FAVA Enterprises, LLC.

Confidential Information Memorandum

January, 2013

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Table of Contents

I. **EXECUTIVE SUMMARY**
- a. Introduction-Fava Enterprises, LLC Page 4
- b. Quick Glance Financial Summary Page 5
- c. Debt Service Summary Page 6
- d. Sources & Uses Table Page 7
- e. Tire Recycling Industry Summary Page 7
- f. History of Key Executives Page 8
- g. Current Executive Management Page 11
- h. Acquisition Agreement Page 11
- i. Tire Recycling Products Page 13
- j. Types of Recycling Technologies Page 14
- k. Types of Application Uses Page 16

II. INTRO TO THE KRIDER GROUP
- a. Current Operating Companies Page 22
- b. Marketplace Page 23
  - i. Exportation of Tire Shreds Page 24
  - ii. US Waste Tire & Crumb Exports in Tons vs. Coal Prices Page 25
  - iii. US Exports of Waste Tires & Shreds in Tons to Asia 2002-2011 Page 25
  - iv. US Ports to Export Tire Bales, Shreds and TDF Chips Page 26
  - v. Export Routes of Bailed, Shredded & TDF Chips Page 26
- c. Location, Permits, Licenses & Property Information Page 27
- d. Equipment & Equipment Permits Page 37
- e. Business & Marketing Strategy Page 38
- f. Primary & Support Activities Page 40
- g. Competitive Advantage Page 42
- h. Operating Strategy Page 44
- i. Transition Service Agreement Page 49
- j. Insurance Policies Page 50
- k. Proposed Financing Page 51
- l. Investment Merits Page 51
  1. Three Operational Processing Sites Page 51
  2. Recent Market Decline in Oregon & California Page 53
  3. Exponential Growth through New Channels Page 54

Table of Contents (Cont.)

III. **Management Pro Forma Projections** Page 57
- a. Fava Group Market Value Table Page 57
- b. Fava Group Balance Sheet Page 58
- c. Fava Group Income Statement Page 59
- d. FAVA Group Debt Schedule Page 60
- e. Historic Financial Summary Page 61
- f. Krider Group Historical Adjusted Income Statement - EBITDA Page 61
- g. Krider Group Historical Income Statement Page 62

IV. **2011 Compared to 2010** Page 63

V. **FAVA EBITDA BRIDGE** Page 66

VI. **Use of Proceeds** Page 68
- a. Scheduled Use of Funds Page 68

VII. RISK FACTORS Page 70
- a. Risks Related to FAVA's Business Page 70

VIII. CERTAIN TAX DISCLOSURES Page 75
- a. Classification of Notes Page 76

IX. **Conclusion** Page 78

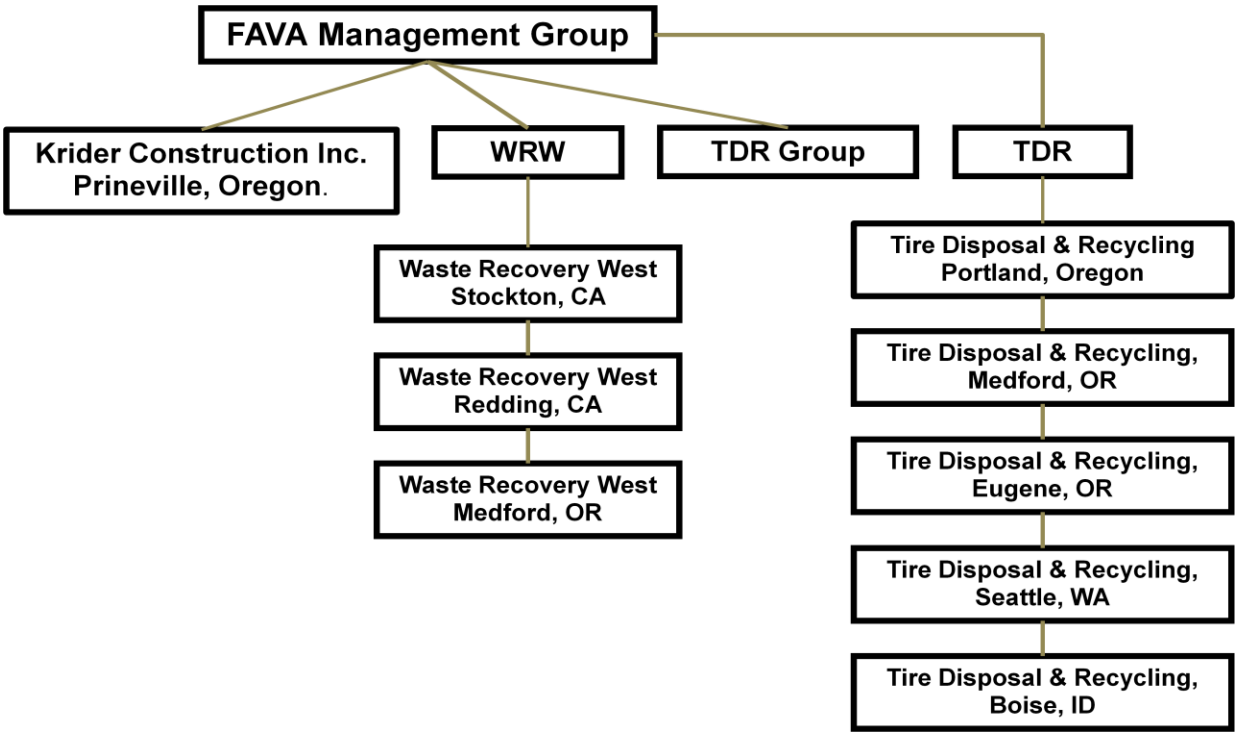
I. Executive Summary

A. Introduction (Back to Index)

FAVA Enterprises, LLC (the "Company") is a privately held limited liability company organized under the Laws of Nevada. Formed in March, 2005, FAVA is a business development and services organization located in Las Vegas, Nevada, and provides strategic planning, financial guidance and modeling and implementation services from start up to early stage development companies.

FAVA has identified a niche in the post recession economic climate to create a platform of business development that addresses both short term and long-term growth strategies. Simply stated, FAVA has identified an acquisition in both traditional and cutting edge industries in the green and renewable energy arena that offer current revenue with significant upside based on proven and existing technology as well as future revenue based on new technology. The focus and mission of FAVA is the delivery of high yielding strategic investment opportunities in the green and renewable energy arena fitting the Company's acquisition criteria and the enhancement of shareholder value. The Company is seeking debt financing to acquire the operating subsidiaries of the Krider Group. The acquisition is a group of four companies, the Krider Group, includes TDR Group, Inc., ("TGI"), Tire Disposal and Recycling, Inc ("TDR"), Waste Recovery West, Inc (WRW), and Krider Construction Company, Inc. ("KCI"), involved in the tire recycling industry.

POST ACQUISITION MANAGEMENT STRUCTURE



B. Quick Glance Financial Summary (Back to Index)

FAVA is investing $4.5 million cash into the acquisition of the Krider Group. FAVA is seeking an additional $21.6 million dollars debt capital from an investor or group of investors to complete the acquisition. The below table illustrates the ProForma balances with the Market Value of the FAVA Group once the transaction is finalized.

The Post Closing Balance Sheet is based on the current Business Operations in the Marketplace, the Real Estate Properties, and the Equipment Assets as Real Property.

The acquired Tire Recycling Operations will be wholly owned and operated by FAVA Enterprises, LLC and Principal.

POST CLOSING BALANCE SHEET TABLE

FAVA Group

Sources and Uses ($)

Sources	Amt	Uses	Amt
Senior Secured Notes	$21,600,000	Acquisition of Krider Group:	$18,000,000
Cash Common Eqity	$4,500,000	Working Capital	
		Equipment	$2,500,000
		Engneering	$1,230,000
		Marketing	$450,000
		Other	$2,546,000
		Total Working Capital	$6,726,000
		Fees and Expenses	
		Entrex	$324,000
		Placement Agents	$550,000
		Legal and Consulting	$500,000
		Total Fees and Expenses	$1,374,000
Total Sources of Funds	$26,100,000	Total Use of Funds	$26,100,000

Debt Service Summary (Back to Index)

FAVA has provided a quick glance for a $21.6 million dollar investment over a 5 year term. This provides a view of the opportunity for the investor with 12% IRR calculation based on a GRP of 7%.

FAVA Group Debt Schedule Table 1

FAVA Group

FAVA Proposed Debt Schedule ($)

	2013	2014	2015	2016	2017	2018	2019
Revenue							
Krider	$2,114,700	$2,431,905	$2,796,691	$3,216,194	$3,698,624	$4,253,417	$4,891,430
TDR	$5,418,144	$6,230,866	$7,165,495	$8,240,320	$9,476,368	$10,897,823	$12,532,496
WRW	$3,578,304	$4,115,050	$4,732,307	$5,442,153	$6,258,476	$7,197,247	$8,276,835
Bulk Tire Shreds	$4,500,000	$4,875,000	$5,250,000	$5,625,000	$6,000,000	$6,375,000	$4,500,000
Total Revenue	$15,611,148	$17,652,820	$19,944,493	$22,523,667	$25,433,467	$28,723,487	$30,200,760
Cost of Goods Sold	$0	$0	$0	$0	$0	$0	$0
Gross Margin	$15,611,148	$17,652,820	$19,944,493	$22,523,667	$25,433,467	$28,723,487	$30,200,760
% of Revenue	100%	100%	100%	100%	100%	100%	100%
Operating Expenses							
Operations	$4,260,633	$4,345,845	$4,432,762	$4,521,418	$4,611,846	$4,704,083	$4,798,164
% of Revenue	27%	25%	22%	20%	18%	16%	16%
Other	$2,154,338	$2,436,089	$2,752,340	$3,108,266	$3,509,818	$3,963,841	$4,167,705
% of Revenue	14%	14%	14%	14%	14%	14%	14%
Administration	$510,600	$520,812	$531,228	$541,853	$552,690	$563,744	$575,019
% of Revenue	3%	3%	3%	2%	2%	2%	2%
Total Operating Expenses	$6,925,571	$7,302,747	$7,716,331	$8,171,536	$8,674,354	$9,231,668	$9,540,888
% of Revenue	44%	41%	39%	36%	34%	32%	32%
Income Before Int & Taxes	$8,685,577	$10,350,074	$12,228,163	$14,352,131	$16,759,113	$19,491,820	$20,659,873
% of Revenue	56%	59%	61%	64%	66%	68%	68%
Interest Expense	$0	$0	$0	$0	$0	$0	$0
Interest Revenue	$0	$0	$0	$0	$0	$0	$0
Income Before Taxes	$8,685,577	$10,350,074	$12,228,163	$14,352,131	$16,759,113	$19,491,820	$20,659,873
Tax Exp	$3,039,952	$3,622,526	$4,279,857	$5,023,246	$5,865,690	$6,822,137	$7,230,955
Net Income	$5,645,625	$6,727,548	$7,948,306	$9,328,885	$10,893,424	$12,669,683	$13,428,917
% of Revenue	36%	38%	40%	41%	43%	44%	44%

FAVA Group Sources & Uses Table (Back to Index)

FAVA Group
Sources and Uses ($)

Sources	Amt	Uses	Amt
Senior Secured Notes	$21,600,000	Acquisition of Krider Group:	$18,000,000
Cash Common Eqity	$4,500,000	Working Capital	
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C. Tire Recycling Industry Summary (Back to Index)

The industry has been created virtually due to U.S. Government regulations enacted to address the environmental concerns about illegally dumped or stockpiled tires. U.S. and International Governments are also trying to improve the viability of the industry by providing incentives to end-markets that use scrap tire derived products. The United States and Japan were the first two countries to address the environmental hazards of scrap tires and put the laws in place. As a result, they are currently the leaders in recycling rates and market size. Europe has not been as aggressive as The United States and Japan, but with the deadline for implementing EU directives fast approaching, the European industry is expected to register strong growth.

Waste tires present a major environmental problem across the globe today. It is estimated that 2 to 3 billion scrap tires have been stockpiled or dumped throughout the country, while more than 270 million additional used tires are generated each year. Eliminating these piles is essential to prevent health risks and

degradation of the environment.

Waste tires, particularly in piles, pose serious health risks to humans and the environment from fires and pooling water that breeds insects and diseases. On the average, it takes 22 gallons of crude oil, steel, natural rubber, a large amount of energy, and other resources to produce a single tire. However, that same tire when recycled through our pyrolysis system produces more than one gallon of high grade fuel oil, approximately 6 pounds of carbon black, and 3 pounds of steel. These valuable resources will be recaptured and reused in products and processes, rather than left in wasteful and dangerous stockpiles.

D. History of Key Executives (Back to Index)

Moving forward, the Krider Group will be governed by team of existing managers and adding to the Management of the Acquisitions will be the FAVA Team of business executives with many years of combined experience in managing public and private companies in a variety of industries.

Frederick Conte, Chairman and CEO

Fred Conte is Managing Partner for FAVA Enterprises, LLC, (FAVA) a leisure industry and real estate services firm located in Las Vegas, Nevada.

High impact, accomplished leader with a track record of success to either grow or turn around a business enterprise and, along the way, strengthen culture and operations.

Proven in several industries including real estate, land development, leisure, vacation ownership, hospitality, financing, resorts, and mortgage banking.

Completely comfortable, confident, and competent when it comes to high-dollar value ventures, joint ventures, contract negotiations, and other sophisticated, complex transactions and agreements.

Operates with a 'whatever-it-takes' attitude that inspires the best in other leaders and associates.

Mr. Conte has over twenty-seven years of experience in the land development and vacation ownership industries. In response to the repeated requests to lend his expertise to various projects, Mr. Conte established FAVA Enterprises in December 2004. Through FAVA, Mr. Conte provides services ranging from business plans, feasibility studies, market analysis, workouts, land acquisition, and diligence reviews, business acquisitions, mergers, and buyouts.

Prior to establishing FAVA, Mr. Conte held key management positions with leading land and timeshare developers such as Sunterra, Consolidated Resorts, Mandalay Vacation Resorts and Preferred Equities Corporation. During his tenure with these organizations, Mr. Conte had responsibilities ranging from strategic planning to day to day operations including, but not limited to finance, treasury and accounting functions as well as sales and marketing programs. He has assisted in the development of numerous purpose built resorts, whole ownership condominium projects and resort conversions in eleven states, as well as the establishment of land sales operations in Nevada and Colorado.

Mr. Conte is an active member of the American Resort Development Association (ARDA), having served as a member of its Board of Directors and the Chair of several of its committees and task forces. He is a certified Registered Resort Professional (RRP), and has been a speaker on many industry related topics at industry conferences as well as being a guest lecturer at Cornell University, and the University of Nevada Las Vegas.

Mr. Conte is a graduate of Utica College of Syracuse University.

Career Portfolio Highlights

- **Oversaw $85M budget and 2,300 employees** while driving sales $67M over a 9-year period.
- **Led significant expansion of the company's core business** by construction of 3 new resorts in Nevada with construction budgets in excess of $400 million.
- **Blended two cultures involving a traditional branded** operating company with a regional developer to create a national brand.
- **Grew company from $32M to $99M** both organically and joint venture.
- **Grew the company's resort portfolio** from 3 projects in Nevada to 14 projects nationwide.

Corporate boards:

Preferred Equities Corporation- private	Vacation Spa Resorts- public	Central Nevada utilities- private
Colorado Land and Grazing- private	Consolidated Resorts- private	ASNY Corporation- private
Mandalay Vacation Resorts- private	Scottish Inns of America-public	

Trade Association:

American Resort Development Assoc

Non- Profit

Women's development Center

Big Brothers/ Big sisters- Las Vegas

President and board Member of 22 homeowner associations

Craig Huffman, Esquire

Mr. Huffman is an attorney with a wide degree of experience from law enforcement, military, legal, public companies, and corporate development. He recently was awarded the largest defamation verdict ever for a public company. He currently manages a law firm that acts as counsel to about 10 public companies. Primary work on corporate structure, securities filings, offense related litigation, debt structuring for corporations. Mr. Huffman has also been the CEO and Board Member of a number of publicly traded companies. Mr. Huffman has accomplished numerous assets and reverse merger transactions. Mr. Huffman is an expert in the field of renewable energy technologies for acquisition. He writes business plans, structures corporate operations, market makeup, public reporting and Sarbanes-

Oxley Compliance. Mr. Huffman practices corporate litigation as a trial attorney, as well as handling advanced racketeering and other complex securities and criminal offenses. Prior to being involved with public companies, and during such time Mr. Huffman was a full time trial attorney. Mr. Huffman received a B.A. from the University of Tampa, and J.D. from Stetson University College of Law (cum laude). Mr. Huffman served in the United States Army Reserve as a Commissioned Officer where he achieved the rank of Major, serving for 20 years, being commissioned as a Field Artillery Officer, and later with the U.S. Army JAG Corps. Mr. Huffman counts among his most prestigious accomplishments, being a recipient of the Order of St. Barbara from the U.S. Field Artillery Association, and is a member of the Masonic Order. Mr. Huffman took the opportunity after college to serve as a Deputy Sheriff with the Hillsborough County Sheriff's Office for five years. Mr. Huffman resides in Tampa, Florida and was born in Petoskey, Michigan.

David Simpkins, Board Member (Consultant)

David Simpkins, a resident of Oregon, will provide valuable insight into the Companies operations with his vast knowledge of bio-mass technologies, and supply chain strategies. David has 6 years Naval Submarine Service including he was the selected candidate to go into a 2.5 year overhaul by Admiral Williams due to his success in Submarine Qualifications which set Fleet Record of 1 patrol, (3 months, standard is 1 year) with the USS Will Rogers SSBN 659 and was instrumental in various aspects of the Overhaul of the Submarine's main hydraulic, electrical and electronic systems. David has 3 years with NASA Project Development and Project Support, 6 years Wall Street experience as a Project Management Consultant for various companies such as Morgan Stanley Investment Banking, Citicorp, MetLife Investment Management Company and Goldman Sachs. David has also owned and managed his own company for over 15 years in Business and Finance Consulting working with both Private and Public companies providing business project consulting and financial services from planning, to project management, to implementation.

Gary A. Tadych, Board Member and (Consultant)

Gary A. Tadych has over 35 years experience in corporate finance, asset backed securitization, operational management, and recapitalization. Mr. Tadych established The TAG Group, Inc. in 1988 to provide asset-backed securitization, rated and non-rated debt and equity placements and consulting services for the resort development industry. Prior to TAG, Mr. Tadych held executive operating and financial roles with Westinghouse Credit Corporation, Greyhound Real Estate Finance Company, The Vacation Companies, Guild Funding Co. and Glen Ivy Financial Group. Mr. Tadych was responsible for negotiating and closing the resort industry's first AAA/Aaa rated asset backed security utilizing timesharing receivables as collateral and the industry's first REMIC qualified offering. Mr. Tadych is a graduate of the University of Wisconsin.

Ms. Carol A. Chludzinski, Board Member (Consultant)

Carol A. Chludzinski is the President & CEO of Vital Stem. Ms. Chludzinski is a medical technology executive with over 25 years of entrepreneurial experience with new technology market introductions. As a founder and executive of several medical start up entities; Ms. Chludzinski has raised early stage capital, participated in a successful IPO, managed business development for both the U.S. and International markets and negotiated many strategic alliances and partnerships that proved valuable to early market adoption.

Ms. Chludzinski is both experienced in operational management as well as sales, marketing, customer service and reimbursement strategies. Most recently, Ms. Chludzinski began a successful business development company for physician practices and clinics specializing in cosmetic, anti aging and rejuvenation medicine.

Paul Thompson, SVP- Sales and Marketing

Paul K. Thompson received his Real Estate Broker's License in 1971, and remains a member in good standing with the State of California Department of Real Estate. During his career in the real estate industry, Mr. Thompson has owned and operated companies that purchased, controlled, and managed both residential and commercial properties. With offices and properties in California, Texas, Colorado, and Washington State, his commercial brokerage, lending, and property management companies employed over 125 people, and worked exclusively with large apartment complexes, multi-tenant industrial properties, and shopping centers. When he worked for a large Residential Real Estate company, he received multiple annual top salesperson awards. For over 10 years, Mr. Thompson owned and operated a residential lending company licensed in over 30 states. Over the past several years, he has been President, CEO, and major stockholder of a publicly traded company. Mr. Thompson served in the US Army during the Vietnam War, and was honorably discharged. He was born in Los Angeles, California, and presently lives with his wife of 41 years in Mission Viejo, California.

Current Executive Management (Back to Index)

Don Krider, a principal and Chairman, Secretary/Treasurer of Waste Recovery West, Inc. (has entered into an employment agreement by FAVA for two years) in his current position. Don Krider owned and operated Krider Construction, Inc. for over 25 years providing various services in the Tire Recycling business becoming friends with Les Schwab and forming a powerful alliance that led to a continued relationship that has grown into a multi-million dollar business with both Government and Retail contracts. Mr. Krider has been successful in opening up the path to servicing contracts with Les Schwab Tire Company, Lithia Auto Group on a National basis, Goodyear, Firestone, Bruneel Tire Factory, Big-O Tires Company, Discount Tire Company, Hertz Rental Car, Dick Hannah Dealerships, and Chevron to name a few.

Mark Hope, a principal and President of Waste Recovery West, Inc. (has entered into an employment agreement by FAVA for two years) in his current position. Mark Hope who was a prior partial owner of Waste Recovery West, had worked in the industry for 23 years before merging with Don Krider and acquiring Waste Recovery West and also working with on Krider to acquire the California based Waste Recovery, Inc.

o Don Krider and Mark Hope both have many years each of relevant tire recycling experience in the Seven States in which the Companies operate. They have extensive knowledge of the area, the geology, and the market, as well as relationships with customers, regulators, employees, and consultants. Their combined expertise is being retained by Fava for a period of two years to assist with the transition period.

Business Management

- Ricardo Soto, General Manager
- Sonny Singh, Plant Manager
- Niles Olsen, Operations Manager
- Arleen Grass, Sales Manager
- Monica Soto, Stockton Office

E. Acquisition Agreement (August 2012) (Back to Index)

FAVA is a Nevada limited liability company is acquiring the existing privately held Krider Group as outlined earlier. The Krider Group operates domestically and internationally.

Frederick Conte, who has a successful history of operating public and private companies for over thirty years, in various senior management positions, owns 100% of FAVA; along with his spouse, Bernadette Conte. FAVA intends to contribute equity capital in the amount of $4.5 million, having expended $75,000 in diligence and legal fees, along with the capital raised by the issuance of the securities described in this Memorandum, FAVA will acquire 100.0% of the Krider Group. The purchase includes equipment sufficient to operate its tire recycling businesses, numerous parcels of commercial and industrial properties, and environmental and business permits associated with the properties and operations. The operations of Krider Group are fully permitted at the state and federal levels.

Messrs Donald Krider and Mark Hope, along with family members, have agreed per the "Letter of Intent", (LOI), to sell 100.0% of the combined operations of the four companies, including the permits and equipment associated with their operations for approximately $18 million. The acquired tire recycling operations will be held entirely by Fava Enterprises and will operate as wholly owned subsidiaries. Please see the Company structure below. FAVA will pay approximately $18 million, for the stock of the Krider Group at closing. The Company believes the stockpile of scrap rubber tires, the existing operation (including permits) and the revenue stream generated from the inclusion of the international contracts negotiated in mid 2012, the equipment, and the market for bio-mass produced energy in the form of electricity and /or oil, supports both the purchase price and the working capital necessary to further develop the operations.

F. Tire Recycling Products (Back to Index)

Shredded Tires

Tire shreds are basically flat, irregularly shaped tire chunks with jagged edges that may or may not contain protruding, sharp pieces of metal, which are parts of steel belts or beads. As previously noted, the size of tire shreds may range from as large as 460 mm (18 in) to as small as 25 mm (1 in), with most particles within the 100 mm (4 in) to 200 mm (8 in) range. The average loose density of tire shreds varies according to the size of the shreds, but can be expected to be between 390 kg/m3 (24lb/ft3) to 535 kg/m3 (33 lb/ft3). The average compacted density ranges from 650 kg/m3 (40 lb/ft3) to 840kg/m3 (52 lb/ft3).

Tire Chips

Tire chips are more finely and uniformly sized than tire shreds, ranging from 76 mm (3 in) down to approximately 13 mm (1/2 in) in size. Although the size of tire chips, like tire shreds, varies with the make and condition of the processing equipment, nearly all tire chip particles can be gravel sized. The loose density of tire chips can be expected to range from 320 kg/m3 (20 lb/ft3) to 490 kg/m3 (30 lb/ft3). The compacted density of tire chips probably ranges from 570 kg/m3 (35 lb/ft3) to 730 kg/m3 (45 lb/ft3) .(9) Tire chips have absorption values that range from 2.0 to 3.8 percent.

Ground Rubber

Ground rubber particles are intermediate in size between tire chips and crumb rubber. The particle sizing of ground rubber ranges from 9.5 mm (3/8 in) to 0.85 mm (No. 20 sieve).

Crumb Rubber

Crumb rubber used in hot mix asphalt normally has 100 percent of the particles finer than 4.75 mm (No. 4 sieve). Although the majority of the particles used in the wet process are sized within the 1.2 mm (No. 16 sieve) to 0.42 mm (No. 40 sieve) range, some crumb rubber particles may be as fine as 0.075 mm (No. 200 sieve). The specific gravity of crumb rubber is approximately 1.15, and the product must be free of fabric, wire, or other contaminants.

FAVA will have the nationwide capacity to produce more than 100 million pounds of crumb rubber annually for a wide variety of innovative uses...

- Welcome mats
- Rail road ties
- Anti-fatigue mats
- Acoustical underlay
- Portable speed bumps

• Weightlifting plates

At three crumb rubber manufacturing locations, FAVA will be able to produce a wide variety of mesh sizes with 30 - as the finest. For certain applications – such as those required to make automotive parts and coatings – provide crumb rubber as "feedstock" to companies that produce finely ground rubber powders. Beyond molded rubber products and coatings, crumb rubber enhances the surface of our world, from highways to horse tracks...

G. TYPES OF RECYCLING TECHNOLOGIES (Back to Index)

Devulcanization
In the process of devulcanization, used rubber is returned to its raw state as a soft, tacky, plastic material, which can then be used in the production of a variety of molded or die cut rubber materials, such as mats, tubs, and pails. A great deal of research has gone into rubber devulcanization; however, the final renewed material has slightly different chemical properties from virgin rubber. The renewed material is rigid, whereas virgin rubber is composed of long, flexible strands. The devulcanized material does not meet the stringent requirements of modern tire manufacture, nor can it be used in the manufacture of flexible products such as hoses. As these applications account for 85% of Canada's rubber market, the potential supply of devulcanized rubber tends to exceed demand. In addition, the cost of processing old tires, particularly modern radial tires with steel belts, into devulcanized rubber exceeds the cost of virgin rubber production.

Reclamation (Pyrolysis)
Pyrolysis is a thermal process that can degrade used tires to their chemical constituents. The traditional process involves burning tires under conditions of oxygen limitation so that the tire material is not completely converted to gases and ash. In 1994, a Canadian company, Exxadon/EWMC, patented a new tire pyrolysis process (the Emery Microwave Process) that breaks tires down to their component parts more efficiently. The typical automobile tire contains approximately 4 liters of oil, about 230 grams of fiber, a kilogram or more of carbon black and about a kilogram each of steel and methane. At several traditional small-scale pyrolysis plants in operation in Japan and the United States, the methane is burned to produce steam heat and electricity and the carbon black and oil are sold to industrial users. Recycled carbon black is acceptable for use in industrial hoses, mats, roofing materials and moldings.

The tire industry uses a great deal of carbon black to give strength to their product but unfortunately recycled carbon black contains too many contaminants for use in new tires.

Pyrolysis technology has been applied for over 75 years in many chemical processing activities. Pyrolysis was used in Germany during World War II to supply 90% of their aviation fuel. After the war, an engineer-scientist on the team, Mr. Franz Rotter, designed a similar system to recycle scrap tires to recover oil, carbon and steel. Twenty years ago Rotter moved to Portland, Oregon where he continued his work. The technology was developed and installed in Pennsylvania in 1985 where it has operated commercially since installation. Over a several year period, it has become apparent that for a

tire recycling plant to be successful it should not rely on tipping fees. It was very clear that a national trend in scrap tire legislation would encourage the development of fee supported shredding operations whereby scrap tires would be plentiful as raw material for pyrolysis plants. The technology we utilize is well-proven, the pyrolysis of tires produces consistent, commercial grade products equivalent to N-326 carbon black and ASTM 104A plasticizer oil. The market for these products is large and growing. If we recycled every scrap tire produced annually in the U.S., 281,000,000 tires, we could supply only one half the annual U.S. demand for carbon black.

Pyrolysis is a continuous depolymerization process that heats shredded tires in the absence of air and converts the shreds into oil, carbon black, steel and gas as marketable commodities.

Energy Recovery

The production of energy from waste, although not a form of recycling in the strict sense of the word, is an economically sound end-use for used tires that are not good enough for resale in third-world countries. Public perception of incineration, however, makes it difficult to promote as a waste management option. When tires burn in the open, as in the Hagersville tire fire, the temperature of combustion is not high enough for complete incineration and toxic compounds are released to the air and soil. On the other hand, complete combustion to inorganic gases and ash can be achieved through high-temperature incineration, as is practiced in cement kilns and coal-fired thermal-electric generating stations. Very little is mentioned of research efforts showing that tires can be safely incinerated at high temperatures and the released energy used for industrial applications; consequently, concerned citizens and environmental groups tend to oppose all tire incineration on the grounds that it might pose a health hazard.

On a weight basis, the energy content of scrap rubber is 15 to 20% greater than that of coal. The sulfur content of vulcanized rubber is approximately the same as that of the Appalachian coal burnt by many Ontario industries, and lower than that of Cape Breton coal. Concern about sulfur dioxide and nitrous oxide emissions from coal-fired industries, plus the more recent concern of global warming due to carbon dioxide emissions, has stimulated advances in the development of clean-coal technologies.

Advances in new combustion technologies, plus post-combustion cleaning technologies (scrubbers) have greatly improved combustion efficiency and reduced emissions. The higher energy content of rubber means that the incineration of used tires in "state-of-the-art" coal furnaces would release fewer contaminants per unit energy, and decrease the use of non-renewable fossil fuels. A scientific study commissioned by St. Mary's Cement Company, Ontario, compared the emissions from cement kilns fed conventional fossil fuels to the emissions from five Canadian and two American cement plants where scrap tires were used as supplementary fuel in proportions ranging from 5-20%. No significant difference in emissions could be detected, and emission levels for all plants using scrap tires were well within the limits set in both the Ontario air emission standards and guidelines, and the Canadian Council of Ministers of the Environment (CCME) guidelines for the use of hazardous and non-hazardous wastes in cement kilns.

In most countries, cement kilns are allowed to use scrap tires as fuel. Canadian cement kilns in Quebec, Alberta and British Columbia may off-set a portion of their fossil fuel needs with used tires. In Manitoba, used tires are burnt to melt aluminum in a small recycling plant and in Charlottetown,

P.E.I.; shredded tires are burnt along with municipal garbage to generate electricity at the local incinerator. In Modesto, California, a waste-to-energy plant converts 400,000 tires monthly into 14.5 megawatts of electricity. This plant began operation in 1987 at a capital cost of $42 million (U.S.).

FAVA will implement a new processing system which will convert "Wasted Shredded Tires" from the standard "Crumb Rubber Process" presently being utilized by today's recycled processors within the market to a new "Thermo Forming Molding System" utilizing the waste rubber to create "Solid Tire Wheels, Floor Mats, & Rubber Backing" products that increase the per ton value of shredded tires from $ .08 cents per lb. to $ .40 cents per lb.

FAVA has contacted and developed a relationship with a Canadian thermoforming company to process the above waste tires from the existing collection and processing tire company into rubber mats and solid wheels not only to increase value of this shredded business, but converting the tire waste into clean and marketable products to meet today's demands and lower the carbon foot print.

H. TYPES OF APPLICATION USES (Back to Index)

Using Rubber with Asphalt

Using rubber for Rubberized asphalt highways provides better performance, a quieter ride, longer lasting than traditional asphalt highways, and uses significantly less paving material than traditional asphalt. Crumb rubber comprises 17 to 25 percent of the mix in rubberized asphalt along with traditional binding agents.

- Reduces noise with tire friction
- Reduces tire splash and spray
- Longer lasting and reduces normal pavement cracking or rutting
- Increases road visibility at nighttime
- Improves resistance to cracking, rutting
- Reduces aging and oxidation of the road surface

Rubberized asphalt reduces maintenance costs and provides a safer, quieter, and smoother ride for motorists. The same equipment used in today's roadway industry can be used for the rubberized asphalt which will not require any additional capital investment for contractors or municipalities.

Sport Uses

Crumb rubber enhances the performance of a variety of sports surfaces, providing infill for sports fields, and paving for running tracks and equestrian surfaces. Crumb rubber adds cushioning and springiness to protect athletes. Surfaces made from crumb rubber dry quickly, drain excess moisture, reduce dust and mud, and minimize freezing. Rain or shine, a field comprised of crumb rubber is always ready for action.

Sport Surfaces:

- Kindergarten Playgrounds and Recreation Areas
- School Sports Areas
- Athletic Tracks
- Tennis and Basketball Courts

• Golf Tee-Off Areas
• Swimming Pool Surrounds and Garden Paths
• Lawn Bowling Greens
• Non-Slip Boat Dock Surfaces

Automotive Industry:
• Bumpers
• Car Body Underseal and Rustproofing Materials
• Splash Guards and Fenders
• Floor Mats for Cars and Trucks
• Floor Liners for Trucks and Vans
• Dunnage Materials for Shipping

Construction:
• Hospital, Industrial, and Bathroom Flooring
• Floor Tile
• Carpet Underlay
• Waterproofing Compounds for Roofs and Walls
• Foundation Waterproofing
• Dam, Silo, and Roof Liners
Geotechnical/Asphalt Applications:
• Rubberized Asphalt for Roads and Driveways
• Sub-base for Horse Racing Tracks
• Subsoil Drainage
• Drainage Pipes
• Soil Conditioner
• Filtering Agent for Mercury and Metallic Surfaces
• Porous Irrigation Pipes
• Road Building and Repair

Adhesives and Sealants:
• Adhesives and Sealing Compounds
• Textured and Non-Slip Paints
• Compounding Ingredient (Filler) for Rubber Moldings and Extrusions
• Compounds for Conveyor Belting Repair
• Expansion Joint Compounds
• Roof Coating and Waterproofing

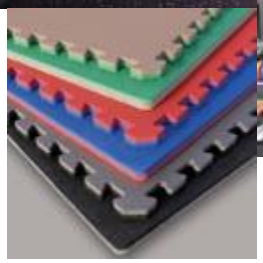
Shock Absorption and Safety Products:
• Shock Absorbing Pads for Rails and Machinery
• Sound Barriers for Highways
• Crash Barriers
• Abrasion Lining in Mining Equipment

FAVA Enterprises, LLC.

Rubber and Plastic Products:

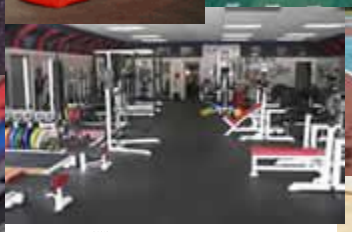
- Pipe Insulation and Lining
- Baseboards and Kick plates
- Flower Pots
- Garbage Cans
- Shoe Soles and Heels
- Wire and Cable Insulation
- Industrial and Agricultural Tires
- Barn Mats and Flooring
- Conveyor Rollers and Idlers
- Filler in Many Plastic Moldings and Extrusions

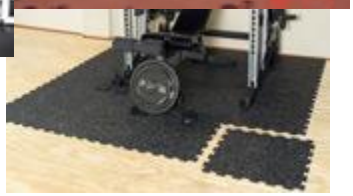









(Back to Index)

II. Introduction to the Krider Group (Back to Index)

Waste Recovery, Inc., (WRW), had begun operating on a small Portland, Oregon industrial site in 1982 and grew to include collection activities in Oregon, Washington, Idaho and California. Beginning in July of 1998, Waste Recovery West, Inc (WRW). purchased Waste Recovery, Inc.'s (WRI) California and Southern Oregon operations. Together, the operations have recycled, recovered and/or properly disposed of over 33 million scrap tires. Included in these numbers are approximately 1.5 million scrap tires from stockpile cleanups where the team was contracted to remove, transport, and recycle or dispose of the tires from at least 13 previously permitted, illegal, and/or indiscriminate piles in California and Southern Oregon.

WRW provides scrap tire collection and processing services throughout California and Southern Oregon. WRW's management team offers 26 years of pioneering waste tire collection, processing, and market development.

California Waste Tire Facility IDs:
Livermore, CA TPID# 121295058
Sacramento, CA TPID#1285501
Redding, CA TPID#1273899

WRW is a leader in market development for waste tires. Market participation includes: scrap tire aggregate for civil engineering applications, whole tire fuel to cement kilns, crumb rubber, and the grading of casings for re-use.

For California and Southern Oregon, WRW supplies whole tires to a cement producer for use as fuel. For those tires collected in excess of current energy demand, WRW uses a machine process to chip and/or shred the tires in preparation for beneficial uses as a tire derived aggregate (TDA). The TDA is used for civil engineering applications. Some scrap tires are delivered to a company for further processing to meet the crumb rubber demand in Northern California.

Late in 1999, WRW opened a process location in Livermore, California to complement its' existing base of activities located in Redding and Sacramento. Actual processing occurs in Redding and Livermore. Sacramento provides a transportation hub for collection activity in the Central Valley.

WRW has over 9 power units and 200 freight vans serving their customer's collection needs. Waste Recovery West Inc in Redding, CA is a private company categorized under Wholesale Recycling Centers. Current estimates show this company has annual revenue of $2.5 to $5 million and employs a staff of approximately 5 to 9.

Waste Recovery West Inc We pride ourselves on our professional approach in working with our commercial and retail customers. We work extensively with cities and counties throughout California and Southern Oregon to assure small scrap tire generators, such as homeowners, have local and regional drop off centers to recycle their scrap tires. These services compliment our on route collection services in many of

the larger cities and metro areas such as Sacramento, San Francisco, Oakland, Livermore, Redding, Stockton, Modesto, San Jose, Medford, Roseburg, and smaller cities such as Petaluma, Santa Rosa, Tracy, Lodi, Woodland, Fairfield, Palo Alto, Redwood City, Brentwood, Antioch, etc.

At $3.5 per tire in Oregon and $4 per tire in CA the following are the tire fees taken in for tipping fees. The fees are split because of subcontractors involved with an average of $.95 to $2.25 per tire.

Tire Disposal and Recycling, Inc., (TDR), opened a Clackamas, Oregon process site in 1998 to serve its' newly acquired collection activities. In 2004, TDR moved to a permanent location in North Portland called the Rivergate District. The Rivergate District is a Port of Portland industrial park complex serving major Northwest distribution centers by providing great access to rail, truck, and marine services.

Together, the old operations and the now TDR operations have recycled and/or properly disposed of over 136 million scrap tires since January of 1983. This amount is an equivalent of nearly 75% of the Northwest's regional scrap tire generation for the last 20 years, and the equivalent of more than 38 years total generation for the state of Oregon. Included in these numbers are approximately 10 million scrap tires from stockpile cleanups where the team was contracted to remove, transport, and recycle or dispose of the tires from at least 137 previously permitted, illegal, and/or indiscriminate piles in Oregon, Washington, and Idaho. The Northwest's largest public liability cleanup of over 5 million tires at the Winlock, Washington site was completed on March 31, 1998. TDR has present inventory of shredded tires within its permitted cell chambers on 700-acres site consisting of 17-million tires.

TDR's major focus is the collection and processing of scrap tires from generators located in Western Oregon, all of Washington, Idaho and parts of California. Transportation hubs are located in Portland, Seattle, and Boise to provide direct service to their customer base. The management team, many being pioneers in their area of expertise, offer over 26 years of scrap tire collection and processing service.

TDR has an ongoing relationship with RB Rubber, www.rbrubber.com for sales of crumb rubber and other rubber by products of which RB Rubber converts into usable products in several industries.

RB Rubber is a leading manufacturing company that sells high quality, durable rubber mats, protective surfaces and products made from tires. Over 4.5 million unwanted tires per year are consumed and turned into a valuable, usable product that can be recycled again and again. The acquisition of the Krider Group, FAVA will be able to immediately realize the revenue of approximately $1M to $2M annually from the existing operations and add an additional $5M to $10M over the next 5 years from the increase in output of converting the existing inventory into reusable, salable fine rubber, crumb rubber, and steel bringing the overall revenues to approximately $11M to $20M per year.

According to Global & United States Tires Market Forecast & Opportunities, (*published September 2012*), by 2017 the United States tire market will grow at a CAGR of 6.3% for next five years, in terms of value. The report also forebodes that Goodyear will continue to be the market leader by 2017. It is anticipated that new tire technology will be adapted by major manufacturers and fuel efficient tires will be dominating the market.

(Back to Index)

United States Tires Market Forecast & Opportunities, 2017 report elaborates following particulars:
- Global Tire Market Size, Share and Forecast till 2017
- United States Tire Market Size and Share Forecast
- United States Replacement & Retreaded Tire Market Analysis
- United States Sales/Distribution Channel Analysis
- United States Tire Industry PEST Analysis
- Competitive Landscape & Strategic Recommendations

(Back to Index)

A. Current Operating Companies (Back to Index)

The current Operating Companies of the Krider Group, includes, TDR Group, Inc., (TGI), Tire Disposal & Recycling, Inc. (TDR), Waste Recovery West, Inc. (WRW), and Krider Construction, Inc., (KCI).

Breakdown of the 5 Companies and their Locations

FAVA ENTERPRISES, LLC.
Las Vegas, Nevada
___100____%

TDR Group – Real Estate Holding Co.	TDR – Tire Recycling	WRW– Tire Re-cycling	KCI – Tire Recycling & Landfill
Portland, OR	Portland, OR	Stockton, CA	Prineville, OR

FAVA ENTERPRISES, LLC. ___100____ %

DEBT OFFERING: TO BE DETERMINED
WARRANTS: TO BE DETERMINED

FAVA has engaged a placement agent to raise $ 21.6 million of Senior Secured Top-Line Income Generation Rights Certificates (the "Notes"), known as TIGRcub® securities. This variable rate debt security provides the investor with potential for returns greater than, but not less than, the agreed upon minimum interest rate through percentage participation in the issuer's monthly gross revenues. The variable rate security provides the investor with a monthly cash payment equal to the greater of: (i) principal and fixed interest based on an amortization schedule and fixed interest rate through maturity, as the minimum payment, or (ii) an amount equal to a fixed revenue participation percentage multiplied by the gross revenues for each respective monthly period through maturity

B. Marketplace (Back to Index)

Public Market

Public market valuations of recycling and waste management industries total $690 Billion, and represent approximately $450 Billion in gross revenues.

Many more companies representing revenues nearly equaling those of public companies fill the marketplace. Public companies in the industry feature price/earnings ratios of approximately 13, and trade at an average of 27X cash flow, as demonstrated on the table below:

Description	Market Cap	P/E	Price to Book	Price/Cash Flow
Industry Summary	690.37B	13.033	9.505	27.21
Waste Management	37.22B	17.4	-14.68	29.4
Allied Waste Industries, Inc.	4.7B	11.923	1.113	48.295
American Ecology Corporation	322.62M	15.277	3.488	158.32
Avalon Holdings Corporation	6.69M	7.154	0.169	-9.668
Casella Waste Systems, Inc.	161.66M	NA	1.252	-13.958
Clean Harbors Inc.	1.4B	24.543	3.629	88.411
Global Energy Holdings Group	7.15	NA	0.375	-4.349
Heritage-Crystal Clean Inc.	117.86M	NA	2.775	511.827
Perma-Fix Environmental SVC	69.89M	NA	1.154	16.09
Republic Services Inc.	4.46B	15.786	3.402	41.42
Shaw Group, Incorporated.	1.72B	12.327	1.156	8.669
Stericycle Incorporated	4.96B	38.505	7.15	198.45
Waste Connections Inc	2.8B	23.89	2.255	126.857
Waste Management, Inc	16.06B	13.873	2.724	32.546
Waste Services, incorporated	278.79M	13.876	0.743	26.439

Tire derived fuel markets (TDF) - estimated 2010 consumption: ***150 million tires***
Of these tires that were burned many were used whole in Cement Kilns while others had to be halved or quartered and even some had to be shred down to 2″ chips to meet the air permits of each of these plants. The United States presently has 41 of these Cement Kilns or facilities that are burning tires. Also many of these tires were used in Pulp and Paper mills around the country and most of these would have been shred down to 1″ to 2″ chips before being burned for heat. The United States presently has 12 of these facilities permitted to burn this product. The United States presently has several major Utility & Industrial Boilers that burn this product as well and these tires would also have to be shred down to 1″ to 2″ in size in order feed these boilers.

Civil Engineering Markets - estimated 2010 consumption: ***30 million tires***
This is one of the fastest growing areas but it is still very small when compared to all the others. Most of these gains have been in drainage applications and are made up of the following applications which include: lightweight fill for embankments, sub grade insulation for roads, backfill for walls and bridge abutments, landfill construction and operation, and finally septic system drain fields. Most of these applications require the tires to be shred down in 2″ to 4″ size chips.

Ground Rubber Markets - estimated 2010 consumption: ***60 million tires***
This market also is continuing to grow at a very fast pace and it is made up of the following different types of uses. First is rubber modified asphalt, next is molded products, then surfacing/ground cover, and finally tires, & automotive. All these applications require that the tires are shred down into crumb rubber in many different size meshes.

Land filled Tires - estimated 2010 consumption: ***70 million tires***
This still remains one of the primary ways of disposing of tires yet today. Many places don't have any of the other markets available to them so they are forced to dispose of their tires by this method. And many of the landfills only require that tires are cut in half or quartered and they don't need to be shred at all. So when we say waste/scrap tire recycling you can see that many of these tires are still ending up being used to fill up costly landfill space which could be better used on many other types of non-reusable materials.

We feel that this Industry still has a tremendous amount of potential growth over the next several years to get these tires out of the landfills and into more beneficial uses. And the largest areas of growth we believe will come in the Civil Engineering markets as well as the Ground

Exportation of Tire Shreds (Back to Index)

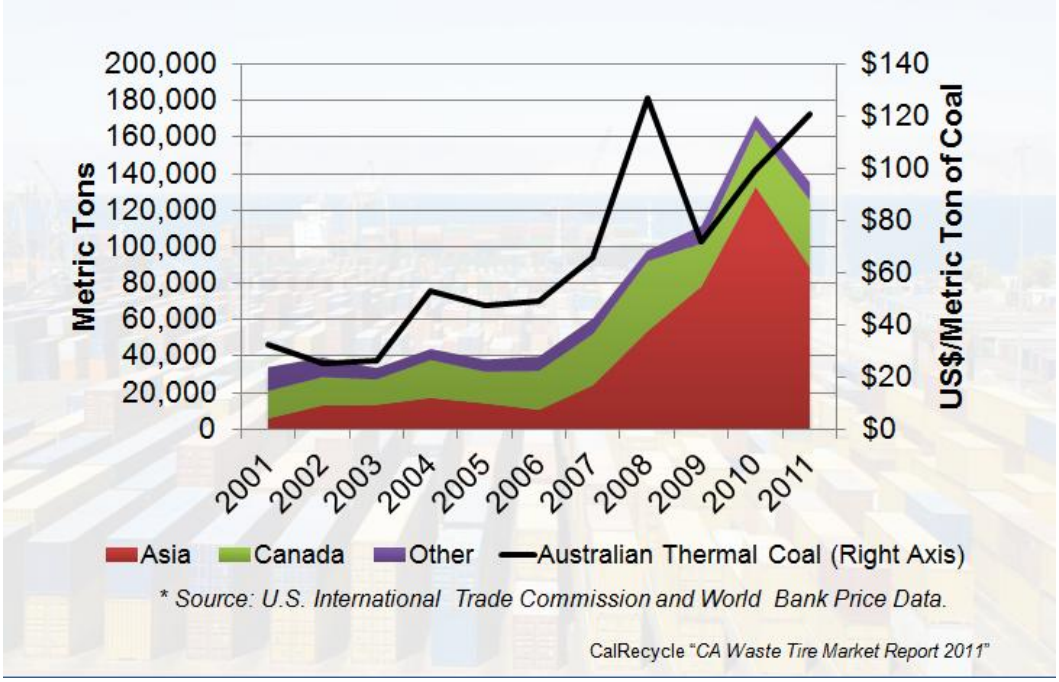
"Coal is 3 times more Expensive than Tire Shreds"

The Export Industry for Tire Shreds has been a cyclic industry over the last 10 year primarily trending upward with a slight decline over the last 3 years. In 2012 there has been an increase in Tire Derived Fuel, (TDF) usage for the Tire Shreds. The increase is mainly due to Japan, Korea and China importing Tire shreds for TDF usage. This increase is reflective of the high cost of coal and the low cost of Tire Shreds.

Why is there such a great demand for TDF?

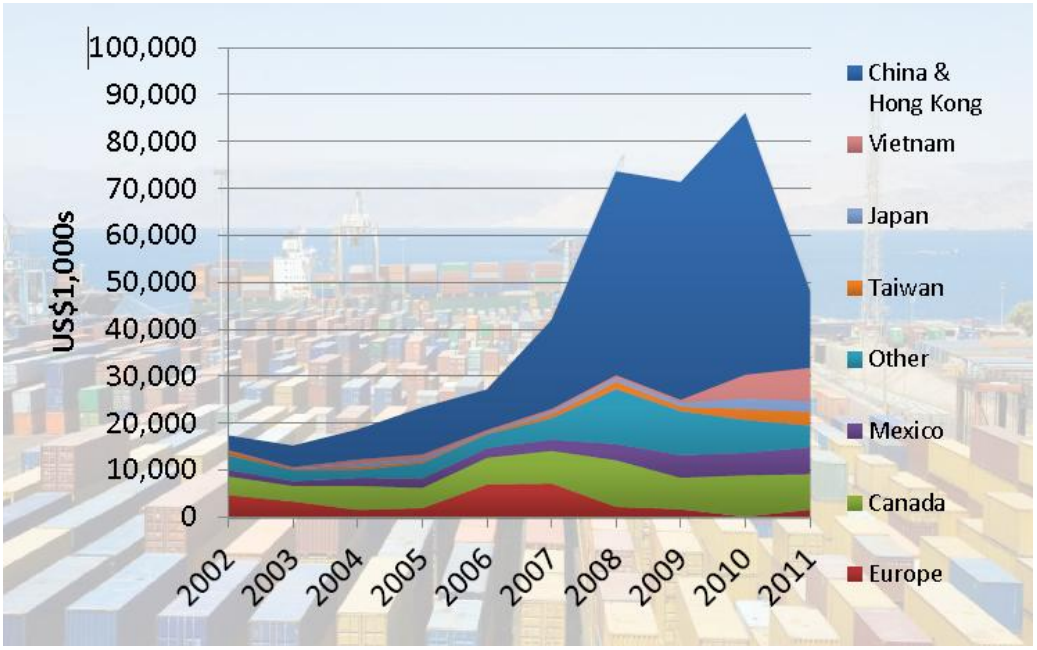
1) TDF has a much higher Heat Value
2) TDF has lower Nox Emissions
3) Burns with more energy due to the higher heat value and burns longer than coal.
4) Has 25% more efficiency than coal.
5) Coal is three (3) times more expensive than Tire Shreds.

US Waste Tire & Crumb Exports in Tons vs. Coal Prices (Back to Index)



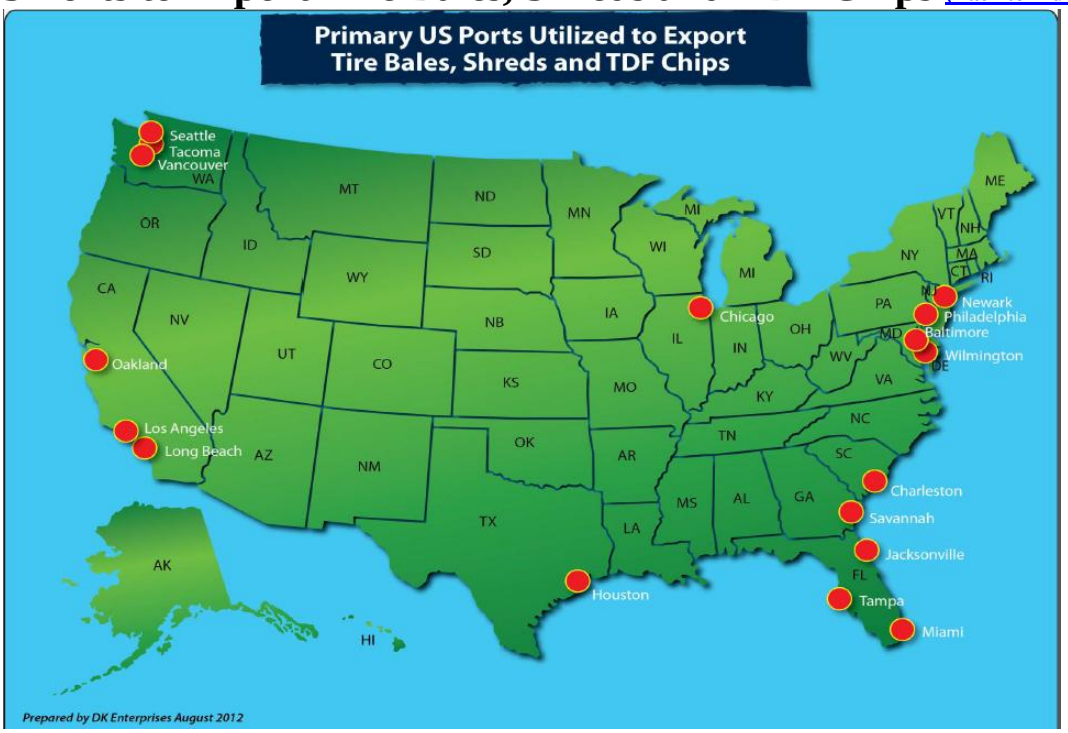
Source dkEnterprises

US Exports of Waste Tires & Shreds in Tons to Asia 2002-2011 (Back to Index)



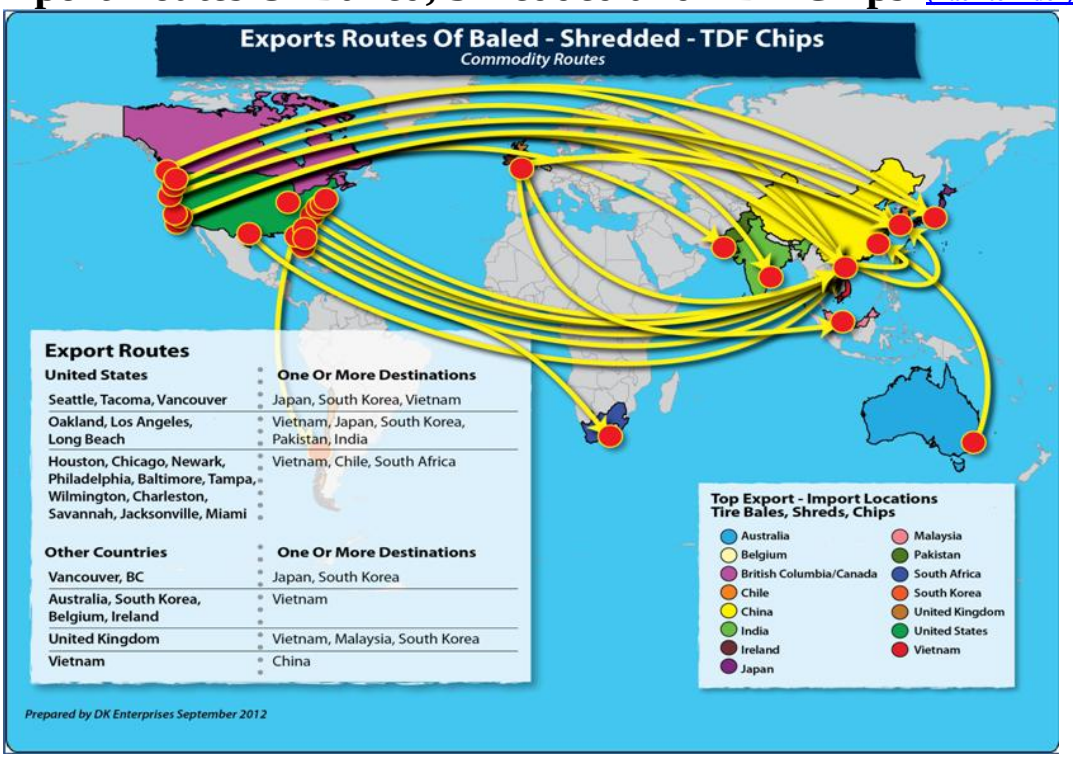
Source dkEnterprises

US Ports to Export Tire Bales, Shreds and TDF Chips (Back to Index)



Source dkEnterprises

Export Routes Of Bailed, Shredded and TDF Chips (Back to Index)



Source dkEnterprises

C. Location, Permits, Licenses and Property Information for each Company (Back to Index)

The four companies are located in 3 states with collection centers in 5 states. Tires are collected in the states of Washington, Oregon, Idaho, California and New Mexico.

They have contracts with other companies that collect nationwide.

Permits and Licenses

Tire Disposal & Recycling, Inc., Waste Recovery West, Inc. and Krider Construction, Inc.

Tire Disposal & Recycling is permitted to properly handle scrap tires in California, Idaho, Oregon, and Washington with subcontractors in New Mexico.

California Waste Tire Hauler Permits:

CIWMB #0937
TPID# 1003974

California Waste Tire Facility ID:
TPID# 1273887

Livermore, CA TPID# 121295058
Sacramento, CA TPID#1285501
Redding, CA TPID#1273899

(Back to Index)

Idaho does not require any specific permits to haul or collect tires within the State.

Oregon Waste Tire Hauler (Bear Creek Resources)
Permit # WTC-1303.

Portland Process Facility
Oregon DEQ permit # 1268 (Processing & Storage)
Metro Solid Waste permit #L-022-00

Washington Utilities and Transportation Commission (WUTC)
Permit #MC439221, serial # 02-12169-10743

Washington Department of Licensing –Waste Tire Permit
Permit #*** *** 765

Tire Disposal & Recycling (TDR) – has a 5.11 acre property located in Portland, OR. The current Market Price is approximately $3,419,140.

Waste Recovery West, Inc. (WRW) has a 7.2 acre property located in Stockton, CA. The current Market Price is approximately $2,132,000.

Krider Construction, Inc. (KCI) has a 718.4 acre property located in Prineville, OR. The current Market Price is approximately, $3,590,000.

Total Real Estate Value is approximately $9,141,140.

The Prineville, OR location is the Monofill Landfill which has a 350 acre permitted capacity for landfill and currently 60 acres have been used to date with an additional 290 acres available providing an approximate 40 year landfill capability. The current tire assets are approximately 35 million to 40 million tires stored in monofill at this site. The estimated value can be calculated either as Tire Derived Fuel (TDF) converted to crude oil or as Tire Shreds by the ton. As Crude Oil the approximate value is $294 million dollars, (this does not include the cost of processing which will be approximately $80 million dollars). As Tire Shreds sold by the ton as tire shreds the approximate value is $14 million to $17 million dollars.

TDR location information.

http://www.portlandmaps.com/detail.cfm?action=assessor&&gmapapiversion=&state_id=2N1W26D%20%20%201700&propertyid=R175838&y=720991&x=7620337

Property ID R175838
Site Address 9333 N HARBOR GATE ST
City/State/Zip PORTLAND OR 97203
Owner(s) Name TDR GROUP LLC % TIRE DISPOSAL AND RECYCLING'
Owner Address PO BOX 83478
City/State/Zip PORTLAND OR 97283-0478
Tax Roll HARBOR GATE WEST, LOT 3 Use INDUSTRIAL SPECIAL (Back to Index)

Land Information

Type	Acres	SQFT
INDUSTRIAL LAND	5.1100	222,517

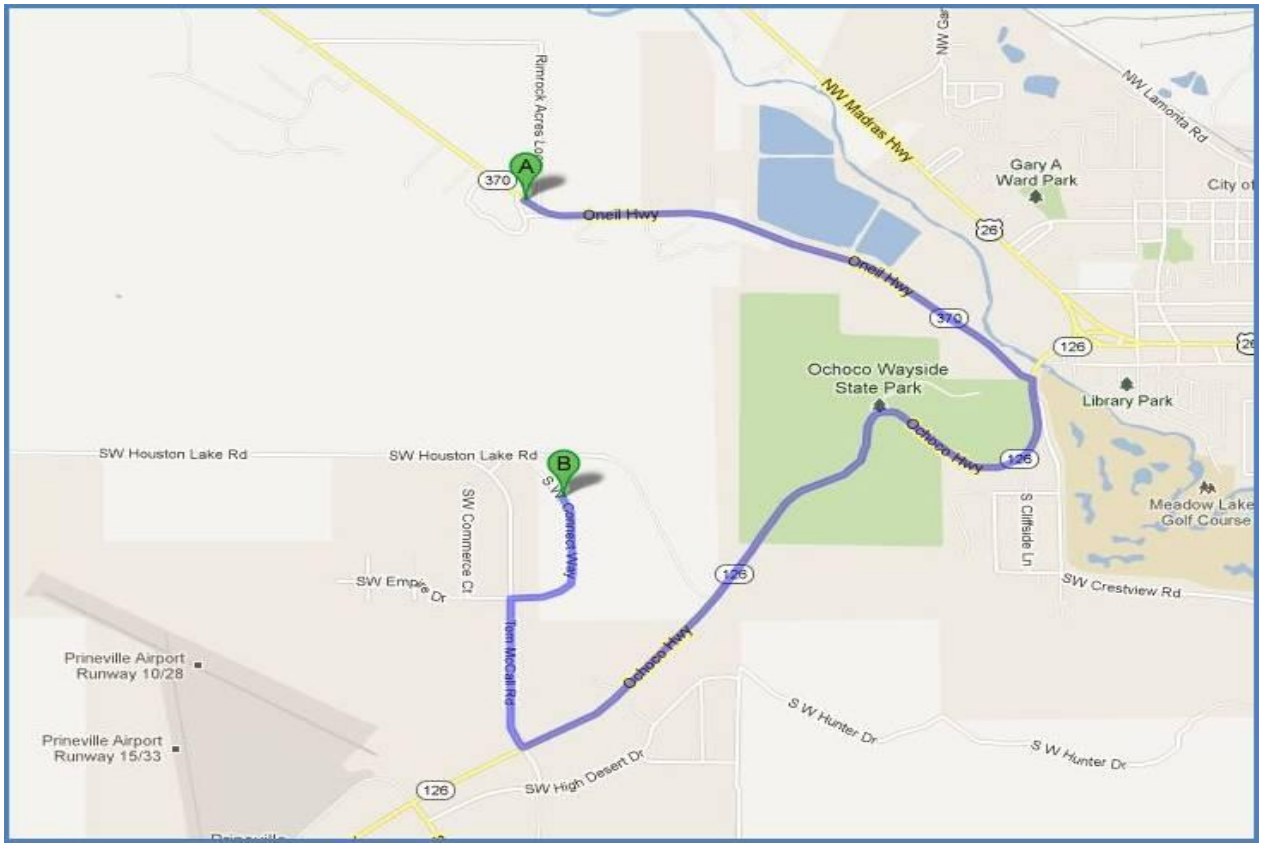
Improvement Type Industrial
Improvement Value $1,408,840.00
Building Class INDUSTRIAL SPECIAL
Actual Year Built 1992

Year	Improvements	Land	Special Mkt/Use	**Real Market**	Exemptions	Assessed
2011	$1,408,840.00	$2,010,300.00	$0.00	**$3,419,140.00**	$0.00	$1,618,950.00

Aerial View of the Portland, OR Processing Facility. 5.11 Acres

(Back to Index)

Location of the Prineville, OR is approximately 1.5 miles from the Facebook Data Center.



NOTE: Real Estate Property of 718 acres at the Prineville, OR location has a current Market Value of $3,590,000. This property is 1.4 miles from the Facebook, Google, and Apple Data Centers.
NOTE: There are approximately 460,000 tons of Tire Shreds in *DEQ Certified* monofill vaults at the Prineville, OR Location. The Tire Shreds value based on the industry average is approximately $37.5/ton is $17,250,000.

(Back to Index)

Aerial View of Processing Facility. 718.4 acres.

(Back to Index)

Krider Construction Processing Facility.

(Back to Index)

Assessor Information for the Prineville location.

General Account Information

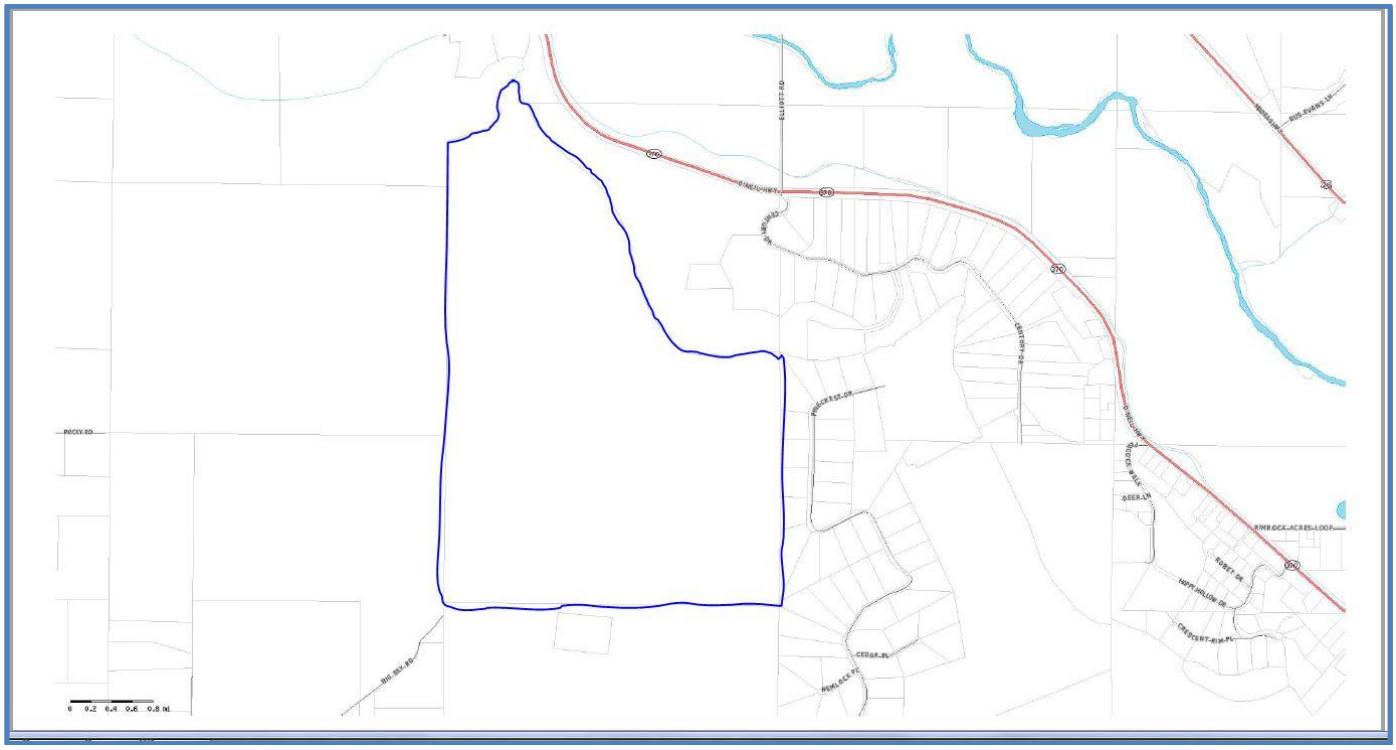
Account	Taxpayer (see Owners report)	Acres	Fire Patrol	Code Area	Remarks	Sen. Def.	DOR No.
13128	HORIZON BROADCASTING GROUP LLC			21	SPECINTALPH: A SPECINTNMBR: 1		
14941	KRIDER CONSTRUCTION CO	676.92		21			
14942	KRIDER CONSTRUCTION CO	41.48		12			
73452	KRIDER CONSTRUCTION CO			21			
73453	KRIDER CONSTRUCTION CO			21			

Account	Add1 (Taxpayer mailing address)	Add2	Add3	City	State	Zip	Country
13128	854 NE 4TH ST			BEND	OR	97701	USA
14941	PO BOX 177			PRINEVILLE	OR	97754	USA
14942	PO BOX 177			PRINEVILLE	OR	97754	USA
73452	PO BOX 177			PRINEVILLE	OR	97754	USA
73453	PO BOX 177			PRINEVILLE	OR	97754	USA

Account	Subdivision	Block	Lot	Property Class	PC Description	Description	Liability
13128		0	0	301	Ind Improved	Land &/or Buildings	
14941	PART PLAT YEAR & # NO PARCEL #	96	20	551	Farm Zone EFU Improved	Land &/or Buildings	Potential Additional Tax Liability
14942	PART PLAT YEAR & # NO PARCEL #	96	20	550	Farm Zone EFU Unimp	Land &/or Buildings	Potential Additional Tax Liability
73452	PART PLAT YEAR & # NO PARCEL #	96	20	019	Misc Res Pers Prop MH	Manufactured Structure - Personal	
73453	PART PLAT YEAR & # NO PARCEL #	96	20	019	Misc Res Pers Prop MH	Manufactured Structure - Personal	

(Back to Index)

Land Plot for the Krider Construction, Prineville, OR. 718.4 Acres.



(Back to Index)

Stockton, CA Location Information.

Assessor Parcel Number: 193-020-44

Property Location: 4554 S EL DO-RADO ST

Values	**2012**	**2011**
Land	$466,140	$457,000
Structure	$375,360	$368,000
Trees and Vines	$0	$0
Fixed Equipment	$0	$0
Fixed Equipment Penalty	$0	$0
Personal Property	$0	$0
Personal Property Penalty	$0	$0
Total Assessed Value	**$841,500**	**$825,000**
Market Value	$2,132,000	$1,978,345
Exemption Amount	$0	$0
Net Taxable	**$841,500**	**$825,000**

(Back to Index)

Aerial View of the Stockton, CA Location. 3.2 Acres.

(Back to Index)

Stockton, CA Processing Facility.

D. Equipment and Equipment Permits (Back to Index)

As part of the transaction, Krider Group will transfer all of the equipment, with a few exceptions, that is currently utilized at its multiple locations. The equipment has been valued on the Companies' balance sheets at $8,994,755 million. The equipment includes a variety of heavy trucks, loaders, dozers, excavators and other items. The equipment has been well maintained. Therefore, the Company expects to assume Krider Group operations without interruption. The need for significant capital expenditures on equipment and technologies will be required for the Company in its second and third year of operations to pursue its vision of producing electric /oil energy production through the recycling of scrap rubber tires.

The environmental permits that are being acquired from Krider Group are an integral part of this transaction. Because of changes in state and federal regulatory agency policies, new permits have become a very scarce commodity. The fact that the acquisition includes exist-

ing permits means that, upon transfer of ownership, there will be no interruption in production. The Company believes it will be able to supplement additional processes into the current permit via a simple amendment process. Similarly, FAVA believes it will be able to leverage the existing permits to operate its anticipated bio mass facility at Prineville, Oregon. As previously described, the Company believes that the process of amending an existing permit to add additional processes is a simple ministerial process compared to the time and expense of obtaining a new environmental permit. Upon the closing of the transaction, the permits will remain in the name of the appropriate operating entity. FAVA will deposit the $50,000 of cash necessary to support the surety bonds in place. Copies of permit summaries are available for review as part of the diligence materials.

E. Business & Marketing Strategy (Back to Index)

Business strategy involves achieving business objectives by matching a firm's activities with the opportunities and risks that exist in the environment in which it operates. As part of their strategic planning process, FAVA has identified the unique skill sets and expertise that enables the firm to add worth on all stages of our value chain. We have also analyzed the sources of competitive advantage on which we plan to build our future success and business development strategies. These activities are described in the paragraphs that follow and include a timeline for the implementation of specific strategic activities. In addition, a brief overview of the company's marketing strategy is provided.

FAVA Value Chain

Harvard University's Michael Porter's value chain model has been adapted to show how FAVA's activities contribute to its tasks of producing, delivering and supporting operations and the products and services it markets. FAVA's value chain consists of two types of activity which create value for customers. Primary activities such as operations management, logistics, marketing/sales and service transform inputs into value-added outputs sought by buyers. Support activities include FAVA's infrastructure, human resource management, technological development and procurement systems that result in high levels of product quality and strong distribution/business networks.

Sources of Competitive Advantage

FAVA's value chain provides the foundation on which core competitive advantages are built in the areas of efficiency, quality, customer responsiveness and innovation. FAVA has developed and will continue to enhance a number of different sources of competitive advantage. It has already or plans to:

- ✓ Create a clean renewable source of energy that consumers perceive in a positive manner.
- ✓ Reduce operations risk by contracting with an established bio-mass management company
- ✓ Control input/feedstock supply and prices through long-term contracts with suppliers, vendors and independent contractors.
- ✓ Minimize the transportation costs associated with pick-up and delivery of feedstock, finished product and the liquid fuels that it produces.

- ✓ Secured feedstock contracts.
- ✓ Secure off-take contract(s) for 100% of production.
- ✓ Leverage federal, state and regional tax incentive, credit and grant programs that support renewable and alternative energy production.

To avoid most head on competition with the traditional competitors within the industry that tends to utilize "differentiation strategies, FAVA will focus on maintaining low costs and high profit margins. The production of a clean, green renewable fuel will enable the Company to differentiate itself from its competitors.

Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	A Cost leadership Strategy (usually associated with fossil fuel producers)	Differentiation Strategy (usually associated with Ethanol producers)
Narrow (Market Segment)	A focused Cost Leadership Strategy (FAVA)	A Focused Differentiation Strategy (renewable energy producers of electricity and oil)

FAVA is attempting to position itself in an area where there is a lot of competition. It will seek to establish its market position by:
✓ Lower transportation costs due to its close proximity to local/regional markets and central hubs of transportation
✓ Maintain input costs as feedstock is not tied to commodity price of oil
✓ Vary the mix of energy that it produces between electricity and oil
✓ Maintain a clean green philosophy by transforming scrap rubber into oil and electricity

OVERALL COMPANY STRATEGY
Fava will launch an ambitious but realistic business development strategy aimed at reinforcing the Companies' strong management teams and partnerships by introducing new and expanded business expertise to supplement that which already exists. Fava will secure access to:
➢ Proven proprietary bio-mass technology
➢ Feedstock supplies from industrial waste (tires)
➢ A qualified and proven engineering, Construction and operational partner with considerable bio-mass experience
➢ Markets
➢ Financing (Entrex Debt Securities)

(Back to Index)

F. Primary & Support Activities (Back to Index)

FAVA Value Chain Support Activities:

Infrastructure

❖ Organization structured to capitalize on synergistic strengths of partners

❖ Senior staff with industry and corporate experience supported by strong legal, marketing, sales, financial and business development

Human Resources Management

❖ Operation of bio-mass plant will be contracted with a qualified bio-mass operations company

❖ FAVA employee recruitment, retention, training and compensation will be developed

Technological Development

❖ Identify a suitable bio-mass technology that is the most advanced, effective and efficient in the industry

❖ State of the art quality control and operations managements systems ensure off-take quality and low emissions

❖ Mix of inputs can be changed according to feedstock supply

❖ R&D is conducted by a nationally recognized consulting firm specializing in Bio-mass

Procurement

❖ Contractual relationships being developed internationally; already in place with Japanese and Korean companies.

Primary Activities "Customer Satisfaction" Inbound and Outbound Logistics

❖ Inbound logistics will have an ease of operations as all of the feedstock are delivered directly to the plant or to a vendors location for either pick up by the company or delivery to the Company location by vendor or independent contractor

❖ Liquid fuels are picked up by the buyers at the plant location, electrical energy distribution and transmission under consideration.

Marketing

❖ Business to business marketing strategy

❖ PR outreach explains the technology does not pollute

❖ Sales contracted to a sales and marketing specialist Paul Thompson, SVP) who has connections and secured sales commitments

❖ Value added as low risk with sales already secured through existing account relationships.

❖ PR focuses primarily on explaining technology and environmental benefits

❖ Sales team understands buyers needs

❖ Value added as expectations of customers are exceeded

Superior Quality

❖ Fuels produced will meet or exceed industry Standards

❖ Renewable energy creates a positive perception of recycling waste to energy and benefits the environment by freeing up landfill space

Superior Efficiency

❖ Proximity to feedstock supply reduces time and transportation costs

❖ Most domestic markets are within a relatively confined area and competitive power rates reduce costs

❖ Technology is more energy efficient than other gasification technologies

❖ Technology requires less maintenance than other technologies

❖ Technology is economically designed to the size of market/supply/communities

❖ Superior production cost efficiency in comparison to corn ethanol and other food stock based biofuels technology

Competitive Advantage (Back to Index)

- ❖ Creating a clean, renewable energy from waste benefiting the environment
- ❖ Reducing operations risk by contracting with a qualified bio-mass operations company
- ❖ Minimizing transportation costs associated with pick-up and delivery of feedstock
- ❖ Minimizing transportation costs associated with delivery of products
- ❖ Securing for products off-take prior to production beginning
- ❖ Leveraging federal, state and regional tax incentive, credit and grant programs that support renewable and alternative energy production

Superior Innovation

- ❖ Utilizing a technology designed to create renewable energy products from waste such as waste scrap tires

The following paragraphs describe how FAVA will capitalize on its sources of competitive advantage by implementing strategies that aim to differentiate its product offerings from those of competitors.

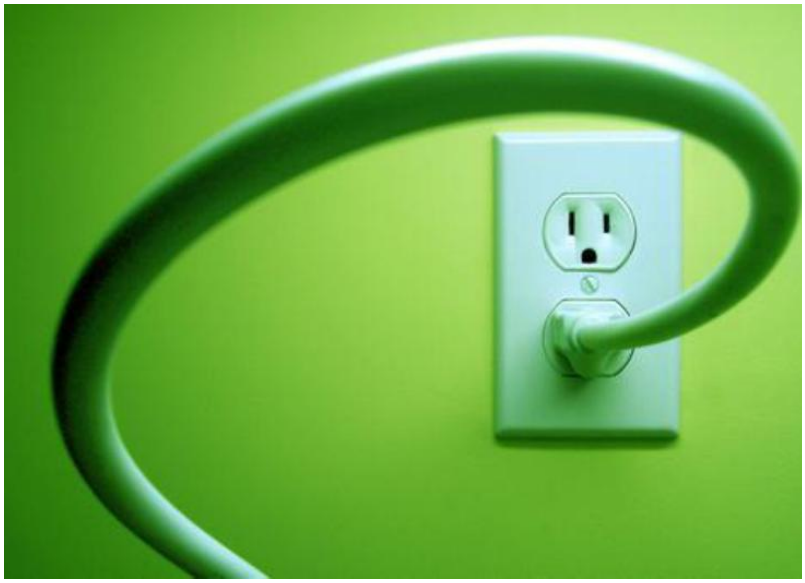
General Strategic Direction and Sources of Differentiation

It is generally accepted that a firm can follow one of four generic strategies. Based upon an analysis of FAVA value chain and competitive advantages, resources, and capabilities, FAVA plans to utilize a Focused Cost Leadership Strategy. The company will direct efforts towards producing high quality Syngas that can be transformed to renewable liquid fuels or electricity that are derived from non-food feedstock (scrap tires). The cost of production will be considerably lower than most other competitors. No-cost or inexpensive and secure, long-term sources of waste inputs will enable input costs to be low and stable. As illustrated, pursuing a focused cost leadership strategy positions FAVA in a market space that allows the Company to differentiate itself from the competition.

To avoid most head-on competition with traditional competitors that tends to utilize differentiation strategies or concentrate on cost leadership. FAVA will focus on maintaining low costs and high profit margins. The production and marketing of a clean, green renewable fuel will enable the company to differentiate itself from competitors.

Marketing Strategy

FAVA marketing philosophy involves focusing on understanding and satisfying customer's needs. Our business-to-business marketing program is utilizing relationship marketing to create an immediately identifiable company concept/image based on promotion of not just its products but the business in its entirety. This includes a focus on the company's mission statement and ability to transform waste into clean, environmentally friendly renewable products.



(Back to Index)

G. Operating Strategy (Back to Index)

The Krider Group have operated safe and efficient tire recycling facilities at all of the current operating facilities. The Companies currently receive approximately 99,000 tons of tires, amongst other products, such as steel and tire pieces per month at its various locations. Post-acquisition, FAVA will assume and continue the operations of the companies as the operating subsidiaries of FAVA, including the in-place equipment and the existing 67 employees. As a result of recently completed contracts with companies in Japan and Korea, FAVA intends to ramp up shipping to over 10,000 tons per month. In order to accomplish this, the Company will increase both its hours of operation as well as the number of employees. It is the goal of FAVA to not only grow the company vertically, but organically as well. The Company believes it can achieve a further incremental increase in production by operating a more efficient inventory control and transportation plan. Nevertheless, the financial projections are based on shipping of 2,900 tons per month in the first year of acquisition. The Company then plans to introduce new technologies; utilizing bio-mass or other technologies to produce green energy products from its stockpiles of scrap tires. Fava intends to streamline and modernize its supply chain and distribution systems to take advantage of the proximity of the Port of Portland. This will decrease transportation costs by allowing the company to maximize its abilities to deliver its products oversees directly from its main operating site in Portland, Oregon. While the Company recognizes that the Krider Group are outstanding operators, the Company believes that they are not taking full advantage of current state-of-the-art techniques, including the capabilities of its existing equipment and modes of transportation. Lead time to build a plant is six months; this normally allows sufficient time for site specific improvements, including permits, to be done.

The commodities are easily transported by truck, train, or overseas shipping container; strong markets exist throughout the United States. The worldwide demand for rubber products is growing at the rate of 3.5% annually.

The payment schedule for the 4 tons/hour capacity plant equipment is 30% with purchase order, 30% due 30 days after the purchase order date, 30% due 60 days after purchase order date, 5% to be paid when plant is tested for production capacity at manufacturer's facility. The remaining 5% is paid when plant is accepted at permanent location.

A suitable performance bond can be provided, to support the engineering and construction at the plant site with a turn-key installation.

The carbon footprint of tire recycling is relatively low when compared to that of most virgin materials for which it can substitute. These applications, e.g. asphalt displacement or use in molded or plastic products, appear to offer the largest opportunity for the recycled tire industry to provide a real reduction in greenhouse gas emissions. In some cases carbon footprint reductions of up to 95% are possible. There are about 53 million tons of plastic resins produced annually in North America, and globally, a total of 23 million tons of rubber annually. The opportunities for recycling are clear.

Transportation is a key element in establishing a scrap tire business. Developing transportation options is key to planning a business strategy. Some transportation options being considered include:

- Reducing fuel costs of transportation by converting its fleet of vehicles from the use of diesel fuel to a combination of hydrogen based technology,
- Back hauling: taking advantage of carriers (trucks) that may be traveling empty after having dropped off the initial payload.

Processing Issues

Equipment

The type of tire processing "system" or equipment that will be needed will be a function of the scrap tire product Fava will be marketing in the future. Issues being addressed as part of the planning process and transition strategy are:

- Will we purchase the necessary processing equipment in phases or purchase the entire processing system all at once.
- How often will the equipment require servicing?
- Will the proposed business utilize used or new equipment? If used equipment, will it meet our needs?
- What will be the replacement costs or repair costs associated with the used equipment? A determination will need to be made on the reliability of the processing system.

Quality Control

In order to ensure the reliability and delivery of a quality product to the end user market, the processed material will require careful monitoring to maintain quality control. For example, if the client requests "two-inch wire-free tire shreds" and receives mixed size tire shreds that are not completely wire-free, this becomes a quality control issue and could jeopardize the business arrangement for delivery of a specific product.

Supply

It is critical for us to estimate the available supply of feedstock (scrap tires). How many tires are generated within a 150 mile radius of the proposed facility? We are considering a maximum capture rate of 80 percent for planning purposes.

Processing Cost Factors

Simultaneously with our acquisition, a review of all revenues and costs is being undertaken. Those specific issues garnering attention are:

- What will be the tipping fee (fee to "receive" tires)?
- How much tire waste will be produced as part of processing?
- What will be the disposal costs for those tires not processed?
- Is there sufficient local environmental agency enforcement of illegal dumping activities?
- Maintenance costs are generally high, what can be done to lower the costs?
- Price: Does it cover your costs? Is it profitable?
- How much will be factored into pricing for replacement parts?

(Back to Index)

Why a 150-mile radius limit?

A rule of thumb for the maximum distance for a tire collection route is 150 miles. Why a 150-mile radius limit? One of the largest single costs in the scrap tire industry is the cost of transporting tires. An industry rule of thumb for trucking costs is $1 per mile. This cost will be incurred whether there are 100 or 1000 tires loaded on a truck. Also keep in mind that this cost is applied to the entire trip. If one were to travel 150 miles and collect 1200 tires at $0.75 per tire the revenue stream would be:

150 miles x 2 (1 roundtrip) = 300 x $1 per mile
1200 tires x $0.75 per tire collection fee = $900

If those tires are processed upon return to the facility and an industry average cost of $0.50 per tire for handling/processing is applied, this would result in a "break-even" situation for the 1200 tires collected/processed (1200 tires x $.50 per tire processing cost = $600 processing cost [-]). If the travel distance increases to 200 miles, then the cash flow would be negative for that load of tires. In this scenario, the revenue becomes positive when the scrap tire-derived product is sold into the marketplace.

In order to be profitable in this aspect of the scrap tire business, either of the cost factors (transportation or processing) must be lowered or the revenue (tip fee) must be increased. Consequently, the 150-mile radius becomes the break-even point for planning purposes.

= $ 300 transportation costs (-)
= $ 900 collection revenue (+)

(Back to Index)

Permitting Issues

A scrap tire business will come under the purview of environmental regulation and, depending on the market area, could include a series of regulations from local, state and/or federal agencies.

How many permits will be required? In some cases a formal permit will be required in other cases only a registration may be necessary. Depending on the market, permits and/or registrations may be required for the following:

I. Solid waste (recycling)
II. Tire transporter
III. Scrap tire storage
IV. Scrap water discharge
V. Air quality
VI. Public health
VII. Fire department

The permit application must include a clear description of how the scrap tires will be collected and recycled by our company. In general, a permit will not be issued unless the applicant can provide sufficient documentation that demonstrates that at least 75 percent of the tires collected or received can be processed through the proposed scrap tire operation. A permit for a processing facility may require a plan certified by an engineer. There are other permit-related issues under consider such as the length of time to get permits as well as the possibility of obtaining several permits simultaneously (multi-tracking).

Bonding/Financial Assurance Requirements

Many states require registered scrap tire facilities to post financial assurance if the facility plans to transport process and/or store scrap tires. The California Integrated Waste Management Board for example requires a $10,000 surety bond as part of the state registration to engage in transportation of waste tires. This certified closure cost estimate includes transportation and disposal costs of scrap tires based on the maximum site capacity of the registered facility's site layout plan. In addition, the estimate includes a minimum of $3,000 for site cleanup costs. The reason for the financial assurance is to provide the state regulatory agencies the financial resources for tire disposal and related clean up of tires at a scrap tire facility in the event the scrap tire company goes out of business.

Tire Handling/Collection Costs

On average, it costs $0.50 every time a tire is handled. The $0.50 is an industry standard and may vary, but can be used as a guideline. The factors that make up this cost include, but are not limited to: labor, energy (fuel for the equipment) and time. The following table shows estimates for cost factors related to "collection" costs that include handling (labor), transportation, disposal, processing and profit.

(Back to Index)

Tipping / Disposal Revenue

DESCRIPTION	REVENUE PER TIRE	REVENUE PER TON
Wholesale Tire Tipping / Disposal	$0.10 - $0.30	$10.00 - $30.00
Labor to Load/Unload	$ 0.15	$15.00
Transportation Cost	$ 0.25 – 0.35	$25.00 - $35.00
Total Collection Fee	$ 0.85 - $2.25	$85.00 - $225.00
Profit	$ 0.25 - $0.55	$35.00 - $145.00

Potential Tire Processing / Shredding Costs

Size	Description	Process	Application	Process Rate per Ton/Hour
6 inch	Clean Cut. Ply & Bead. Steel Remains	Cement Kilns	Engineering	$10.00 10 – 12 Hours
2 inch Minus	Minimal Beads Re-moved by Wire Cut	Magnets	Industrial, Utility Pulp, Paper Mill Boil-ers	$257.00
1 inch Nominal	Same as 2” Minus With Extra Shred	Pass	Power Utility Boilers (Cyclone Type)	$10.00 - $30.00 4 – 5 Hours
½ inch Minus Truly Wire Free	Requires Additional Shredding	Shredding Equipment	Feed stock for Crumb Rubber Surface Applications	$25.00 - $55.00 2 - 3 Hours

Conclusion:

FAVA is a uniquely positioned company at the right place at the right time. With its vertically integrated structure and advanced technology FAVA stands ready to provide the market with a turnkey solution for turning waste into highly desirable rubber products. With a dynamic management team, FAVA believes it can grow revenues and profits at a tremendous pace handsomely rewarding shareholders not only in the long term but also in the short term. Revenues are forecast to rise from $9.2 million in 2011 to $9.5 million by the end 2012, while gross profits are forecast to rise from $2,280,021 million to $3,296,744 million in the same time frame. This amounts to a growth rate of 6.9%. With a nationally recognized clientele, an abundant availability of discarded tires, and a national conscience by both the public and government officials at all levels to the environmental challenges we face, FAVA stands at the ready to participate in the development and growth of the “Green” industry of the future.

H. Transition Service Agreement (Back to Index)

The Krider Group have benefited from the knowledge and operational expertise of Don Krider and Mark Hope. Their outstanding track record has been recognized by the granting of two year employment contracts for each of them to remain with the company through the transition period. Copies of those Employment Agreements are available for inspection with other diligence materials.

I. Insurance Policies (Back to Index)

The Krider Group currently have in place the following insurance coverage which FAVA will continue but also evaluate as to whether the cover should be modified or additional policies be added if necessary.

Insurance Type	Policy Numbers	$ Amount of Coverage
Comprehensive General Liability - All Companies	ACP7504789423	$1,000,000
Comprehensive General Liability - All Companies - Aggregate		$2,000,000
Automobile Policy - All Companies	ACP7504789423	
Bodily Injury		$1,000,000 each incident
Property Damage		$1,000,000 each incident
Catastrophe Liability Policy - All Companies	ACP7504789423	$2,000,000 each occur-rence
Property Policy - All Companies	ACP7504789423	$1,000,000 each incident
Inland Marine/Motor Truck Cargo Policy - All Companies	ACP7504789423	$1,000,000
Waste Recovery West, Inc.		
Flood Insurance		
Worker Compensation	AQW004405	$500,000
Tire Disposal & Recycling, Inc.		
Washington Workers Com. By WA L&I Policy	962-369-00	$500,000
Oregon Workers Com. By SAIF Corp. Policy	523256	$500,000
Idaho Workers Comp By Idaho State Ins. Fund Policy	572896	$500,000
Krider Construction, Inc.		
Worker Compensation	954570	
Worker Comp - A	954570	Statutory
Worker Comp – B Each Accident	954570	$500,000
Worker Comp – B Disease Policy Limit	954570	$500,000
Worker Comp – B Each Employee	954570	$500,000

Total annual premiums are estimated to cost $288,000. There can be no guarantee that the Company will be able to procure all of the above policies on commercially reasonable terms.

J. Proposed Financing (Back to Index)

FAVA has engaged a placement agent to raise $ 21.6 million of Senior Secured Top-Line Income Generation Rights Certificates (the "Notes"), known as TIGRcub® securities, to be issued by FAVA. The TIGRcub® is a certificated debt security that provides the investor with potential for returns greater than, but not less than, the agreed upon minimum interest rate through percentage participation in the issuer's monthly gross revenues. The TIGRcub® security provides the investor with a monthly cash payment equal to the greater of: (i) principal and interest based on an amortization schedule and fixed interest rate, as the minimum payment, or (ii) an amount equal to the revenue participation percentage multiplied by the gross revenues for the respective monthly period. The Company is offering the TIGRcub® securities with a revenue participation percentage of 7% of FAVA's GAAP defined gross revenues. Based on this revenue participation percentage, the investor in the TIGRcub® securities would realize a 12% internal rate of return if held through maturity based on FAVA's base case revenue projection. The Notes will have a term of 5 years and will be secured by a first lien on all of the assets of Fava Enterprises, LLC and the acquired Krider Group as well as a pledge by FAVA of all of the stock of the Krider Group. The proceeds will be used to purchase the Krider Group, for working capital, and for transaction related fees and expenses. FAVA will guarantee the minimum monthly payments, as well as payment in full at final maturity of the TIGRcub® Certificates.

K. Investment Merits (Back to Index)

1. Three Operational Processing Sites

The Krider Group have been operating since 1982. These companies provide tire recycling and processing by receiving worn out, damaged, or defective tires for recycling. They receive these tires from various other subcontractors, Brokers, Tire Dealers, Tire Manufacturers and Retail Outlets such as Les Schwab, Sears, Walmart, Goodyear and Firestone, to name a few and the Government municipalities such as the local Cities, Counties and the Military, Air Force, Army, and National Guard. The current business has two distinct customer types, one being the scrap tire generator, the other being the end user. Within each of these two groups there are sub groups. The scrap tire generator group has retailers, new tire manufacturers, independent scrap tire haulers, local government collection centers / activities, and cleanups. All companies service all sub groups within the generator group to provide a diverse source of scrap tires. The end user group has both private and public sector participants. Within the private sector, there are crumb rubber producers, waste management companies, energy users, used tire retailers, punch product manufactures, and civil engineer contractors. The public sector participants include highway departments, county and city departments of transportation, and the Oregon and California Integrated Waste Management Boards.

Market diversity has always been key to the ultimate survival of each company. By depending on one customer or customer type has historically made a business vulnerable to market fluctuations. Diversity allows a company an advantage in that participation in several markets allows one to move material to another alternative end use when one is in low demand or drops out of the market altogether. Our focus on Tire Derived Aggregate (TDA) provides an additional market for our product.

All companies provide both a service and a product by taking that material collected and then processing it into a marketable product. These two activities define what we do into two areas: 1) Scrap Tire Collection Service, and 2) Manufacture and/or High Grade of Tire Derived Products (TDP) to include Tire Derived Aggregate (TDA), tire derived chips for feedstock, used tires, and tires for resource recovery.

The current processes includes producing products of tire shreds in 8 inch to 12 inch shreds at all 3 facilities on a first pass basis with the ability to reduce the size to 4 inch to 6 inch on a second pass through. Through a new installation of recently installed equipment, tire shreds are now capable down to 2 inches which are available at the WRW facility in Stockton, CA. Fava plans to implement new equipment at the Portland and the Prineville processing facilities to increase revenue and create product that can be readily turned into crumb rubber. Fava plans to install new equipment to remove both the fiber and steel belts in the near future at all 3 facilities over time to a clean reusable rubber compound that will be resalable in many markets of which the rubber compound can be converted into reusable recycled products such as rubber cones, mats, pavers, bark mulch, horse mats, and many other green products that the market demands. The steel that is reclaimed from the tires will equate to approximately $25,000 to $250,000 in annual revenue.

All 3 companies have over 3000 Government and Retail Customers through the 5 states they support and nationally through subcontractors. As stated previously, some of the Tire Manufacturers and Retail Resellers include Les Schwab, Walmart, Sears, Goodyear, Firestone, Costco and Discount tire Company to name a few. The Prineville, Oregon site is both a processing facility producing tire sheds from 5 inches to 12 inches in size. These tire shreds are then placed into Monofill sites for burial. These sites are monitored for both heat and toxicity. The Prineville, Oregon site is the only approved Landfill Monofill Site in the state of Oregon. The Prineville, Oregon site is 3 miles from the Les Schwab Tire Distribution and Warehouse site.

The company has a fleet of both Tractor Trailer Trucks and smaller scale industrial use trucks for local collection and delivery to processing facilities. They also use other subcontractors and independent vendors who provide for the collection and transportation of these tires in five states, California, Idaho, New Mexico, Oregon and Washington. The cost of transporting tires has increased due to the increase of fuel prices which has reduced revenues and increased fuel expenses. Fava intends to test and implement technology to reduce fuel costs and increase revenue. The approximate expenditure is $400,000 to implement the fuel saving technology fleet wide. It is estimated that the fuel cost savings will be approximately 35% from an annual expense of $895,000 providing a reduction in fuel costs of $313,250 on an annual basis. This will result in an estimated increase in revenue to $226,500 the second year.

(Back to Index)

2. Recent Market Decline in Oregon & California (Back to Index)

Due to the economic down turn since 2008, sales of new tires has dropped approximately 7.3% nationwide which has resulted in a decrease in tire disposal. As a result the number of tires being recycled has dropped approximately 4% annually overall from 2008 to 2011. Just this year we have seen the first indications of the market turning around with a report from Michelin Tire Company showing sales increase up 8.4% from last year at this time and Les Schwab sales up 6.5% from last year which directly impacts the Krider Group.

The Krider Group have relationships with many of its competitors in which they supply product and subcontract some of their business through the competitor channels. By doing this they extend their market share but also keep open communications with the competition allowing for growth and expansion. Some of this growth and expansion would be due to the competition's inability to meet the demands of new State Government, Local Municipalities or Retail needs for disposal services. For instance, Les Schwab opening new stores in many new locations in California this year will provide an ongoing increase in revenue for WRW as each store is completed.

In the recent years several *illegal*, (i.e., no permits, licensing, or landfill or processing facilities), Chinese Operating companies had penetrated the markets in Southern Oregon and the State of California creating a decline in recycled tires to TDR and WRW operations which impacted the revenue of these companies as well as their normal competitors. The decline in revenue was due to the Chinese Companies offering a substandard rate which was more competitive which resulted in the loss of some existing customers. The illegal operations were operating in residential or industrial areas without proper storage facilities or disposal capability of the tires collected. Many of their normal customers chose the Chinese Companies in order to save on their disposal costs and expense in shipping to TDR, WRW and the other competitors. With the concerted effort on all Tire Recycling Companies in Oregon and California, the Tire Recycling Companies were able to implement new State Regulations requiring specific Certifications, Permits, Licensing and Proper Permitting for Onsite drop and storage in order to operate as a Tire Recycling and Processing company able to receive tires and scrap metal. Both the States of Oregon and California implemented the new regulations and are still in the process of refining and passing new regulations to prevent this type of illegal operations to come into existence in the future. Due to the new regulations and the States of Oregon and California stepping in and placing stiff fines and levies on the Chinese Companies they were able to shut down all operations that were not permitted or licensed or had a permitted site for proper storage and disposal.

State Regulatory and Local Authorities have since shut down the Chinese Companies. Since this has occurred the previous customers have been requiring the services of TDR, WRW and the other Licensed, Permitted and Operational Tire Recycling companies. The resumption of the flow of tires has been increasing steadily over the past 4 months as old customers are coming back requiring the services. TDR and WRW have also implemented new measures and requirements in their contracts to prevent such loss of business in the future. The measures and requirements have been implemented in all the Krider Group.

3. Exponential Growth through New Channels (Back to Index)

Recently WRW has been successful in opening a new distribution channel with a company in Japan who intends to start with 2 inch product at 1,200 tons per month scaling up over time to 5,000 tons per month. The Japanese company is the main distributor to over 80 companies in Japan. Since Japan's tragic issues with the Fukishima Power Plant failure, Japan's Government has shut down all Nuclear Powered Facilities in order to prevent further potential Nuclear catastrophes. Japan's Government has required newer, cleaner green renewable sources of power and has specified the types of green energy that will be allowed for use in power generation. Tire Derived Aggregate from Recycled Tires are a priority source of fuel on their list of approved clean green fuel sources. Due to this new requirement, there are several Japanese Companies requiring recycled tires. This new engagement will increase revenues at approximately $500,000 per year on an annual basis at the rate of 1,200 tons per month which will increase revenues to $2,250,000 per year once a 5,000 tons per month is achieved. This contract required an investment of $250,000 in new equipment which will start production on or around the end of November of 2012. In addition the current transportation method being utilized are containers shipped from Oakland, CA to Japan. It is the intention of the Japanese Company to change the container shipping to a Tramper Ship (Cargo Hold with vacuum suction) in order to reduce costs by $5 per ton. By doing this it will also save WRW shipping costs by truck approximately $8/ton from Stockton, CA to Oakland, CA increasing the overall revenue for this contract approximately $3 per ton equating to an increase of $3,600 per month and $42,000 per year.

TDR has also been effective in establishing a new distribution channel with a company in Korea which is currently operating on a month to month basis. It is the intention of TDR to obtain a commitment for a 6 month contract to allow for renewal every 6 months on a continuous basis for 1 year then renegotiate to an annual contract. Due to the new contract with Japan and pre-existing customers coming back the demand for recycled tire shreds has increased significantly in the last few months. TDR is now in a position along with it's competitors is able to negotiate terms more favorable to TDR.

WRW currently also supplies a Cement Kiln in Redding, CA,(the previous location of the Stockton, CA operations) providing product on a cost/disposal basis with an expense of approximately $4/ton as part of the disposal costs. The Cement Kiln has been impacted by the economy and has been operating on a part time basis. Normal operations before the economic impact was running from March to September non-stop and then for the month of November. This was a cost/disposal fee basis only recognizing a small revenue stream when they required more than the agreed upon tonnage for disposal. Due to the increase in demand for recycled tires and tire shreds, WRW is in the process of renegotiating the current contract for a delivery of $60/ton over a rate of 2,100 tons per hour. It is anticipated to become effective Jan 1, of 2013. This would be an additional increase of $765,000 annually. WRW also has a contract with another Cement Kiln out of Canada and has been supplying that company on a full time basis with a revenue of $4/ton after shipping costs. WRW is also in the process of renegotiating the current contract there as well and is anticipating a minimum of $12/ton after shipping costs.

TDR just negotiated a contract with the ***State of Washington, Department of Ecology*** to handle the Amnesty events in the State of Washington. The Waste Tire Amnesty Program, established in 1989, is part

of the Department of Ecology's, (DOE) ongoing effort to alleviate Washington State's landscape of waste tires.

During a waste tire amnesty event, individuals can drop off their unwanted tires at a specific location within their county at no cost. The DOE contracts for the removal and delivery of the recovered tires to "beneficial end use" markets where they are recycled to become products such as tire-derived fuel or crumb rubber. Multiple-county programs are included under each contract to achieve an economy of scale necessary to attract large, well-capitalized contractors.

These Amnesty events are scheduled 2 times per year which will result in approximately $250,000 to $300,000 annually. The contract is for 2013 with 2 subsequent years renewable. Estimated costs for the transportation are approximately $38,000. This will net an approximate revenue annually of $212,000 to $262,000.

In 2005, the Washington State Legislature passed SHB 2085, creating a Waste Tire Removal Account with funds for cleanup of unauthorized and unlicensed tire piles. Funds for this account come from a $1 fee for each new replacement tire sold in Washington. The 2009 Legislature passed Senate Bill 5976 that transfers most of the collected tire fee revenue to Department of Transportation every other year (starting in 2011) (RCW 70.95.532). Ecology currently receives an annual tires budget of $500,000. This funding reflects an 80% reduction from previous years.

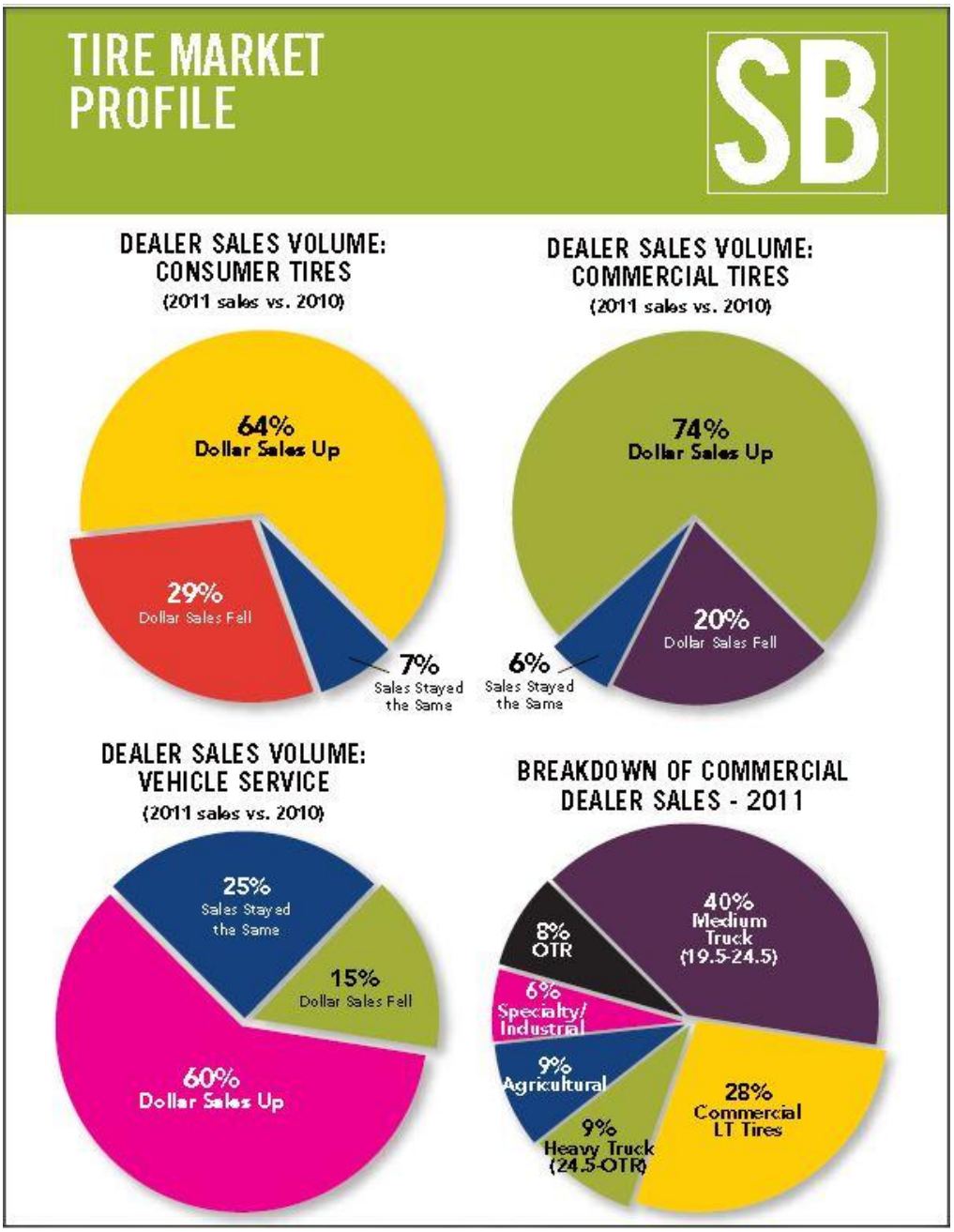
Ecology is changing the focus of the Tire Program in light of the funding reduction. At the start of the program, we focused on removal of unauthorized tire piles. All of the tire piles identified in the 2005 Study of Unauthorized Tire Piles have been cleaned up along with many others.

Tire Program efforts in the coming years will shift to prevention and enforcement efforts. Ecology will work to:

- Approve use of tire funds for cleanup of any new unauthorized tire piles.
- Compare funds available to funds needed for both cleanup and prevention.
- Recommend ongoing program efforts to prevent formation of future unauthorized tire piles.
- Identify the program needs for future focus and possible request for additional funding from the legislature.
- Investigate product stewardship possibilities.

(Back to Index)

2012 Tire Market Profile



(Back to Index)

3. Management's Pro Forma Projections (Back to Index)

MARKET VALUE TABLE

FAVA Group

Post Closing Balance Sheet ($)

ASSETS	
Current Assets	
Cash	$6,726,000
Other Current Assets	$1,229,992
Total Current Assets	$7,955,992
Gross Fixed Assets	
Good Will	$5,448,000
Real Estate	$9,141,140
Real Property	$8,963,558
Net Fixed Assets	$23,552,698
TOTAL ASSETS	$31,508,690
LIABILITIES	
Short Term Liabilities	
Accounts Payable (30 days)	$427,109
Salaries Payable (15 days)	$172,871
Taxes Payable (90 days)	$322,160
Total Short Term Liabilities	$922,140
Long Term Liabilities	
Long Term Debt	$21,600,000
Total Long Term Liabilities	$21,600,000
TOTAL LIABILITIES	$22,522,140
Total Equity	$8,986,550
LIABILITIES & EQUITY	$31,508,690

FAVA Group Balance Sheet (Back to Index)

FAVA Group

Balance Sheet ($)

	2013	2014	2015	2016	2017	2018	2019
ASSETS							
Current Assets							
Cash	$6,578,484	$13,455,132	$21,571,298	$31,089,627	$42,197,330	$55,109,867	$68,644,807
Net Accounts Rec	$0	$0	$0	$0	$0	$0	$0
Inventory (0 days)	$0	$0	$0	$0	$0	$0	$0
Total Current Assets	$6,578,484	$13,455,132	$21,571,298	$31,089,627	$42,197,330	$55,109,867	$68,644,807
Gross Fixed Assets	$0	$0	$0	$0	$0	$0	$0
Less Accum Depreciation	$0	$0	$0	$0	$0	$0	$0
Net Fixed Assets	$0	$0	$0	$0	$0	$0	$0
TOTAL ASSETS	$6,578,484	$13,455,132	$21,571,298	$31,089,627	$42,197,330	$55,109,867	$68,644,807
LIABILITIES							
Short Term Liabilities							
Accounts Payable (30 days)	$0	$0	$0	$0	$0	$0	$0
Salaries Payable (15 days)	$172,871	$176,328	$179,855	$183,452	$187,121	$190,863	$194,681
Taxes Payable (90 days)	$759,988	$905,631	$1,069,964	$1,255,811	$1,466,422	$1,705,534	$1,807,739
Line of Credit (0% of net A/R)	$0	$0	$0	$0	$0	$0	$0
Current Portion of Capital Equipmen	$0	$0	$0	$0	$0	$0	$0
Current Portion of Long Term Debt	$0	$0	$0	$0	$0	$0	$0
Total Short Term Liabilities	$932,859	$1,081,960	$1,249,819	$1,439,263	$1,653,543	$1,896,398	$2,002,419
Long Term Liabilities							
Capital Equipment Lease (5 years)	$0	$0	$0	$0	$0	$0	$0
Long Term Debt (7 years)	$0	$0	$0	$0	$0	$0	$0
Total Long Term Liabilities	$0	$0	$0	$0	$0	$0	$0
TOTAL LIABILITIES	$932,859	$1,081,960	$1,249,819	$1,439,263	$1,653,543	$1,896,398	$2,002,419
Equity							
Retained Earnings	$5,645,625	$12,373,173	$20,321,479	$29,650,364	$40,543,787	$53,213,470	$66,642,387
Total Equity	$5,645,625	$12,373,173	$20,321,479	$29,650,364	$40,543,787	$53,213,470	$66,642,387
LIABILITIES & EQUITY	$6,578,484	$13,455,132	$21,571,298	$31,089,627	$42,197,330	$55,109,867	$68,644,807

FAVA Group Income Statement (Back to Index)

FAVA Group

Income Statement ($)

	2013	2014	2015	2016	2017	2018	2019
Revenue							
Krider	$2,114,700	$2,431,905	$2,796,691	$3,216,194	$3,698,624	$4,253,417	$4,891,430
TDR	$5,418,144	$6,230,866	$7,165,495	$8,240,320	$9,476,368	$10,897,823	$12,532,496
WRW	$3,578,304	$4,115,050	$4,732,307	$5,442,153	$6,258,476	$7,197,247	$8,276,835
Bulk Tire Shreds	$4,500,000	$4,875,000	$5,250,000	$5,625,000	$6,000,000	$6,375,000	$4,500,000
Total Revenue	$15,611,148	$17,652,820	$19,944,493	$22,523,667	$25,433,467	$28,723,487	$30,200,760
Cost of Goods Sold	$0	$0	$0	$0	$0	$0	$0
Gross Margin	$15,611,148	$17,652,820	$19,944,493	$22,523,667	$25,433,467	$28,723,487	$30,200,760
% of Revenue	100%	100%	100%	100%	100%	100%	100%
Operating Expenses							
Operations	$4,260,633	$4,345,845	$4,432,762	$4,521,418	$4,611,846	$4,704,083	$4,798,164
% of Revenue	27%	25%	22%	20%	18%	16%	16%
Other	$2,154,338	$2,436,089	$2,752,340	$3,108,266	$3,509,818	$3,963,841	$4,167,705
% of Revenue	14%	14%	14%	14%	14%	14%	14%
Administration	$510,600	$520,812	$531,228	$541,853	$552,690	$563,744	$575,019
% of Revenue	3%	3%	3%	2%	2%	2%	2%
Total Operating Expenses	$6,925,571	$7,302,747	$7,716,331	$8,171,536	$8,674,354	$9,231,668	$9,540,888
% of Revenue	44%	41%	39%	36%	34%	32%	32%
Income Before Int & Taxes	$8,685,577	$10,350,074	$12,228,163	$14,352,131	$16,759,113	$19,491,820	$20,659,873
% of Revenue	56%	59%	61%	64%	66%	68%	68%
Interest Expense	$0	$0	$0	$0	$0	$0	$0
Interest Revenue	$0	$0	$0	$0	$0	$0	$0
Income Before Taxes	$8,685,577	$10,350,074	$12,228,163	$14,352,131	$16,759,113	$19,491,820	$20,659,873
Tax Exp	$3,039,952	$3,622,526	$4,279,857	$5,023,246	$5,865,690	$6,822,137	$7,230,955
Net Income	$5,645,625	$6,727,548	$7,948,306	$9,328,885	$10,893,424	$12,669,683	$13,428,917
% of Revenue	36%	38%	40%	41%	43%	44%	44%

Debt Service assumes a 7% TIGRcub® revenue participation percentage on a 5 YR Term.

FAVA Group Debt Schedule (Back to Index)

FAVA Group

FAVA Proposed Debt Schedule ($)

	2013	2014	2015	2016	2017	2018	2019
Revenue							
Krider	$2,114,700	$2,431,905	$2,796,691	$3,216,194	$3,698,624	$4,253,417	$4,891,430
TDR	$5,418,144	$6,230,866	$7,165,495	$8,240,320	$9,476,368	$10,897,823	$12,532,496
WRW	$3,578,304	$4,115,050	$4,732,307	$5,442,153	$6,258,476	$7,197,247	$8,276,835
Bulk Tire Shreds	$4,500,000	$4,875,000	$5,250,000	$5,625,000	$6,000,000	$6,375,000	$4,500,000
Total Revenue	$15,611,148	$17,652,820	$19,944,493	$22,523,667	$25,433,467	$28,723,487	$30,200,760
Cost of Goods Sold	$0	$0	$0	$0	$0	$0	$0
Gross Margin	$15,611,148	$17,652,820	$19,944,493	$22,523,667	$25,433,467	$28,723,487	$30,200,760
% of Revenue	100%	100%	100%	100%	100%	100%	100%
Operating Expenses							
Operations	$4,260,633	$4,345,845	$4,432,762	$4,521,418	$4,611,846	$4,704,083	$4,798,164
% of Revenue	27%	25%	22%	20%	18%	16%	16%
Other	$2,154,338	$2,436,089	$2,752,340	$3,108,266	$3,509,818	$3,963,841	$4,167,705
% of Revenue	14%	14%	14%	14%	14%	14%	14%
Administration	$510,600	$520,812	$531,228	$541,853	$552,690	$563,744	$575,019
% of Revenue	3%	3%	3%	2%	2%	2%	2%
Total Operating Expenses	$6,925,571	$7,302,747	$7,716,331	$8,171,536	$8,674,354	$9,231,668	$9,540,888
% of Revenue	44%	41%	39%	36%	34%	32%	32%
Income Before Int & Taxes	$8,685,577	$10,350,074	$12,228,163	$14,352,131	$16,759,113	$19,491,820	$20,659,873
% of Revenue	56%	59%	61%	64%	66%	68%	68%
Interest Expense	$0	$0	$0	$0	$0	$0	$0
Interest Revenue	$0	$0	$0	$0	$0	$0	$0
Income Before Taxes	$8,685,577	$10,350,074	$12,228,163	$14,352,131	$16,759,113	$19,491,820	$20,659,873
Tax Exp	$3,039,952	$3,622,526	$4,279,857	$5,023,246	$5,865,690	$6,822,137	$7,230,955
Net Income	$5,645,625	$6,727,548	$7,948,306	$9,328,885	$10,893,424	$12,669,683	$13,428,917
% of Revenue	36%	38%	40%	41%	43%	44%	44%

L. Historic Financial Summary (Back to Index)

On a consolidated basis, the financial performance for the year ended December 31, 2011 ("2011") improved as compared to the years ended December 31, 2010 ("2010") and December 31, 2009 ("2009"). A portion of our disposal revenue is derived from government Event Business cleanup projects, which are primarily driven by federal, state and (to a lesser extent) local government appropriations. Government Event Business projects include federal and state Superfund projects which, like other recycling work, depend on project-specific funding.

Krider Group Historical Adjusted Income Statement – EBITDA (Back to Index)

Krider Group Historical

Adjusted Income Statement - EBITDA ($)

	Actual 2009	Actual 2010	Actual 2011	Actual/Est. 2012
Revenue				
Krider	$1,527,937	$1,708,849	$1,866,939	$1,932,438
TDR	$6,481,024	$5,541,486	$4,656,912	$4,773,652
WRW	$3,113,843	$2,816,831	$2,772,711	$2,763,804
Total Revenue	$11,122,804	$10,067,166	$9,296,562	$9,469,894
Cost of Goods Sold	$0	$0	$0	$0
Gross Margin	$11,122,804	$10,067,166	$9,296,562	$9,469,894
% of Revenue	100%	100%	100%	100%
Operating Expenses				
Operations	$6,768,045	$6,562,376	$5,758,399	$5,364,410
% of Revenue	61%	65%	62%	57%
Other	$2,616,544	$2,537,032	$2,226,213	$2,073,896
% of Revenue	24%	25%	24%	22%
Administration	$1,085,777	$1,052,782	$923,803	$860,596
% of Revenue	10%	10%	10%	9%
Total Operating Expenses	$10,470,366	$10,152,190	$8,908,414	$8,298,902
% of Revenue	94%	101%	96%	88%
Total Net Income	$652,438	($85,024)	$388,148	$1,170,992
% of Revenue	6%	-1%	4%	12%
EBITDA Eliminations	$546,170	$831,477	$970,056	$271,379
EBITDA Adjusted Net Income	$1,198,608	$746,453	$1,358,204	$1,442,371
FAVA Management Adjustments	$636,276	$800,151	$916,502	$974,611
Adjusted Net Income	$1,834,884	$1,546,604	$2,274,706	$2,416,982
% of Revenue	16%	15%	24%	26%

Krider Group Historical Income Statement (Back to Index)

KRIDER GROUP HISTORICAL

Income Statement ($)

	FY $2,009 FS Basis Combined	%	FY $2,010 FS Basis Combined	%	FY $2,011 FS Basis Combined	%	FY 2009-2011 FS Basis Cumulative	%	FY 2012 Est. Note 1 Combined	%
Income Sources										
Gain or Loss on Sales	-$149,325	-1.34%	-$168,856	-1.68%	$4,000	0.04%	-314,181	-1.03%	-$97,593	-1.03%
Employee Reimbursements	$1,920	0.02%	$288	0.00%	$0	0.00%	2,208	0.01%	$686	0.01%
Les Schwab	$989,041	8.89%	$1,091,196	10.84%	$1,076,464	11.58%	3,156,701	10.35%	$980,552	10.35%
Salvage	$2,077,651	18.68%	$2,006,534	19.93%	$1,833,318	19.72%	5,917,503	19.41%	$1,838,127	19.41%
Tire Pieces	$79,590	0.72%	$81,526	0.81%	$97,558	1.05%	258,674	0.85%	$80,351	0.85%
Disposal Fees	$7,309,587	65.72%	$6,455,242	64.12%	$5,719,545	61.52%	19,484,374	63.91%	$6,052,342	63.91%
Transportation Fees	$98,069	0.88%	$56,922	0.57%	$73,099	0.79%	228,090	0.75%	$70,851	0.75%
Truck Lease	$19,238	0.17%	$27,238	0.27%	$46,238	0.50%	92,714	0.30%	$28,799	0.30%
Rental Income	$266,920	2.40%	$207,158	2.06%	$327,680	3.52%	801,758	2.63%	$249,046	2.63%
Labor Transfer	$189,879	1.71%	$99,957	0.99%	$0	0.00%	289,836	0.95%	$90,030	0.95%
Other Income	$0	0.00%	$92,694	0.92%	$3,933	0.04%	96,627	0.32%	$30,015	0.32%
Fuel Surchage	$21,532	0.19%	$18,826	0.19%	$35,408	0.38%	75,766	0.25%	$23,535	0.25%
Interest Income	$1,120	0.01%	$344	0.00%	$0	0.00%	1,464	0.00%	$455	0.00%
Finance Charge	$8,308	0.07%	$7,519	0.07%	$1,006	0.01%	16,833	0.06%	$5,229	0.06%
Misc.	$209,274	1.88%	$90,580	0.90%	$78,316	0.84%	378,170	1.24%	$117,469	1.24%
Total Income	$11,122,804	100.00%	$10,067,168	100.00%	$9,296,565	100.00%	30,486,537	100.00%	$9,469,894	100.00%
Expense Recap										
Operating Expenses - Administrative	$4,309,646	41.16%	$4,304,841	42.40%	$3,636,257	40.82%	12,250,744	41.48%	$3,442,750	41.48%
Operating Expenses - Transportation	$993,625	9.49%	$1,107,836	10.91%	$1,185,352	13.31%	3,286,813	11.13%	$923,672	11.13%
Labor Expenses - Direct and Related	$5,182,019	49.49%	$4,739,830	46.69%	$4,051,511	45.48%	13,973,360	47.32%	$3,926,845	47.32%
Misc. Expenses	-$14,925	-0.14%	-$318	0.00%	$35,293	0.40%	20,050	0.07%	$5,635	0.07%
Total Expenses	$10,470,365	100.00%	$10,152,189	100.00%	$8,908,413	100.00%	29,530,967	100.00%	$8,298,902	100.00%
Net Income	$652,439	5.87%	-$85,021	-0.84%	$388,152	4.18%	955,570	3.13%	$1,170,992	12.37%

Note 1: FY 2012 (9 Month Actual and 3 Month Estimates).

In 2011, tipping fee revenue was approximately 93.9% of our total revenue or $9.4 million as compared to 96.52% or $9.9 million and 94.01% or $11.1 million of our total revenue in 2010 and 2009, respectively.

We believe that private sector recycling projects are driven by economic conditions, regulatory agency enforcement actions and settlements including regulatory enforcement actions, judicial proceedings, availability of private funds, post-recycling real estate redevelopment plans and other factors. During economic downturns, management believes that privately funded recycling projects that are not driven by enforcement actions are more likely to be delayed than when the economy is growing. The economic condition of a specific industry category is also relevant, however, as is the financial condition of specific customers. We serve multiple private clean-up efforts on an ongoing basis. The revenue and gross margin for individual projects vary considerably depending on the amount of waste shipped to

our disposal sites, the rate at which the waste is shipped and unit pricing. In 2012, we entered into large project contracts with Japanese and Korean companies to produce, treat and transport, approximately 34,200 tons of tire shreds. Initial shipments are expected to commence in the fourth quarter of 2012. Moving forward, these contracts are expected to represent 2% of total revenue in 2012, 5% in 2013 and 8% in 2014 and beyond. While revenue from this project is expected to provide a significant portion of the Company's total revenue in 2013, approximately 2% of the revenue from these contracts will be for tire shred products sold at a significant markup. In 2009, 2010 and 2011, the company was successful in maintaining smaller clean-up projects and accounts, which accounted for 5 to 7% of revenue in each of those years. The company has plans to approach other potential customers in the Western United States and Mexico for which we believe we will be able to effectively compete. During 2011, core business revenue decreased 6.9% compared to 2010 levels. Core business revenue was approximately 93.9% of total 2011 treatment and disposal revenue, down from 96.52% in 2010. The tire recycling disposal and treatment business is highly competitive and no assurance can be given that we will maintain these revenue levels or increase our market share, although we have significant plans to do both.

2011 to 2009 year-to-year comparisons are affected by multiple significant events including, but not limited to:

- Continued economic uncertainty and the continuing recession,
- Tight credit markets,
- Constrained municipal budgets
- Consumers spending

Segments

We operate within two segments, Operating Disposal and Treatment Facilities and Non-Operating Disposal and treatment Facilities, which are combined with Corporate to arrive at consolidated income. Only the Operating Disposal Facilities segment reports significant revenue and profits. Non-Operating Disposal Facilities generate virtually no revenue and no profit. Corporate generates no revenue and provides administrative, management and support services to the other segments. Income taxes are assigned to Corporate. All other items are included in the segment where they originated. Inter-company transactions have been eliminated from the segment information and are not significant between segments.

2011 Compared to 2010 (Back to Index)

Revenue. Revenue decreased 9.3% to $9.29 million in 2011, down from $9.98 million in 2010. This decrease reflects a 5.4% decrease in treatment and disposal ("T&D") revenue and a 3.9% increase in transportation service fuel costs compared to 2010. Transportation service revenue declined 2.7% as compared to 2010.

During 2011, we disposed of approximately 8.5 million tires and steel waste, down 8.4% from 9.2 million tires and steel waste disposed in 2010. Volumes decreased 8% in 2010 compared to 2009. Our average selling price for treatment and disposal services (excluding transportation) in 2011 was 1.25% higher than our average selling price in 2010. This increase reflects new contracts and previous cus-

tomers coming back to our operations for service. During 2011, T&D revenue from recurring Core Business customers was 2.7% lower than 2010. This compared to 5.4% of revenue decrease in 2010. The following table summarizes the customer base (both Base Business and Event Business) by industry customer type for 2011 as compared to 2010.

Treatment and Disposal ("T&D") Customer Base

2011 vs. 2010

Private 84%	Other industry 0%
Broker 2%	International 4%
Rate regulated 0%	Government 10%

T&D revenue from private clean-up customers for 2011 decreased 5.4% compared to 2010.

Our other industry revenue category increased 3.7% in 2011 compared to 2010. Broker business decreased 2.2% in 2011 compared to 2010. Broker business decreased 3.5% in 2010 compared to 2009 as the result of shipments from a brokered project and lower retail sales of new tires across a broad range of customers and industries. T&D revenue from our retail accounts decreased overall 4.34% in 2011 compared to 2010.

Gross Profit. In 2011, gross profit increased 8.7% to $384 thousand, up from $ -170 thousand in 2010. Gross margin was 4.1% in 2011, up from -1.7% in 2010. T&D gross margin was -1.7% in 2010, down from 5.8% in 2009.

Total Expense Total expenses (TE) for 2011 were $8,908.413, down from $10,152,189 million in 2010. As a percentage of total revenue, (TE) decreased to 4.13% in 2011 compared to 10.1% in 2010. In total dollars, (TE) decreased $1,248,776 million in 2011 as compared to 2010.

Interest expense. Interest expense incurred in 2011 was $181,944 compared to $152,098 in 2010.

Future performance

Upon the acquisition of the Krider Group, FAVA's management team expects to significantly increase operational performance through a combination of operational efficiencies, brand enhancements, introduction of new revenue streams, and expansion of market penetration and the advantage of new technologies.

Estimating an increase in product sales through new distribution channels and new contracts we have broken down the various aspects of the business for future revenue projections for each Quarter in 2013.

(Back to Index)

FAVA EBITDA BRIDGE **(Back to Index)**

Listed in the Fava EBITDA Bridge are the factors which enhance the overall revenues considerably from the previous Krider Historical EBITDA. It is important to note the new contracts,

a) Neissi Contract to provide and ship Tire Derived Fuel (TDF) in the form of 4" to 8" Tire Shreds.
b) New contract with Korean Company to provide provide and ship Tire Derived Fuel (TDF) in the form of 4" to 8" Tire Shreds.
c) Contract with the State of Washington to perform cleanup of unauthorized waste tire dumping and amnesty events.
d) New contract with Cement Kiln in Canada, Lehigh Northwest Limited to receive revenues vs. cost to dispose of tires.
e) New contract with Cement Kiln in Redmond, CA, Lehigh Cement Limited to receive revenues vs. cost for dipsoal.
f) New Tire Shred Sales from Tire Depository of 916,000,000 lbs of Tire Shreds via new contracts and outlets.

(**Note:** See increased revenue projections in Table below.)

FAVA EBITDA Bridge

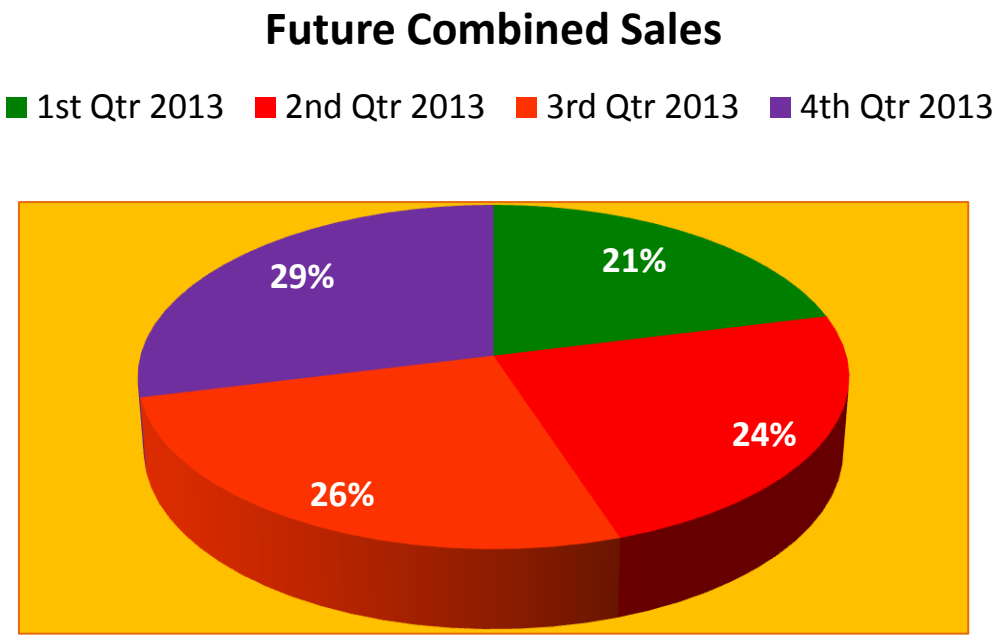
($)

Actual/Est. 2012	Estimated 2013	Change	Delta Detail
$9,469,894	$14,159,148	$4,689,254	
$7,052,912	$6,932,195	($120,717)	
	$500,000	$500,000	New contract with company in Japan to provide tire chips in 2 inch format, Charge is $37.50 per ton basis with a current request of 1,200 tons per month
	$125,000	$125,000	New contract with company in South Korea to provide premium tire Shreds at 1,000 tons/mo. Charge will be based on current demand rate of $11 to $22 per ton.
	$250,000	$250,000	New contract with the State of Washington for 2013 with 2 year extension to 2015 with further extensions available.
	$427,000	$427,000	New contract with Lehigh Northwest Limited as a charge to Lehigh for dispsoal of tires.
	$324,000	$324,000	Modification of current contract from an expense to dispose of tires as Tire Derived Fuel to increase revenue and volumn from cost of $400/27 tons at 8,500 tons per month to $16 to $22/ton for apporx. 2,900 tons/mo for 7 months/year.
	$754,000	$754,000	Increased revenue pursuant to the reduction in disposal expenses.
	$201,606	$201,606	Increase in revenue due to increase in fuel recovery charges to customers.
	$2,107,648	$2,107,648	Sale of Tire Shreds.
	$4,689,254	$4,689,254	
	($120,717)	($120,717)	Fuel efficient equipment on all the fleet trucks reducing fuel consumption and related costs.
	($120,717)	($120,717)	

Our expectations are combined revenues for each quarter as follows:

1st QTR = $3.3M,
2nd QTR = $3.7M,
3rd QTR = $4.1M,
4th QTR = $4.5M

Fava Enterprises expects results to increase as new contracts are added and fuel savings are increased reducing overall expenses and adding to the net results. Showing an increase of 7.6% in the second half of the year from the first 2 quarters.



(Back to Index)

USE OF PROCEEDS (Back to Index)

The proceeds will be utilized to acquire the Krider Group for approximately $18 million dollars. These companies have a core strength in recycling tires with an annual gross revenue of approximately $9.4. It is the intention to bring the Krider Group to a production level that would increase revenues by at least $1.3 million the first year and at least $2.2 million the second year. The key programs are:

1. Acquire Krider Group,
2. Increase Revenue through new Distribution Channels,
3. Integrate new management team with the existing Management
4. Acquire and install new equipment to increase revenue
5. Obtain and install fuel savings capability throughout the Fleet of Trucks to reduce Fuel Costs by 35%
6. Leverage equity with credit relationships if needed

Schedule Of Use Of Funds (Back to Index)

Acquire Krider Group for approximately **$18 Million**

FAVA Group
Sources and Uses ($)

Sources	Amt	Uses	Amt
Senior Secured Notes	$21,600,000	Acquisition of Krider Group:	$18,000,000
Cash Common Eqity	$4,500,000	Working Capital	
		Equipment	$2,500,000
		Engneering	$1,230,000
		Marketing	$450,000
		Other	$2,546,000
		Total Working Capital	$6,726,000
		Fees and Expenses	
		Entrex	$324,000
		Placement Agents	$550,000
		Legal and Consulting	$500,000
		Total Fees and Expenses	$1,374,000
Total Sources of Funds	$26,100,000	Total Use of Funds	$26,100,000

Assets:
Existing Business Market Value: (This is based on the Current Market Value based on Market Share of
Cash and Cash Equivalents: $6,174,875
Other Current Assets: $1,229,992
Good Will: $5,448,000
Real Estate; current market value: $9,141,140
All equipment, machinery, trucks; approximate value: $ 8,963,558
Total Estimated Value of the Krider Group: $30,957,565

Estimated Financing & Consulting Fees
Entrex = $324,000
Placement Agents = $550,000
Consulting & Legal Estimates = $500,000
Total: $1,374,000

Equipment
Equipment & Amortization $2,500,000
Total: $2,500,000

Engineering & Consulting:
Engineering Consulting $250,000
Engineering Hydrogen Conversion Program - $150,000
Install hydrogen fuel cells for all Trucks & Equipment - $250,000
Engineering (Biomass Technology) - $580,000
Total: $1,230,000

Marketing expenditures:
Amnesty Events $100,000
Trade shows. $250,000
Marketing collateral $50,000
Public relations $50,000
Total: $450,000

Other Working Capital:
Base run rate $2,546,000
Total: $2,546,000

Estimated Total $8,100,000

Total Estimated Financing Requirements: $21,600,000

(Back to Index)

III. Risk Factor (Back to Index)

In addition to the other information in this Memorandum, the risk factors listed below should be considered in evaluating the business and prospects of the Company. This Memorandum contains a number of forward-looking statements that reflect the current views of the Company with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below and elsewhere herein, that could cause actual results to differ materially from historical results or those anticipated. In this Memorandum, the words "anticipates," "believes," "expects," "intends," "future" and similar expressions identify forward-looking statements. Prospective investors are cautioned to consider the specific factors described below and not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date hereof. The Company undertakes no obligation to revise these forward-looking statements to reflect events or circumstances that may arise after the date hereof.

An investment in the Securities offered hereby is speculative in nature and involves a high degree of risk Prior to making an investment decision, prospective investors should carefully consider, along with the other matters discussed in this Memorandum, the following risk factors.

You should carefully consider the risks described below, as well as the other information contained in this Memorandum, before making an investment decision. The risks described below are not the only ones facing the Company. Additional risks and uncertainties not currently known to FAVA or that they currently deem to be immaterial may also materially and adversely affect the business or results of operations in the future. Any of the following risks could materially adversely affect the business, financial condition, or results of operations. In such case, you may lose all or part of your original investment in the notes.

Risks Related to FAVA'S Business (Back to Index)

Ability to Implement Business Plan

The Company was formed on March 3, 2005 and has yet to commence full-scale tire recycling business operations. Accordingly, the Company has a limited operating history upon which an evaluation of its prospects can be made; rather the Company offers the reader a synopsis of the operating results of the companies to be acquired which spans several years.

The Company's prospects therefore must be considered in light of the risks, expenses, and difficulties frequently encountered in the establishment of a business in a highly competitive and regulated industry. The Company has prepared a detailed business plan that is based upon numerous good faith assumptions, its best estimates and the operating history of the acquired companies. However, since the Company has conducted no business within the tire recycling industry to date, there can be no assurance that the assumptions or estimates are realistic, accurate or achievable. The business plan makes estimates about many factors that are important in determining whether the Company's operations are viable, including the ability of the Company to (i) deliver its core products and service

offerings at a reasonable price and (ii) sell or otherwise commercialize its products and services directly or by word of mouth. If any of the Company's estimates or assumptions is inaccurate, the Company's operations will vary significantly from those contemplated in the business plan. As with most enterprises, unexpected market and other conditions will exist or occur that will require management of the Company to modify the Company's proposed operations in response to these conditions. No assurance can be given that management will be able to identify these conditions in a timely basis or that management will appropriately respond to the conditions. Although the Company intends to pursue a strategy of aggressive growth including, without limitation, possible diversification of product and service offerings and geographic expansion, implementation of this strategy will depend in large part on its ability to:

(i) effectively introduce the Company's services to vendors and independent contractors (specializing in recovery and resale of scrap tires) and other members of the retail and wholesale tire industries in order to achieve market acceptance for our products and services, (ii) create a substantial customer base over and above that which currently exists and maintain favorable relationships with those existing customers; (iii) establish and maintain satisfactory relationships with referral sources and possible strategic partners; (iv) obtain adequate financing on favorable terms to fund the implementation of its business strategy; (iv) maintain appropriate procedures, policies and systems; (v) maintain favorable agreements with third party suppliers of services and technology; (vi) handle all customer service needs and issues; (vii) hire, train, and retain skilled employees; and (viii) become and remain sufficiently competitive to expand. The Company's failure to achieve any or all of these factors could impair its ability to successfully implement its business strategy, which could have a material adverse effect on the Company's results of operations and financial condition.

Reliance on Management

The success of the Company's operations depends upon the continued service for a period of two years of its founders Donald Krider, Director and President, and Mark Hope, Director of Operations and Chief Operating Officer allowing for a smooth transition period as well as the ability of the Company to identify, recruit and train additional personnel. There is no assurance; however, that if a key individual departs, prior to the end of the transition period, from the Company that a suitable replacement will be found at a salary level that the Company can afford to pay. Potential purchasers of the Securities must carefully evaluate the professional experience and business performance of the officers and directors of the Company, Frederick Conte, Chairman, David Simpkins Business Consultant who is well versed in the Tire Recycling Industry and this specific project, Carol Chludzinski, Consultant, Gary Tadych, Accounting Consultant and legal counsel, Craig Huffman, Esquire. In addition, the Company in the future may utilize independent contractors and outside consultants (particularly with licensing, regulatory, technology development and systems support matters) to assist with the planning and execution of the Company's business strategy. There is no assurance, however, that if a key contractor departs from the Company or the Company's agreement with its independent contractors and/or consultants is terminated that a suitable replacement will be found at a payment level that the Company can afford. Such independent contractors and consultants have no fiduciary duty to the Shareholders of the Company and may not perform as expected. In addition, our continued success depends on our ability to attract and retain experienced and professional employees. Competition for qualified professionals is strong. The loss of such personnel

or the inability to attract, retain or motivate sufficient numbers of qualified professionals could adversely affect our business. Although the companies to be acquired generally have been able to meet our staffing requirements to date, our inability to do so in the future could have a material adverse effect on us.

We Depend On a Number of Strategic Partners and Our Business Will Be Harmed By Any Interruption of these Relationships or Failure of Performance

We have developed strategic relationships with vendors, independent contractors and suppliers of scrap tires and related products. If the limited number of providers and third party strategic partners we rely on fail to perform essential services and related products, we might be unable to satisfy demand for our products and services, which would negatively impact our business. Additionally, the company intends to establish a partnership with a provider of bio-mass technology to pursue the strategy of converting scrap rubber into oil and electrical energy.

Our Revenues May Be Harmed If General Economic or Regulatory Conditions Worsen

Our revenues are dependent on the health of the economy, the growth of our customers and potential future customers and the retail and scrap tire recycling industries in general. If the economy stagnates further or if new legislation is passed or regulations are adopted which negatively impact the geographic markets, demand for our products and services could weaken which could hinder our efforts to fully implement our business strategy. If that happens, our revenues could suffer.

Dependence on Demand for our Products and Services

Our revenues are largely dependent upon the demand for our products and services. Such demand is typically affected by periods of economic slowdown or recession, declining state and municipal budgets, rising interest rates, declining demand for consumer credit, declining new tire sales, or declining energy values. These factors tend to decrease demand for our products and services. These changes would likely have a material adverse affect effect on our business, results of operation and financial condition.

Competition and Pricing

The tire recycling industry in which the Company competes is highly competitive; with competition coming primarily from tire retailers and other independent companies that provide tire recycling services. Within the tire recycling industry, the Company believes that it is one of the few companies that provide its products and services throughout a wide domestic regional geographic and international markets. While our competition may have substantially greater financial capabilities and resources than we do, they have largely ignored the market segments that we have chosen to aggressively pursue. There is no assurance, however, that this will always be the case and, if we are successful, some of these companies with substantially greater capabilities and financial, marketing, sales and service resources than we do may choose to compete with us in those specific areas. Most of these companies also have more experience than we do. Many of these companies also have well-established industry relationships and/or strategic partnerships.

While we believe that our business is well positioned to compete, and that our products and services present a significant advantage over competing products and services currently offered within the tire recycling industry, our products and services will achieve a broader exposure and market acceptance. As a result, it is uncertain whether these products, services and technological advances will prove viable in the marketplace. The Company, in addition, has identified several situations the occurrence of which may hinder its ability to successfully compete:

- Other products and services may be available at better rates or with better or more desirable features; Our product and services may not meet evolving market needs;
- Our Company may not have the resources to keep its products and services current or to develop new ones as market conditions require; and
- Other companies may "knock off" our business strategy and offer similar products and services.

Many of the major competitors in this segment also have substantially greater financial, marketing, personnel and other resources than does the Company. There can be no assurance that products or services introduced by the Company will win significant market acceptance. Competitive pressures could prevent us from growing, reduce our market share or require us to reduce prices on our products and services, any of which could harm our business. A lowering of fees and prices may have a material adverse impact on the financial condition and results of operations of the Company. See "Business Plan."

Dependence on Successful Implementation of Marketing Plan

The Company's initial objective is to become a leading provider of products and services, ranging from crumb rubber to the generation of electrical power and oil for purchasers domestically and internationally. The acquired companies commenced offering its products and services in 1988, continuously building market share and revenues. The Company anticipates that its marketing efforts will continue to focus on its existing customer base, reaching out to identify new wholesale and retail customers, domestically and internationally, as well as establishing outtake agreements with those that wish to purchase electrical power and/or oil that will be produced by the company through the institution of its bio mass technologies. The failure of the Company to successfully implement its sales and marketing strategy could have a material adverse effect on the Company.

Broad Management Discretion in Implementation of Growth Strategy

The Company is currently planning several initiatives designed to develop and expand its business. These initiatives include, without limitation, (i) direct solicitation via mail and cold calls, (ii) newspaper advertising, (iii) Internet marketing, referral via word of mouth and (v) the development of a geographically situated sales force. The scheduling and development of the foregoing initiatives are within the discretion of management and may be affected without Shareholder approval. These initiatives will require substantial investment of management efforts and financial resources; nevertheless, there can be no assurance that any of these initiatives will be completed. If completed, these initiatives could substantially change the Company's business. There can be no assurance that the implementation of these initiatives, if completed, will enable the Company to improve its operating results as anticipated.

Distributions

The Company's ability to distribute revenue to its security holders and profits to its Shareholders is dependent on its future results of operations and financial condition. In addition, even if the Company is financially able to make a distribution of profits, the Directors may elect to retain profits for use in expanding the Company's business and operations.

Control by Existing Shareholder

Frederick Conte and Bernadette Conte currently own one hundred percent (100%) of Fava Enterprises, LLC. Immediately after this offering, Mr. and Mrs. Conte will continue to own the vast majority of shares of the Company along with its newly acquired subsidiaries. As such, Shareholder will be able to exert significant control over the policy and affairs of the Company after the offering.

Conflicts Of Interest

Certain conflicts of interest currently exist and will continue to exist through the transition period between the Company and its officers and directors due to the fact that they have other employment or business interests to which they devote some attention and they are expected to continue to do so. The

Company has not established policies or procedures for the resolution of current or potential conflicts of interest between the Company and its management or management-affiliated entities. There can be no assurance that members of management will resolve all conflicts of interest in the Company's favor. The officers and directors are accountable to the Company as fiduciaries, which means that they are legally obligated to exercise good faith and integrity in handling the Company's affairs. Failure by them to conduct the Company's business in its best interests may result in liability to them.

Speculative Investment

There can be no assurance the Company will satisfy its business objectives. Furthermore, no assurance can be given to purchasers of its securities that they will realize a return on their investment, or that the holders of the securities will not lose their entire investment in the Company. For this reason, each prospective purchaser should carefully read this Memorandum and all exhibits hereto and should consult with such purchaser's attorney, business advisor, or investment advisor, if any.

Additional Capital Requirements

While the Company believes that it will have sufficient cash on hand, upon completion of this offering, to implement its Business Plan, the Company may require additional capital from time-to-time to (i) finance unanticipated working capital requirements, (ii) pay for increased operating expenses or shortfalls in revenues, (iii) purchase additional systems and/or equipment, (iv) develop new products and services, (v) respond to competitive pressures and provide additional capital for its operational activities,. There can be no assurance that additional capital will be available or that, if available, such capital will be on satisfactory terms.

Projections

The projected financial information contained herein or in the Company's Business Plan represents a projection of future events which may or may not occur. The projections are based on the estimates and assumptions set forth therein which may or may not prove to be accurate and should not be relied upon to indicate the actual results which might be obtained by the Company. No representation or warranty of any kind is given with respect to the accuracy of the projections. The actual results of future operations of the Company likely will vary from those set forth in the projections, and such variations may be material and adverse. The projections have been prepared by the Company's management and have not been reviewed or compiled by independent certified public accountants.

IV. Certain Tax Disclosures (Back to Index)

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

Pursuant to U.S. Treasury Department Circular 230, the tax discussion in this information memorandum was not intended or written to be used, and cannot be used, for the purposes of avoiding tax penalties. This information memorandum was written to support the promotion or marketing of the notes and warrants. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The following discussion describes certain material U.S. federal income tax consequences of the ownership and disposition of the notes and the warrants and does not address any aspects of state, local or foreign tax laws. This discussion is based upon current provisions of the U.S. Internal Revenue Code of 1986, as amended, existing and proposed U.S. Treasury regulations, current administrative rulings, judicial decisions and other applicable authorities, all of which are subject to change, perhaps with retroactive effect. This discussion does not deal with all aspects of U.S. federal income taxation that may be relevant to the holders of the notes and the warrants in light of their personal investment circumstances including non-U.S. holders and holders subject to special treatment under the U.S. federal income tax laws, such as insurance companies, tax exempt organizations, financial institutions or broker dealers, taxpayers subject to the alternative minimum tax, holders that will hold the notes or the warrants as part of a hedge, straddle, appreciated financial position or conversion transaction and holders that will hold the notes or the warrants as other than capital assets. Prospective investors are encouraged to consult with their tax advisors as to the U.S. federal, state and local, foreign and any other tax consequences to them of the purchase, ownership and disposition of the notes and the warrants.

The following summary applies to U.S. holders. The term "U.S. holder" means a beneficial owner of a note or warrant that is: (1) a person who is a citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust if (a) a court within the United States can exer-

cise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust or (b) the trust has in effect a valid election to be treated as a domestic trust for U.S. federal income tax purposes.

If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds a note or a warrant, the tax treatment of the partnership and each partner generally will depend on the activities of the partnership and the activities of the partner. Partnerships acquiring notes and warrants, and partners in such partnerships, should consult their tax advisors.

CLASSIFICATION OF THE NOTES (Back to Index)

The issuer intends to treat the notes as indebtedness for U.S. federal income tax purposes. Generally, characterization of an obligation as indebtedness for U.S. federal income tax purposes is made at the time of the issuance of the obligation. Such treatment is not binding on the U.S. Internal Revenue Service, or IRS, or any court, however, and it is possible that the IRS could successfully assert that the notes are not properly treated as indebtedness, in which case your tax consequences from the ownership and disposition of the notes may differ from those described below. By acquiring notes, you will be deemed to have agreed to treat the notes as indebtedness for U.S. federal income tax purposes.

Because of the manner in which the interest rate on the notes is calculated, we will treat the notes as indebtedness subject to the U.S. Treasury regulations governing contingent payment debt instruments (the "contingent payment debt regulations"). The proper application of the contingent payment debt regulations to the notes is uncertain in a number of respects, however, and it is possible that the IRS could assert that the notes should be treated in a different manner than as described below. A different treatment of the notes could affect the amount, timing and character of income, gain or loss with respect to an investment in the notes. Accordingly, you are urged to consult your tax advisor regarding the U.S. federal income tax consequences of owning the notes. The remainder of this discussion assumes that the notes will be treated as indebtedness subject to the contingent payment debt regulations.

Under the contingent payment debt regulations, regardless of your method of accounting for U.S. federal income tax purposes, you are required to accrue interest income on the notes as original issue discount, or OID, on a constant-yield basis at an assumed yield (which we refer to as the "comparable yield") determined at the time of original issuance of the notes. The comparable yield for the notes is based on the yield at which we could issue, at the time of original issuance of the notes, a fixed-rate debt instrument with no contingent payments but with terms and conditions otherwise similar to those of the notes. Solely for purposes of determining the amount of income that accrues on the notes, we will be required, at the time of original issuance of the notes, to construct a "projected payment schedule" in respect of the notes representing a series of payments the amount and timing of which would produce a yield to maturity on the notes equal to the comparable yield.

For U.S. federal income tax purposes, you generally are required under the contingent payment debt regulations to use the comparable yield and the projected payment schedule provided by us in determining your OID accruals and adjustments in respect of a note, unless you timely disclose and justify the use of a different comparable yield and projected payment schedule to the IRS. The follow-

ing discussion assumes that you will use the original projected payment schedule provided by us.

Furthermore, assuming that you report your income in a manner consistent with our position described below, the amount of income that you will recognize in respect of the notes generally should correspond to the economic accrual of income on the notes to you and the amount of income you would have recognized if the notes were not subject to the contingent payment debt regulations. The amount of OID on a note that accrues in an accrual period is the product of the comparable yield on the note (adjusted to reflect the length of the accrual period) and the adjusted issue price of the note at the beginning of the accrual period. The daily portions of OID in respect of a note are determined by allocating to each day in an accrual period the ratable portion of OID on the note that accrues in the accrual period.

If the actual contingent payments made on the contingent payment debt instruments in a taxable year differ from the projected contingent payments, adjustments will be made for such differences. A positive adjustment, for the amount by which an actual payment exceeds a projected contingent payment, will be treated as additional OID. A negative adjustment, for the amount by which an actual payment is less than a projected contingent payment, will:

- first, reduce the amount of OID required to be accrued in the current year,
- second, any negative adjustments that exceed the amount of OID accrued in the current year will be treated as ordinary loss to the extent that your total prior OID inclusions exceed the total amount of net negative adjustments treated as ordinary loss in prior taxable years, and
- third, any excess negative adjustments will be treated as a regular negative adjustment in the succeeding taxable year.

Gain on the sale, exchange or retirement of a contingent payment debt instrument generally will be treated as ordinary income. Loss from the disposition of a contingent payment debt instrument will be treated as ordinary loss to the extent of your prior net interest inclusions (reduced by the total net negative adjustments previously allowed as an ordinary loss). Any loss in excess of such amount will be treated as capital loss.

ACQUISITION, DISPOSITION AND EXERCISE OF THE WARRANTS

The amount paid by a holder in acquiring a warrant is a nondeductible capital expenditure. Because the notes and the warrants are being sold at the same time, investors will be required to allocate the purchase price of the notes and the warrants between the two instruments in accordance with their relative fair market values. We will determine an original issue price for the notes that will reflect an allocation of a portion of the purchase price to the warrants. We will use the original issue price of the notes to calculate the comparable yield and projected payment schedule of the notes.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Information returns may be filed with the IRS in connection with payments on the notes and the proceeds from a sale or other disposition of the notes or warrants. You may receive statements containing the information reflected on these returns. The amounts reported to you may not reflect the

amounts that you will be required to include in income in respect of the notes, even if you take adjustments into account in the manner described above. Please consult your tax advisor regarding calculating your taxable income from the notes based on the amounts reported to you and other information available to you, including the information provided herein.

In addition, you may be subject to U.S. backup withholding tax on payments with respect to the notes and warrants if you fail to provide your U.S. taxpayer identification number and comply with certification procedures or otherwise establish an exemption from U.S. backup withholding. The amount of any U.S. backup withholding from a payment will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that you timely furnish the required information to the IRS.

CONCLUSION (Back to Index)

FAVA is a uniquely positioned company at the right place at the right time. With its vertically integrated structure and advanced technology FAVA stands ready to provide the market with a turnkey solution for turning waste into highly desirable rubber products. With a dynamic management team, FAVA believes it can grow revenues and profits at a tremendous pace handsomely rewarding shareholders not only in the long term but also in the short term. Revenues are forecast to rise from $9.2 million in 2011 to $9.5 million by 2012, while gross profits are forecast to rise from $2,280,021 million to $3,296,744 million in the same time frame. This amounts to a growth rate of 6.9%. With a nationally recognized clientele, an abundant availability of discarded tires, and a national conscience by both the public and government officials at all levels to the environmental challenges we face, FAVA stands at the ready to participate in the development and growth of the "Green" industry of the future.

Fava Enterprises intends to "Achieve Business Objectives by Matching Activity with Opportunities & Risk in the Existing Operational Environment". And to "Become the Dominant Leader/Company in this Industry" through strategic planning, implementation and continuous growth and expansion.

Thank you for your consideration.