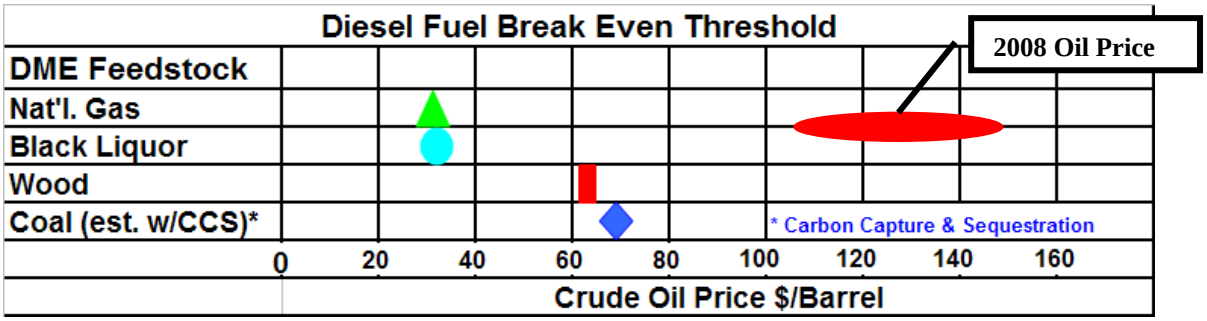
Alternative Fuel Technology, LLC (wholly owned by AFTC) is a Research & Development company engaged in the design, development and prototype manufacturing of advanced fuel systems for use with a new alternative fuel—dimethyl ether (**DME**). The company's ultimate goal is series production of DME fuel systems for the global automotive market by 2011.

AFT has developed practical, low cost fuel injection equipment for DME fueled vehicles. Volvo Truck Corp. (in Sweden) has been using our fuel systems in field demonstrations and in laboratory research since 1995. Photographs of Volvo's latest truck using our fuel injection system are shown below.

Although others have demonstrated DME fueled vehicles (in Japan, Korea and China), the fuel injection systems used were converted diesel systems that are not technically feasible for production.

DME is an ultra-clean diesel fuel replacement that can be manufactured at low cost from abundant resources, including stranded natural gas, coal and biomass. Biomass sources include corn stover (corn stalk waste), switch grass, prairie grass, black liquor (from pulp mills) wood wastes and others. Today, the cost of producing DME[1] is only ¼ to ½ of diesel fuel produced from crude oil, depending on the feed stock used. The chart below shows the crude oil market price at which DME is competitive with diesel fuel.



Source: JRC/EUCAR/CONCAWE

[1] On an energy equivalent basis (BTU's)

DME is an extremely clean burning fuel that does not produce any particulate (PM) emissions (black smoke). In 1998, the State of California identified diesel PM as a toxic air contaminant based on its potential to cause cancer, premature death, and other health problems. In addition to eliminating PM, DME radically lowers emissions of NOx, HC & SOx. Preliminary test data indicate that US 2010 exhaust emission regulations can be met without the use of particulate traps or NOx catalysts. These devices add an estimated $5000 to the cost of a heavy-duty truck and $2500 to a diesel passenger car[2].

DME lowers lifecycle CO_2 emissions (a green house gas that causes global warming) when it is produced using biomass feedstock. If we could switch all internal combustion engines to burn BioDME, we could significantly slow global warming.

DME is a multi-purpose fuel in that it can be used as a propane replacement for home heating and cooking, a gas turbine fuel for power generation, and as a fuel for diesel powered vehicles.

Because of its low cost, abundant feed stocks, low emissions and versatility of use, DME is rapidly being exploited in Asia. The Chinese, Japanese and Koreans are investing heavily in DME, both in R&D and the construction of production facilities. There are four (4) major organizations in the world that are working to bring DME to market as a diesel fuel replacement. These organizations are: International DME Association (www.aboutdme.org) ; Japanese DME Forum (www.**dmeforum**.jp) ; Korean DME Forum www.**koreadme**.org ; and the Chinese DME Association. Several hundred major companies are members of these groups, including Shell Global Research, Total, Volvo, Isuzu, Indian Oil Co., JFE Holdings, Korea Gas, Lurgi, Haldor Topsoe, Methanex, XINAO, etc. Already China is producing >1 Million tons/year of DME for cooking and heating and plans are in place and underway to produce 20 million tons/year by 2020. A large portion of this DME is intended for transportation use.

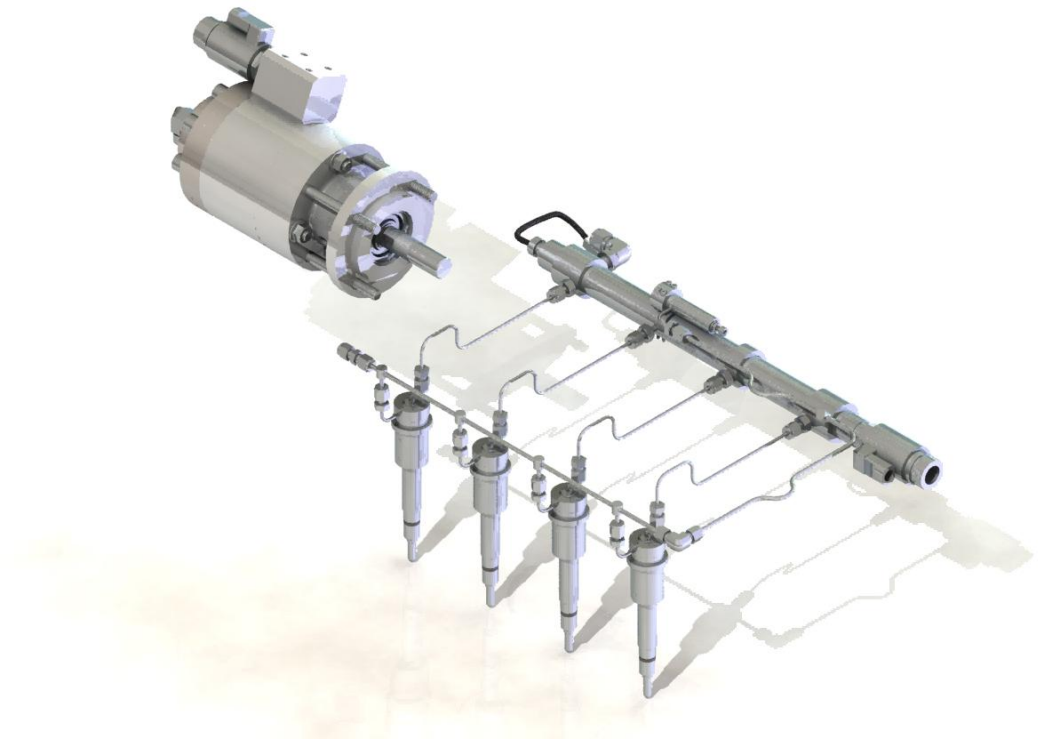
In the mid-late 1990's, the US Department of Energy was extremely interested in DME as a diesel fuel replacement and provided us with funds for research and development. In 1998, we were selected to design a DME fuel system for Al Gore's PNGV program, the 80 mile/gallon car. We were technically successful in these projects, but when the Administration changed in 2000, all funding was stopped in favor of hydrogen research. We have all heard the promises of a hydrogen car, but the reality is that it is not practical in the foreseeable future. We are hopeful that the next Administration will adopt a realistic energy plan that will include DME as a vehicle fuel.

AFT is working to further improve its DME fuel system reliability and to reduce its cost. We are now working on our 4th generation system that is intended for production in 2011. This "Production Intent" design has 1/3 fewer parts than previous designs and can

[2] Bob Lutz, Vice Chairman, GM

operate at 50% higher pressures. It has been designed to be manufactured on flexible and low cost CNC equipment to minimize CAPEX and maximize shareholder return. A photograph of this system is shown below:

Passenger Car DME Fuel System (Production Intent)



To summarize, we and many others believe that DME can and will:

- Significantly reduce fuel costs
- Lower both engine exhaust and overall CO_2 emissions
- Improve global energy security.

Further, we are convinced AFT's fuel system technology leads the world and will become a successful and profitable product beginning in 2011.