr>
<td>Bunge BioDiesel</td>
<td>Not compatible with majority owners (not Bunge)</td>
</tr>
<tr>
<td>RAE – Ethanol</td>
<td>Market downturn; management became disengaged</td>
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<tr>
<td>Southern Indiana Ethanol</td>
<td>Too small; wrong partners</td>
</tr>
<tr>
<td>Owensboro, Ky., BioDiesel</td>
<td>Market uncertainty</td>
</tr>
<tr>
<td>Indiana Clean Energy, Frankfort — BioDiesel</td>
<td>Supply of soybean oil; management concerns</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>Still open, but not the first thing to do</td>
</tr>
</tbody>
</table>
Table E2. List of Potential Areas of Interest Identified by Management and the Board

| • Asphalt processing                          | • Waste recycling               |
| • Ethanol production                         | • Coal to liquids               |
| • Pipelines and terminals                    | • Liquid transportation         |
| • Specialty chemicals                        | • Agri-processing               |
| • FAME production                            | • Investment in emerging technologies |
| • Wind/solar energy                          | • CO2 sequestration             |
| • Green diesel production                    |                               |