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ZOOM

**CHRISTOPHER GANNON/THE REGISTER**

Dean Sukowatey, right, president of ALL Fuels & Energy Co., and co-founder Mark Leonard, are buying ethanol plants in order to increase their involvement in the ethanol industry. They are negotiating deals in Wisconsin and Iowa.

ALL Fuels sees potential still investing in ethanol

Between buying and building its own ethanol plants, ALL Fuels wants to reach a production capacity of 500 million gallons per year.

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A young Johnston company strives to build a network capable of producing 500 million gallons per year of ethanol.

ALL Fuels & Energy Co. has made a cash offer to buy an unnamed Iowa ethanol plant that has about \$70 million in annual revenues. Dean Sukowatey, president of ALL Fuels, said he couldn't yet name the cooperative-owned plant because of a non-disclosure agreement with the prospective seller.

Many ethanol facilities in Iowa were funded by local farm cooperatives and are owned by members.

In some ways, Sukowatey's company plans to do what John Pappajohn, Iowa's most successful venture capitalist, could not. Pappajohn announced Oct. 24 that he would close a business attempting to buy control of farmer-owned ethanol plants. He said at the time that a sharp drop in the price of ethanol had made his plan unworkable.

Sukowatey and a partner, Mark Leonard, acknowledged that the ethanol industry is very volatile and that prices are depressed. But they believe in the long-term prospects and feel the current instability will persuade plant owners to rethink their reluctance to selling.

"Eighteen months ago you could have shown them a picture of Fort Knox, and nobody wanted to sell," said Leonard, a Holstein banker and cattleman who co-founded ALL Fuels.

Chad Hart, an economist at the Center for Agriculture and Rural Development at Iowa State University, said with profit margins thin at the moment, some owners may be interested in selling.

"You could have a situation where some of the co-ops are looking to cash out," Hart said.

Unlike Pappajohn's venture, Leonard said ALL Fuels has an advantage of being able to offer sellers shares that they can either keep or trade when they decide the time is right.

"There's significant enterprise value to being

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Sukowatey said ALL Fuels plans to offer either cash, options on its stock or a combination of both to sellers of the Iowa plant.

The company's shares, traded under the ticker AFSE, have traded between 10 cents and \$2 during the past 52 weeks. It closed Wednesday at 73 cents, down 2 cents for the day.

In August, ALL Fuels announced a \$102.5 million offer for an ethanol plant in Stanley, Wis. The deal for that 44-million-gallon refinery is still being negotiated, according to officials from owner Ace Ethanol LLC.

ALL Fuels also owns 150 acres of land at Manchester, Ia., where it has permits to build an ethanol plant.

Sukowatey said between buying ethanol plants and building them, ALL Fuels wants to reach a production capacity of about 500 million gallons per year.

Capacities in the industry have steadily risen in recent years as owners look for more clout with the companies that buy their output.

"Many smaller plants don't provide liquidity and risk management" to owners, Sukowatey said.

Leonard said as an investor in several ethanol plants, he has seen that people can have a problem getting their money out of the plants when they want. ALL Fuels proposes to overcome that lack of liquidity by offering sellers stock or stock options that would keep them invested in ethanol for as long as they want.

Sukowatey is a graduate of the University of Wisconsin who spent 19 years as a stock broker, fund manager and consultant.

Other founders of ALL Energy include:

- James Broghammer. He is president of Pacesetter Management Group, a Cedar Rapids company that manages ethanol plants.

- Scott Zabler. He is a former manager with Verasun Energy Corp., a South Dakota ethanol producer that operates two plants in Iowa and is building a third.

- Bibb Swain. He is the founder of Delta-T, a Williamsburg, Va., industrial plant builder that specializes in ethanol plants.

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