BP1 scope. Based on the previous work performed and the additional work to be completed under this extended BP1 timeframe, the estimates are reasonable and appropriate.
Entrix will be working on the final specifications and permitting for the well. The cost estimate for this work is comparable to well work on similar projects and is reasonable.

No changes were made to the budget or the work performed by NREL (Exemption 4).

The contractual costs are recommended acceptable as proposed.

☒ Specialist concurs.

7. Construction:
Total Negotiated Construction Costs: $0 Not Applicable, the recipient did not propose construction costs: ☒

Project Officer:
No Contractual costs are proposed.

☒ Specialist concurs.

8. Other Direct Costs:
Total Negotiated Other Direct Costs: Exemption 4 Not Applicable, the recipient did not propose other direct costs: ☐

Project Officer:
**Original budget:** $Exemption 4
**Revised budget: $**
The types of other direct costs proposed in the negotiated budget are reasonable for the scope of work: ☒
The costs proposed in the negotiated budget for other direct costs are reasonable for the scope of work: ☒

Exemption 4

☒ Specialist concurs.

9. Indirect Charges:
Total Negotiated Indirect Costs: Exemption 4 Not Applicable, the recipient did not propose indirect costs: ☐

Specialist:
**Original budget:** $Exemption 4
**Revised budget: $**
Does the Recipient have an approved rate agreement: ☒ Yes ☐ No
If Yes, List the Date of Rate Agreement: April 19, 2010 Cite Federal Cognizant Agency: Department of Energy

Please fill out the following tables with the negotiated costs:

| Base Item | Base Cost | Rate | Indirect Cost |
|---|---|---|---|
| Moditified Total Direct Costs | Exemption 4 | | |
| **Total Indirect:** | | | |

The indirect costs proposed in the original budget are reasonable: ☒
The recipient calculated their indirect costs correctly, according to their provisional rate agreement issued by DOE on April 19, 2010. The difference of $2 is due to rounding and is considered immaterial. MDTC includes all direct and vendor costs, and excludes subrecipient costs. The provisional rate agreement is included in the Mod 002 supporting documents.

10. Cost Share:

| |
|---|
| Project Officer:<br>Project is a: ☒ Research ☒ Development ☐ Demonstration ☐ Other: (Explain)<br>The minimum recipient's cost share required for this award is: Exemption 4<br>The recipient proposed cost share for this award is: Exemption 4<br>Does the proposed cost share meet the minimum requirement: ☒ Yes ☐ No |
| Specialist:<br>Is the proposed cost share: ☒ Cash ☐ In-kind<br>All proposed cost share for BP1 is proposed as cash contributions from Algenol (Exemption 4), DOW (Exemption 4), and Membrane Technology and Research, Inc. (Exemption 4). Third Party cost share commitment letters were obtained previously for the entire project. |

B. The following Project Officer and Specialist evaluation and negotiation commentary and recommendations address their agreement on all additional considerations for this award.

1. Please list any other special provisions agreed upon for inclusion in this award and describe the rationale for their inclusion below.

| |
|---|
| The revised SOPO will replace the existing SOPO. The recipient had one finding in their audit; the recipient responded and addressed the finding (summary and audit correspondence included in AWD-014). |

2. If a negotiation strategy, or strategies, is/are specified in the selection statement, provide a discussion below of how this was addressed and resolved.

| |
|---|
| Exemption 4 of Total Project Costs must be kept aside from the project budget as contingency for the project. This contingency is applicable to total project costs (BP2 forward) and will be verified by the Project Officer as requested and discussed in the Contingency Appendix previously incorporated and attached to the award (Mod 001). Contingency will be reported and tracked as well to address the Exemption 4 requirement per the Selection Statement. |

3. Any other comments or concerns of the Project Officer and/or Specialist for this award, and the recommended approach to mitigating them, will be explained and addressed below.

| |
|---|
| N/A |

4. Is this a Recovery Act award? ☒ Yes ☐ No
   - If Yes, does the Buy American Act apply (see applicability below)? ☐ Yes ☒ No
   - If Yes, does Davis Bacon Act apply (see applicability below)? ☒ Yes ☐ No

   If the answer to either the Buy American Act or Davis Bacon Act questions is Yes, provide a short discussion below on: 1) the type of entity; 2) what applies; Davis Bacon, Buy American, or both; 3) whether it applies to the prime, subrecipient, or both; and 4) work to be performed that requires applicability of Buy American and/or Davis Bacon.

| |
|---|
| Algenol Biofuels Inc. includes construction activities, and therefore is subject to the Davis Bacon Act (DBA). DBA will apply to both the Recipient and their subrecipients, throughout the entirety of the project (Budget Periods 1 & 2). |

## SECTION IV – RECOMMENDATIONS/APPROVAL

Signatures of the Project Officer and Specialist, indicating their recommendations, as indicated below, will occur after their mutual agreement on the contents of this document, and before the review and approval process for the action. The signatures below indicate that the costs in the negotiated budget are reasonable, allowable, and allocable.

**1. Technical Recommendation**

The project costs are acceptable and should be considered for a financial assistance award. The resources have been reviewed relative to the Statement of Project Objectives and are found to be reasonable, except as previously noted herein.

Christy Sterner — 5/26/11
Signature — Date

Christy Sterner
Project Officer

**2. Specialist Recommendation**

In view of the above analysis, the technical evaluation, and considering all known factors, this Award is recommended.

Molly R Hames — 05/26/2011
Signature — Date

Molly Hames
Grants and Agreements Specialist

**3. Contracting Officer Approval**

☒ I concur with the above recommendation and have determined that the Recipient is responsible. I consider this Award to be in the best interest of the Government, and approve the award documents.

☐ In view of the analysis, the technical evaluation, and considering all known factors, I have determined that the Recipient is responsible. This Award is considered to be in the best interest of the Government and approved.

Jon J. Olsen — 5/26/2011
Signature — Date

Jon Olsen
Contracting Officer

# ALGENOL BIOFUELS INC.

HARNESSING THE SUN TO FUEL THE WORLD

February 17, 2011

Department of Energy
ATTN: Molly Hames, Grants & Agreements Specialist
Golden Field Office
1617 Cole Boulevard
Golden, Colorado 80401-3393

RE: AWARED NO. DE-EE0002867 "RECOVERY ACT: INTEGRATED PILOT-SCALE BIOREFINERY FOR PRODUCING ETHANOL FROM HYBRID ALGAE", POST-AWARD ACCOUNTING SYSTEM AUDIT

Dear Ms. Hames:

On August 6, 2010, KPMG conducted a post-award accounting system audit of Algenol Biofuels Inc. The resulting Audit Report, dated September 3, 2010, identified the following finding that was considered substantially non-compliant with 10 CFR 600: Supervisors are not documenting their review of timesheets.

As a result of the recommendation from the auditors, effective September 30, 2010, Algenol Biofuels Inc. implemented a procedural change. Instead of an e-mail indicating approval of their department's timesheets, supervisors are required to sign each individual time sheet for any staff member in their department who charge time to the above referenced Department of Energy Award.

Please consider the corrective action and the immediate attention taken by Algenol Biofuels Inc. to rectify this situation.

If you should have any questions or need further assistance, please contact me.

Best Regards,

Katie McFadden

Katie McFadden, CFO

28100 BONITA GRANDE DRIVE
STE 200
BONITA SPRINGS, FL 34135
239-498-2000
239-948-4996

**Department of Energy**
Golden Field Office
1617 Cole Boulevard
Golden, Colorado 80401-3393

February 15, 2011

Mr. Craig Smith
Algenol Biofuels, Inc.
28100 Bonita Grande Drive, Suite 200
Bonita Springs, FL 34135-3220

Dear Mr. Smith:

SUBJECT: Award No. DE-EE0002867; "Recovery Act: Integrated Pilot-Scale Biorefinery for Producing Ethanol from Hybrid Algae", Post-Award Accounting System Audit

On August 6, 2010, the Department of Energy (DOE) requested that KPMG conduct a post-award accounting system audit of your company in order to assist DOE in determining that Algenol Biofuels, Inc.'s accounting system is in compliance with 10 CFR 600 and other applicable Regulations, and ensure capability to perform on Government awards.

The resulting Audit Report, dated September 3, 2010, identified the following finding that is not considered substantially compliant with 10 CFR 600:

- Supervisors are not documenting their review of timesheets.

The purpose of this letter is to request that Algenol Biofuels, Inc. submit a corrective action plan to DOE no later than March 9, 2011. The corrective action plan should address all listed findings and appropriate corrective actions that will be taken to move toward compliance with 10 CFR 600.311. Please submit this information to the attention of Molly Hames, Grants and Agreements Specialist, Department of Energy, 1617 Cole Blvd., Golden, CO 80401. Should you have any questions regarding this matter, please contact Molly Hames, the DOE Award Administrator, at 303-275-4864 or molly.hames@go.doe.gov, or the undersigned, at 303-275-4825 or via e-mail at jon.olsen@go.doe.gov.

Sincerely,

Jon F. Olsen
Contracting Officer

Federal Recycling Program Printed on Recycled Paper

# *Performance Audit*

# *Post-Award Accounting System Audit*

# *For the U.S. Department of Energy*

Auditee: Algenol Biofuels, Inc.

As of Date: September 3, 2010

KPMG LLP
111 North Orange Ave, Suite 1600
Orlando, FL 32801

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KPMG LLP
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Fax +1 407 386 6159
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## EXECUTIVE SUMMARY

September 3, 2010

Ms. Lisa Artz, Senior Cost Price Analyst
U.S. Department of Energy, Golden Field Office
1617 Cole Boulevard
Golden, CO 80401

Dear Ms. Artz:

This report presents the results of our Post Award Accounting System Audit conducted to address the performance audit objectives relative to Algenol Biofuels, Inc. (hereinafter referred to as Auditee). Our work was performed during the period August 31, 2010 to September 3, 2010, and our results, reported herein, are as of September 3, 2010.

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The U.S. Department of Energy (DOE) awarded a financial assistance grant under the American Recovery and Reinvestment Act of 2009 to Algenol Biofuels, Inc. on December 4, 2009 (hereinafter referred to as the Award). The audit objectives of our work related to the Auditee were to:

(1) determine whether the Auditee's accounting systems and practices, which support the Auditee's accumulating and billing of costs under the Award, are in substantial compliance with 10 Code of Federal Regulations (CFR) 600, *Federal Financial Assistance Requirements* and the Federal Acquisition Regulations relating to accounting for, billing, and reporting costs under financial assistance awards from the Government, and

(2) perform a high level review of the Auditee's actual costs incurred to date under the Award, to assess the Auditee's ability to submit billings that are allowable, allocable, and reasonable (including direct and indirect costs).

As our audit report further describes, we identified the following finding as a result of the work performed to meet the above-stated audit objectives:

- Supervisors are not documenting their review of timesheets.

Based upon the performance audit procedures performed and the results obtained, we have met our audit objectives. We conclude that, except as indicated above and noted in detail in this report, Algenol

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Biofuels, Inc.'s accounting system and practices, which support accumulation and billing (reimbursement requests) of costs under the Award, are in substantial compliance with 10 CFR 600 or FAR, as they relate to maintaining accounting systems and practices that support accounting for, billing, and reporting costs under financial assistance awards from the Government and that Algenol Biofuels, Inc. is able to submit billings (reimbursement requests) that are allowable, allocable, and reasonable (including direct and indirect costs).

We have also issued a performance audit report entitled *Financial Capability Audit*, related to Algenol Biofuels, Inc. dated September 3, 2010. That report provides additional information on our assessment of the Auditee's existing financial conditions and financial capability to adequately perform on Government financial assistance awards currently and in the near-term (up to one year) and the Auditee's ability to meet Award cost share requirements.

This performance audit did not constitute an audit of financial statements in accordance with *Government Auditing Standards* or *U.S. generally accepted auditing standards.* KPMG was not engaged to, and did not render an opinion on the Auditee's internal controls over financial reporting or over financial management systems. KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

This report is intended solely for the information and use of the U.S. Department of Energy and management of the Auditee, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPMG LLP

## BACKGROUND

### *Program Overview*

The U.S. Department of Energy (DOE), Office of Energy Efficiency has awarded financial assistance grants to various entities for specific approved projects. Pursuant to DOE's Work Order No. 2010-6-EE-RA, dated August 6, 2010, KPMG was engaged to conduct a post-award accounting system audit of Algenol Biofuels, Inc., for purposes of assisting the DOE in determining whether the Auditee's accounting system is acceptable to perform under the Award in accordance with the Federal Acquisition Regulation.

### *Auditee Overview*

Algenol Biofuels, Inc. (Auditee) is a wholly owned subsidiary of Algenol LLC. Algenol LLC also owns directly or indirectly Algenol Biofuels Switzerland GmbH (Algenol Switzerland). Algenol Switzerland was set up to permit the Auditee to conduct research and development that it could not perform in the United States.

On December 4, 2009, DOE awarded a financial assistance grant to the Algenol Biofuels, Inc., a for-profit corporation based in Bonita Springs, Florida, for the period December 4, 2009 to January 15, 2015. The Award was for the completion of a "Pilot-Scale Integrated Biorefinery for Producing Ethanol from Hybrid Algae" project. The total Federal Award amount was $24,331,431. In addition to the Federal Award amount, DOE is paying budgeted Federally Funded Research and Development Center (FFRDC) costs of $668,569 under an existing DOE contract (Federal Award plus FFRDC costs total $25,000,000).

The Auditee is required to contribute a cost share from other sources, to complete the project. The original DOE assistance agreement shows a cost share amount of $ A modified DOE assistance agreement, signed August 17, 2010, shows a revised cost share amount of $ The table below reflects the allocation of project funding, per the August 17, 2010 agreement:

| | |
|---|---|
| Government Share (line 12) | $24,331,431 |
| Cost Share (line 12) | $ REDACTED |
| Total (line 12) | $ EXEMPTION 4 |
| Funds Obligated (line 13) | $24,331,431 |

Phase I of the award was for the period from December 4, 2009 to September 30, 2010, and totaled $ with the Auditee being required to contribute a % cost share (or $ ) from other sources. The cost share requirements for Phase II are "To Be Determined", based on the terms and conditions of the August 17, 2010 agreement.

## OBJECTIVES, SCOPE, AND METHODOLOGY

### *Objectives*

The audit objectives of our work related to the Auditee were to:

(1) determine whether the Auditee's accounting systems and practices, which support the Auditee's accumulating and billing of costs under the Award, are in substantial compliance with *10 Code of Federal Regulations (CFR) 600, Federal Financial Assistance Requirements*, and the Federal Acquisition Regulations relating to accounting for, billing, and reporting costs under financial assistance awards from the Government, and

(2) perform a high level review the Auditee's actual costs incurred to date under the Award, to assess the Auditee's ability to submit billings that are allowable, allocable, and reasonable (including direct and indirect costs).

### *Scope*

The scope of this performance audit was to review the Auditee's accounting systems and practices that support the Auditee's accumulating and billing of costs under the Award, to determine if they are in substantial compliance with Federal Acquisition Regulations. We did not perform a comprehensive audit of the Auditee's overall accounting system. In performing our procedures, we considered internal controls related to our audit objectives, but we did not perform an audit of internal controls.

We conducted our performance audit in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditee is responsible for establishing and maintaining an acceptable accounting system for accumulating costs under Government financial assistance grants. Our responsibility is to provide findings and conclusions based on the results of our audit.

This report is focused on aspects of the Auditee's accounting system. We have also issued a performance audit report entitled *Financial Capability Audit*, related to Algenol Biofuels, Inc. dated September 3, 2010. That report provides additional information on our assessment of the Auditee's existing financial conditions and financial capability to adequately perform on Government financial assistance awards currently and in the near-term (up to one year) and the Auditee's financial ability to meet Award cost share requirements.

### *Methodology*

As part of the performance audit of the Auditee's post-award accounting system, we:

- reviewed past audit results;
- gained an understanding of Award terms and conditions;
- determined if indirect cost rates were pre-approved;
- obtained an understanding of the overall system environment;

- obtained an understanding of the general ledger system;
- obtained an understanding of the controls associated with the timekeeping and payroll systems;
- obtained an understanding of the procurement, disbursing, expense, and cost accounting systems;
- evaluated the Auditee's policies and procedures for excluding unallowable costs to determine compliance with Award requirements;
- obtained an understanding of the billing system; and
- performed a review of billings to DOE related to the Award.

## RESULTS

### *Overview of the Auditee's Accounting System*

As a start-up company, Algenol Biofuels, Inc. used commercial off-the-shelf accounting software from Quickbooks to process most of its limited accounting functions. In 2008, Algenol Biofuels, Inc. procured Epicor's accounting software and hosting server capabilities for most of its accounting services needs. This includes A/P, general ledger, billing, and financial reporting. Accounting and bookkeeping functions are recorded in the Epicor software system and are performed by Algenol Biofuels, Inc. staff who report to the CFO. Algenol Biofuels, Inc. utilizes a third-party service organization, ADP, to process payroll.

The Auditee uses Work Breakdown Structures (WBS) account codes in Epicor to separately track the DOE Award. Time sheets are utilized by employees to track work effort by DOE WBS/account code and non-DOE project work. Direct costs supporting DOE WBS are identified and charged to appropriate DOE account codes. Indirect expenses are calculated by applying the DOE approved indirect rate of 73.9% to calculated DOE direct costs. Algenol Biofuels, Inc. tracks actual indirect costs incurred on a quarterly basis, which appear to be higher than the DOE approved indirect rate of 73.9%, as of July 31, 2010.

### *Project Costs to Date*

REDACTED
EXEMPTION 4

The amounts agree to the cumulative July 31, 2010 billing.

### *Finding, Recommendation, and Auditee Response*

Our performance audit resulted in one finding, presented below. We discussed the results of the audit with Algenol Biofuels, Inc. in an exit conference held on September 3, 2010.

**Finding No. 2010-06-EE-ASALGN-01**

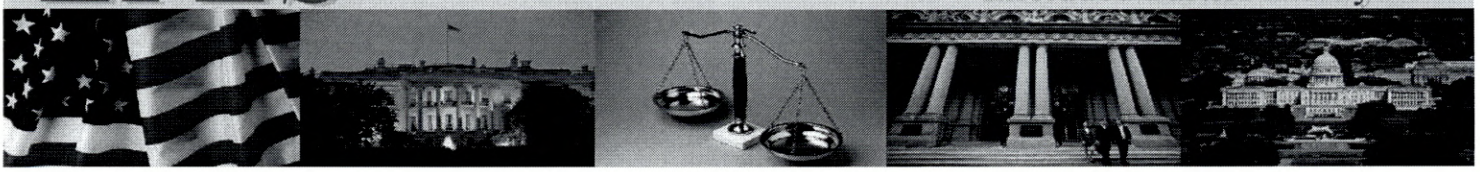
| | |
|---|---|
| **Criteria:** | Auditee supervisors should review and document review of employee time sheets. |
| **Condition:** | There is no documentation or evidence of Auditee supervisory timesheet review. |
| **Cause:** | Auditee supervisors do not document review of employee time sheets. |
| **Effect:** | The absence of documented supervisory review and approval of Auditee effort reporting on timesheets could result in questioned costs in an audit. |
| **Recommendation:** | The Auditee should document supervisory review of each timesheet. |
| **Auditee Response:** | *"The Supervisors do review the timesheets and after review, have the sole responsibility for submitting them to finance i.e. finance only accepts timesheets from the supervisors, employees do not directly submit their timesheets to finance. In addition, at the end of each month supervisors receive budget vs. actual reports for their respective areas of responsibility.*<br><br>*However, based on the above finding, effective with the September 15th timesheets, supervisors will sign each timesheet as evidence of approval prior to submitting them to finance."* |

## *Conclusion*

Based upon the performance audit procedures performed and the results obtained, we conclude that, except as indicated above and noted in detail in this report, Algenol Biofuels, Inc.'s accounting system and practices, which support accumulation and billing (reimbursement requests) of costs under the Award, are in substantial compliance with 10 CFR 600 or FAR, as they relate to maintaining accounting systems and practices that support accounting for, billing, and reporting costs under financial assistance awards from the Government and that Algenol Biofuels, Inc. is able to submit billings (reimbursement requests) that are allowable, allocable, and reasonable (including direct and indirect costs).

# EPLS

Excluded Parties List System





EPLS Search Results

## Search Results for Parties Excluded by

**Firm, Entity, or Vessel : Algenol Biofuels, Inc.**
**Firm, Entity, or Vessel : The Dow Chemical Company**
**Firm, Entity, or Vessel : Georgia Institute of Technology**
**Firm, Entity, or Vessel : Membrane Technology and Research, Inc.**
**Individual : Craig R. Smith**
**Individual : Katie McFadden**

**As of 28-Apr-2011 11:52 AM EDT**

**Save to MyEPLS**

**Your search returned no results.**

**Back New Search Printer-Friendly**

## Hames, Molly

**From:** Olsen, Jon
**Sent:** Thursday, May 26, 2011 2:35 PM
**To:** Sterner, Christy
**Cc:** Hames, Molly
**Subject:** RE: Algenol CO Review Comments/Questions

REDACTED
EXEMPTION 5
- deliberative process

Jon F. Olsen
Grants & Agreements Specialist
U.S. Department of Energy
Golden Field Office
(303)275-4825
Fax: (303) 275-4754

jon.olsen@go.doe.gov

-----Original Message-----
From: Sterner, Christy
Sent: Thursday, May 26, 2011 2:32 PM
To: Olsen, Jon
Subject: RE: Algenol CO Review Comments/Questions

Hi Jon,

REDACTED
EXEMPTION 5 - deliberative process

Thanks and best regards,

Christy

-----Original Message-----
From: Olsen, Jon
Sent: Thursday, May 26, 2011 2:28 PM
To: Sterner, Christy; Hames, Molly
Subject: RE: Algenol CO Review Comments/Questions

REDACTED
EXEMPTION 5

- deliberative process

Jon F. Olsen
Grants & Agreements Specialist
U.S. Department of Energy
Golden Field Office
(303)275-4825
Fax: (303) 275-4754

jon.olsen@go.doe.gov

-----Original Message-----
From: Sterner, Christy
Sent: Thursday, May 26, 2011 11:12 AM
To: Hames, Molly
Cc: Olsen, Jon
Subject: RE: Algenol CO Review Comments/Questions
Importance: High

Hi Molly,

REDACTED
EXEMPTION 5 -
deliberative process

Best regards,

Christy

-----Original Message-----
From: Hames, Molly
Sent: Thursday, May 26, 2011 10:38 AM
To: Sterner, Christy
Cc: Olsen, Jon
Subject: Algenol CO Review Comments/Questions

Hello Christy,

REDACTED
EXEMPTION 5
- deliberative
process

REDACTED
EXEMPTION 5
- deliberative process

Please let me know if you have questions or concerns.
Thanks,

Molly Hames
Grants & Agreements Specialist
U.S. Department of Energy
Golden Field Office
1617 Cole Blvd. Golden, CO 80401
Phone: 303-275-4864
Fax: 303-275-4754

**Hames, Molly**

**From:** Olsen, Jon
**Sent:** Thursday, May 26, 2011 2:34 PM
**To:** Hames, Molly; Sterner, Christy
**Subject:** RE: Algenol CO Review Comments/Questions

REDACTED
EXEMPTION 5
- deliberative process

Jon F. Olsen
Grants & Agreements Specialist
U.S. Department of Energy
Golden Field Office
(303)275-4825
Fax: (303) 275-4754

jon.olsen@go.doe.gov

-----Original Message-----
From: Hames, Molly
Sent: Thursday, May 26, 2011 2:28 PM
To: Sterner, Christy; Olsen, Jon
Subject: RE: Algenol CO Review Comments/Questions

REDACTED
EXEMPTION 5
- deliberative process

Hello,

Thanks,

Molly

REDACTED
EXEMPTION 5
- deliberative process

-----Original Message-----
From: Sterner, Christy
Sent: Thursday, May 26, 2011 11:34 AM
To: Olsen, Jon
Cc: Hames, Molly
Subject: RE: Algenol CO Review Comments/Questions

REDACTED
EXEMPTION 5
- deliberative process

-----Original Message-----
From: Olsen, Jon
Sent: Thursday, May 26, 2011 11:17 AM
To: Sterner, Christy; Hames, Molly
Subject: RE: Algenol CO Review Comments/Questions

REDACTED
EXEMPTION 5
- deliberative process

Jon F. Olsen
Grants & Agreements Specialist
U.S. Department of Energy

Golden Field Office
(303)275-4825
Fax: (303) 275-4754

jon.olsen@go.doe.gov

-----Original Message-----
From: Sterner, Christy
Sent: Thursday, May 26, 2011 11:12 AM
To: Hames, Molly
Cc: Olsen, Jon
Subject: RE: Algenol CO Review Comments/Questions
Importance: High

Hi Molly,

REDACTED
EXEMPTION 5

- deliberative process

Best regards,

Christy

-----Original Message-----
From: Hames, Molly
Sent: Thursday, May 26, 2011 10:38 AM

To: Sterner, Christy
Cc: Olsen, Jon
Subject: Algenol CO Review Comments/Questions

REDACTED
EXEMPTION 5
- deliberative process

Molly Hames
Grants & Agreements Specialist
U.S. Department of Energy
Golden Field Office
1617 Cole Blvd. Golden, CO 80401
Phone: 303-275-4864
Fax: 303-275-4754

ALGENOL BIOFUELS INC.

HARNESSING THE SUN TO FUEL THE WORLD

March 2, 2011

Ms. Christy Sterner
Project Officer
US Department of Energy

Re: Phase I Extension of Algenol's Integrated Biorefinery Direct to Ethanol® Pilot Project

Dear Christy:

Further to our recent conversation, please accept this letter as Algenol Biofuels' official request for an extension of Phase I for our project. This request for a Phase I extension is necessitated by the fact that Algenol cannot currently meet the financial contingency requirements of the DOE for the remaining phases of the project.

We are requesting that DOE allow us to move certain Phase II WBS elements into Phase I and allow us to continue to work on certain existing Phase I elements. If our proposal is approved, we will need additional funds authorized for Phase I. We have included with our proposal a new budget that, if approved, would provide the necessary funding for the project.

As you know, Algenol is continuing its efforts to meet the DOE's financial contingency requirements for Phase II. We remain optimistic about our ability to successfully complete the required financing but the timing of completion is beyond our control. Since we have continued to make excellent operational progress, we will need the requested Phase I extension in order to avoid interrupting the project.

As detailed comprehensively in the attached budget, SOPO, and project management plan, in addition to establishing compliance with the project's contingency requirement, the extension will also be utilized to solicit additional bids for goods and services, develop better cost estimates, optimize certain technical elements of the project and further vet final design specifications and construction plans. As a result of these expanded front end loading (FEL) activities, we believe the Phase I extension will significantly reduce risk and increase the likelihood we will be able to successfully complete the project on budget.

We will not be able to begin construction of the pilot plant until we complete our financing and move into Phase II. We currently project all Phase II requirements will

28100 BONITA GRANDE DRIVE
STE 200
BONITA SPRINGS, FL 34135
239-498-2000
239-948-4996

be met by July 2011. Thus, we are shifting all of the subsequent project elements forward by four months. For example, we now propose inoculating our pilot plant photobioreactors in February of 2012. Such a shift in timing will either necessitate truncating Phase III by four months or extending Phase III by the same time. We look for guidance from DOE as to which alternative is preferable. Algenol is prepared to support either plan but prefers to extend Phase III by four months. Although this plan will delay the start of construction by four months, the value added by the aforementioned action items will augment an already well developed project plan and contribute to the project's ongoing success.

I look forward to continuing to collaborate with the Department of Energy to advance this exciting project. Please do not hesitate to contact me with any questions at either (239) 498-2000 or craig.smith@algenol.com

Sincerely,

Craig R. Smith, MD.

Craig R. Smith, M.D.
Principal Investigator &
Chief Operating Officer
Algenol Biofuels Inc.

## Hames, Molly

**From:** Sterner, Christy
**Sent:** Tuesday, May 10, 2011 10:17 AM
**To:** Hames, Molly
**Subject:** Re: Algenol

Hi Molly,

REDACTED
EXEMPTION 5
- deliberative process

Best regards,

Christy

This message was sent from
a Blackberry Handheld Device
**********
Golden Field Office

----- Original Message -----
From: Hames, Molly
Sent: Tuesday, May 10, 2011 10:03 AM
To: Sterner, Christy
Subject: RE: Algenol

REDACTED
EXEMPTION 5
- deliberative process

-----Original Message-----
From: Sterner, Christy
Sent: Tuesday, May 10, 2011 10:02 AM
To: Hames, Molly
Subject: Re: Algenol

REDACTED
EXEMPTION 5
- deliberative process

This message was sent from
a Blackberry Handheld Device
**********
Golden Field Office

----- Original Message -----
From: Hames, Molly
Sent: Tuesday, May 10, 2011 09:58 AM
To: Sterner, Christy
Subject: RE: Algenol

REDACTED
EXEMPTION 5 - deliberative process

Molly Hames
Grants & Agreements Specialist
U.S. Department of Energy
Golden Field Office
1617 Cole Blvd. Golden, CO 80401
Phone: 303-275-4864
Fax: 303-275-4754

-----Original Message-----
From: Sterner, Christy
Sent: Tuesday, May 10, 2011 9:52 AM
To: Hames, Molly
Subject: Re: Algenol

REDACTED
EXEMPTION 5
- deliberative process

Best regards,

Christy

This message was sent from
a Blackberry Handheld Device
**********
Golden Field Office

----- Original Message -----
From: Hames, Molly
Sent: Tuesday, May 10, 2011 09:42 AM
To: Sterner, Christy
Subject: Algenol

Hello Christy,

REDACTED
EXEMPTION 5
- deliberative process

Molly Hames
Grants & Agreements Specialist
U.S. Department of Energy
Golden Field Office
1617 Cole Blvd. Golden, CO 80401
Phone: 303-275-4864
Fax: 303-275-4754

PMC 112.2
(01/2011)

# U.S. DEPARTMENT OF ENERGY
# PROJECT MANAGEMENT CENTER

## REQUEST FOR REVIEW

☒ Normal Review ☐ Expedited Review Date: 04/28/2011

Justification for Expedited Review _____

Award Number: DE-EE0002867 FOA Number, if new award:

Item(s) For Review:
- ☐ New Award
- ☒ Mod: Move BP2 tasks to BP1
- ☐ Novation/Name Change
- ☐ Other Action, include short explanation:

Total Project: $ REDACTED EXEMPTION 4
Federal Funds: $ 24,331,431

Specialist Listed on Award: Molly Hames Phone: 303-275-4864

Specialist Who Prepared Award: _____ Phone: _____

### ☒ PEER REVIEW

Comments:

REDACTED
EXEMPTION 5
- deliberative process

Signature: ____ Date: 05/05/2011

### ☒ CONTRACTING OFFICER REVIEW

☐ Approved ☑ Approved subject to comments below/attached ☐ Not Approved; Comments below/attached

Comments: See attached Sheet.

Signature: [signature] Date: 5/26/2011

### ☐ INDEPENDENT REVIEW

Comments:

Signature: _____ Date: _____

### ☐ OAFA BRANCH CHIEF REVIEW

☐ Approved ☐ Approved subject to comments below/attached ☐ Not Approved; Comments below/attached

Comments:

Signature: _____ Date: _____

**CO Review** May 18, 2011

**DE-EE0002867, Mod 005; Algenol Biofuels, Inc.**

**Comments Follow:**

☑

☑

REDACTED
EXEMPTION 5

- deliberative process

☑

☑

☑

☐

## ASSISTANCE AGREEMENT

| 1. Award No. | 2. Modification No. | 3. Effective Date | 4. CFDA No. |
|---|---|---|---|
| DE-EE0002867 | 005 | 01/29/2010 | 81.087 |

| 5. Awarded To | 6. Sponsoring Office | 7. Period of Performance |
|---|---|---|
| ALGENOL BIOFUELS INC.<br>Attn: GREGORY SCHLICHT<br>28100 BONITA GRANDE DR STE 200<br>BONITA SPRINGS FL 341356220 | Golden Field Office<br>U.S. Department of Energy<br>Golden Field Office<br>1617 Cole Blvd.<br>Golden CO 80401 | 01/29/2010<br>through<br>09/30/2011 |

| 8. Type of Agreement | 9. Authority | 10. Purchase Request or Funding Document No. |
|---|---|---|
| ☐ Grant<br>☒ Cooperative Agreement<br>☐ Other | 109-58, Energy Policy Act 2005<br>111-5, Recovery Act (2009) | 11EE003480 |

| 11. Remittance Address | 12. Total Amount | 13. Funds Obligated |
|---|---|---|
| ALGENOL BIOFUELS INC.<br>Attn: GREGORY SCHLICHT<br>28100 BONITA GRANDE DR STE 200<br>BONITA SPRINGS FL 341356220 | Govt. Share: $24,331,431.00<br>Cost Share : $ REDACTED EXEMPTION 4<br>Total : $ | This action: $0.00<br>Total : $24,331,431.00 |

| 14. Principal Investigator | 15. Program Manager | 16. Administrator |
|---|---|---|
| Craig Smith<br>Phone: 239-498-2000 | Carol Christine Sterner<br>Phone: 303-275-4720 | Golden Field Office<br>U.S. Department of Energy<br>Golden Field Office<br>1617 Cole Blvd.<br>Golden CO 80401-3393 |

| 17. Submit Payment Requests To | 18. Paying Office | 19. Submit Reports To |
|---|---|---|
| OR for Golden<br>U.S. Department of Energy<br>Oak Ridge Financial Service Center<br>P.O. Box 4517<br>Oak Ridge TN 37831 | OR for Golden<br>U.S. Department of Energy<br>Oak Ridge Financial Service Center<br>P.O. Box 4517<br>Oak Ridge TN 37831 | |

20. Accounting and Appropriation Data

IBR

21. Research Title and/or Description of Project

RECOVERY ACT: INTEGRATED PILOT - SCALE BIOREFINERY FOR PRODUCING ETHANOL FROM HYBRID ALGAE

| For the Recipient | | For the United States of America | |
|---|---|---|---|
| 22. Signature of Person Authorized to Sign | | 25. Signature of Grants/Agreements Officer | |
| 23. Name and Title | 24. Date Signed | 26. Name of Officer<br>Jon F. Olsen | 27. Date Signed<br>04/28/2011 |

Working Copy

## Olsen, Jon

**From:** Olsen, Jon
**Sent:** Wednesday, May 18, 2011 4:06 PM
**To:** Hames, Molly; Sterner, Christy
**Subject:** Algenol partial review

**Tracking:**

| Recipient | Read |
| --- | --- |
| Hames, Molly | Read: 5/18/2011 4:09 PM |
| Sterner, Christy | |

REDACTED
EXEMPTION 5

- deliberative process

Jon F. Olsen
Grants & Agreements Specialist
U.S. Department of Energy
Golden Field Office
(303)275-4825
Fax: (303) 275-4754

jon.olsen@go.doe.gov

DE-EE0002867/005

Peer Review

REDACTED
EXEMPTION 5
- deliberative
process

Exemption 5 (deliberative process)

Exemption 5 (deliberative process)

Exemption 5 (deliberative process)

Exemption 5 (deliberative process)

Exemption 5 (deliberative process)

## Instructions and Summary

**Award Number:** DE-FOA-0000096
**Award Recipient:** Algenol Biofuels Inc.

**Date of Submission:** Mar-11
**Form submitted by:** Algenol Biofuels Inc.
(May be award recipient or sub-recipient)

**Please read the instructions on each page before starting.**
**If you have any questions, please ask your DOE contact. It will save you time!**

**On this form, provide detailed support for the estimated project costs identified on the SF-424A form (Budget).**

- **The dollar amounts on this page must match the amounts on the associated SF-424A.**
- **The award recipient and each sub-recipient with estimated costs of $100,000 or more must complete this form and a SF-424A form.**
- **The total budget presented on this form and on the SF424A must include both Federal (DOE), and Non-Federal (cost share) portions, thereby reflecting TOTAL PROJECT COSTS proposed.**
- **For costs in each Object Class Category on the SF-424A, complete the corresponding worksheet on this form (tab at the bottom of the page).**
- **All costs incurred by the preparer's sub-recipients, vendors, contractors, consultants and Federal Research and Development Centers (FFRDCs), should be entered only in section f. Contractual. All other sections are for the costs of the preparer only.**

**SUMMARY OF BUDGET CATEGORY COSTS PROPOSED**
(Note: The values in this summary table are from entries made in each budget category sheet.)

| CATEGORY | Budget Period 1 Costs | Budget Period 2 Costs | Budget Period 3 Costs | Total Costs | Project Costs % | Comments (Add comments as needed) |
|---|---|---|---|---|---|---|
| a. Personnel | Exemption 4 | | | | | |
| b. Fringe Benefits | | | | | | |
| c. Travel | | | | | | |
| d. Equipment | | | | | | |
| e. Supplies | | | | | | |
| f. Contractual | | | | | | |
| Sub-recipient | | | | | | |
| FFRDC | | | | | | |
| Vendor | | | | | | |
| Total Contractual | | | | | | |
| g. Construction | | | | | | |
| h. Other Direct Costs | | | | | | |
| i. Indirect Charges | | | | | | |
| Total Project Costs | | | | | | |

**Additional Explanations/Comments (as necessary)**

| Task # | Title | Position Title | Budget Period 1 | | | Budget Period 2 | | | Budget Period 3 | | | Project Total Hours |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Time (Hours) | Pay Rate ($/Hr) | Total Budget Period 1 | Time (Hours) | Pay Rate ($/Hr) | Total Budget Period 2 | Time (Hours) | Pay Rate ($/Hr) | Total Budget Period 3 | |

Exemption 4

Exemption 4

Exemption 4

Exemption 4

Exemption 4

Exemption 4

Exemption 4

Exemption 4

Exemption 4