

# ***Gulf Ethanol Corp. Annual Report***

## **Section One: Issuers' Annual Update to Initial Disclosure**

### **Part A General Company Information**

#### **Item I The exact name of the issuer and its predecessor (if any).**

**Gulf Ethanol Corporation since July 31, 2006, formerly known as U.S. Development Corporation, from November 22, 2004; the original name was Land Investors of America, incorporated on February 26, 2003.**

#### **Item II The address of the issuer's principal executive offices.**

Gulf Ethanol, Corp.  
1240 Blalock Road, Suite 200  
Houston, TX 77055.  
www.gulfethanolcorp.com

For investor relations, contact:  
William A. Carmichael  
1240 Blalock Road, Suite 200  
Houston, TX 77055.  
713-461-9229  
ir@gulfethanolcorp.com

#### **Item III The jurisdiction(s) and date of the issuer's incorporation or organization.**

Gulf Ethanol was originally incorporated in Oklahoma as Land Investors of America on February 26, 2003

#### **Item IV The name and address of the transfer agent.\***

Transfer Online, Inc.  
317 SW Alder Street, 2nd Floor  
Portland, OR 97204  
Phone: 503-227-2950

The transfer agent is a registered agent under the SEC

This is not legal advice, and Pink Sheets cannot assure anyone that compliance with our disclosure requirements will satisfy any legal requirements.

## Item V. The nature of the issuer's business.

In describing the issuer's business, please provide the following information:

A. Business Development. Describe the development of the issuer and material events during the last three years so that a potential investor can clearly understand the history and development of the business. If the issuer has not been in business for three years, provide the information for any predecessor company. This business development description must also include:

1. Gulf Ethanol is a publicly traded Corporation listed on the Pink Sheets.
2. Gulf Ethanol was originally incorporated in Oklahoma as Land Investors of America on February 26, 2003. It was briefly known as U.S. Development Corporation from May 31, 2006 until June 7<sup>th</sup>, 2006 when it changed its name to Gulf Ethanol Corp.
3. the issuers fiscal year end date;  
12/31
4. whether the issuer (or predecessor) has been in bankruptcy, receivership or any of the similar proceeding ;  
None
5. any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets;  
No
6. any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments.  
No
7. any change of control;

On August 1, 2006, the Company issued 7,220,403 shares of common stock to 5 individuals thereby granting those shareholders the ability to control any event submitted to the shareholders for a vote. In January 2007, the Company sold 20 million shares of common stock to various accredited investors, effectively changing control of the corporation.

8. any increase in 10% or more of the same class of outstanding equity securities;

On August 1, 2006, the Company issued 7,220,403 shares of common stock to 5 individuals thereby granting those shareholders the ability to control any event submitted to the shareholders for a vote. In January 2007, the

Company sold 20 million shares of common stock to various accredited investors, effectively changing control of the corporation.

9. any past, pending or anticipated stock split, stock dividend or recapitalization, merger, acquisition, spin-off or reorganization;

The Board of Directors authorized an issuance of additional stock and declared a special dividend, i.e. a 10 for 1 forward stock split through the use of a special stock dividend and without change to the capital structure of the Corporation by declaring a stock dividend of nine (9) shares of common stock for each share of common stock owned by the shareholders of record on January 17, 2005 as reflected by the stock transfer records of the Corporation.

The Board of Directors authorized a 1 for 20 reverse stock split without change to the capital structure of the Corporation on July 31, 2006 as reflected by the stock transfer records of the Corporation.

10. any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board; and  
No

11. any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.  
None

B. Business of Issuer. Describe the issuer's business so a potential investor can clearly understand it. To the extent material to the understanding of the issuer, please also include the following:

1. the issuer's primary and secondary SIC Codes; 6552

if the issuer has never conducted operations, is in the development stage, or is currently conducting operations; Gulf Ethanol Corp. is a Development stage company.

Gulf Ethanol Corp, (a Development Stage Enterprise) ("Gulf Ethanol", the "Company", "we" or "us"), formerly U.S. Development Corporation, and formerly Land Investors of America, was incorporated in the State of Oklahoma on February 26, 2003. Our common stock is traded on the Pink Sheets under the symbol GFET.

Gulf Ethanol is a development stage company and had no operating revenues for the twelve months ended December 31, 2007. Our business plan consists primarily of developing and constructing ethanol and ethanol feed stock manufacturing facilities. We expect to work with international

producers to explore the importation of ethanol or feed-stocks for ethanol production from Central and South American sources.

As discussed in Note 3, our board of directors authorized the issuance of 20 million shares pursuant to our registration under Rule 504 of Regulation D of the Securities Act of 1933. As of December 31, 2007, all 20 million of those shares have been issued. With the change in control of the Company and resulting change in the business plan, we have deemed ourselves a Development Stage Company and will report, until we have significant revenues, as a Development Stage Entity under FASB Statement No. 7 - *Accounting and Reporting by Development Stage Enterprises*.

2. if the issuer is considered a “shell company” pursuant to Securities Act Rule 405;  
Gulf Ethanol is not a shell company.
3. the names of any parent, subsidiary, or affiliate of the issuer, and it’s business purpose, its method of operation, its ownership, and whether its included in the financial statements attached to this disclosure document;

No parent company, no subsidiary, no affiliates. The Business purpose of Gulf Ethanol Corp is to develop, purchase, build or joint venture in the enterprise of establishing one or more alternative fuel production facilities and to trade in alternative fuels. Gulf Ethanol does not, presently have a production facility. The company is publicly traded. More detailed information is provided in the financial statements attached to this document.

4. the effect of exiting or probable governmental regulations on the business;

Congress is actively encouraging greater use of alternative fuel sources in the U.S. Recent legislation working its way through congress would set minimum requirements for the adoption of ethanol as a transportation fuel in the U.S. This legislation, when passed, will provide a basis for increased demand for ethanol in the U.S.

We and our existing business operations are subject to extensive and frequently changing federal, state and local laws and regulations relating to the protection of the environment. These laws, their underlying regulatory requirements and the enforcement thereof, some of which are described below, impact, or may impact, our existing and proposed business operations by imposing:

restrictions on our existing business operations and/or the need to install enhanced or additional controls; the need to obtain and comply with permits and authorizations; liability for exceeding applicable permit limits or legal requirements, in certain cases for the remediation of contaminated soil and groundwater at our facilities, contiguous and adjacent properties and other properties owned and/or operated by third parties; and specifications for the ethanol we market.

5. an estimate of the amount spent during each of the last two fiscal years on research and developmental activities, and, if applicable the extent to which the cost of such activities are borne directly by customers;

On February 13, 2007 the the Company's Board of Directors approved a new organizational plan designed to streamline costs and enable the Company to focus on the construction and subsequent operation of one or more ethanol production facilities or blending plants or combinations of production and blending facilities. The company reorganized its operations and began to focus on the research and development of ethanol production methods and the possibility of blending ethanol with diesel or gasoline. Since that time the focus of the company has consisted primarily of identifying the best methods of ethanol production, the best feedstock for ethanol production and the best location for a plant. The cost of the research and the ongoing execution of the business plan has to date been completely borne by the company and its investors.

6. costs and effects of compliance with environmental laws( federal, state, and local); and

There are presently no costs associated with compliance and environmental laws because we are not operating a production facility, yet. However, once a property site has been chosen and a manufacturing facility is under development we expect to incur significant costs for environmental permitting and compliance. It is not possible to anticipate or estimate these costs until a property site has been identified and the facility design has been engineered. We continue to study the potential requirements so as to be able to anticipate capital needs.

7. the number of employees and the number of full time employees.  
Services of all executive officers, directors and others presently engaged in advancing the business plan of Gulf Ethanol are presently provided under contract. The company presently has one employee.

#### **Item VI. The nature of products or services offered.**

- A. principal products or services, and their markets;  
We were formed to develop alternative fuel production plants and other related assets.
- B. distribution methods of the products or services;  
None
- C. status of any publicly announced new product or service;  
On April 19<sup>th</sup> of 2007 we announced that we had entered into a Letter of Intent to purchase a portion of the GALCO plant located in the Bayport Industrial District of Houston, TX. Initial evaluations indicated that the facility can be modified to produce ethanol or bio-diesel fuel in volumes up to 30

million gallons per year. However, after further evaluation it was determined that the cost of revamping the facility would be prohibitive and the plans to produce ethanol and blend fuels was abandoned in favor of building a new facility. To that end we entered into an agreement to purchase a parcel of land. Prior to closing we were made aware of a growing opposition of community residents and also discovered that a portion of the land was located within the city limits of a nearby town. The decision was made to not purchase the land. Subsequently on December, 2007, we signed a Joint Venture Agreement (“the Agreement”) with Meridian Biorefining Corporation (“Meridian”) to establish a joint venture to develop a biomass ethanol feedstock technology. Under the terms of this agreement, we were to fund \$100,000 in development costs with one payment of \$50,000 due upon closing and an additional \$50,000 due on January 10, 2008.

Additionally, Meridian was to receive 5 million shares of our common stock upon the achievement of milestones as follows: 1 million shares upon the completion of the first operational machine test; 1 million shares upon the first successful production of cellulosic feedstock; 1.5 million shares upon the completion of the first phase of testing of multiple ethanol feedstock and; 1.5 million shares upon the completion of an integrated ethanol plant design.

On December 11, 2007, we paid the first tranche of \$50,000. However, subsequently a dispute arose over the progress of the development of the machinery to produce the feedstock. We therefore withheld the second payment until the dispute could be resolved.

On January 14, 2008, we received a Notice of Dissolution of the Joint Venture (the “Notice”) from the legal counsel representing Meridian, dissolving the joint venture for failure to make the second tranche of the agreement.

Both we and Meridian now consider the joint venture dissolved. We have therefore, fully reserved our cash investment of \$50,000 and removed our obligation to Meridian for the second \$50,000 tranche.

D. competitive business conditions, the issuer’s competitive position in the industry, and methods of competition;

There are approximately 100 domestic ethanol plants currently operating in the US with a combined annual production capacity of approximately 4 billion gallons. Currently, the greatest concentration of domestic ethanol-production occurs in the corn belt states. Historically, most domestic ethanol has been produced by farmer-owned cooperatives as a means to enhance the value of corn. But now, many domestic plants rely on marketing groups such as Ethanol Products, Aventine Renewable Energy, Inc., Renewable Products Marketing Group, and Pacific Ethanol, Inc. to move their product to market.

Those producers who do their own marketing, such as Archer-Daniels-Midland Company (ADM) gain certain cost savings. However, these cost advantages become insignificant when distant coastal customers must be

serviced by long overland supply routes. A 2002 study by the Department of Energy regarding ethanol transportation issues noted a cost increase averaging more than 10 cents-per-gallon for ethanol shipped from the Midwest to the East and West Coasts, not to mention the rail delays entailed with rail transport. And rising fuel expenses for rail and truck transporters have only increased these costs further.

The Energy Information Administration estimates that the East Coast and Texas have the greatest immediate need for ethanol. The EIA also notes that East Coast facilities are best suited to bring in product by sea. These factors, coupled with the tight ethanol market, have already “made it more economical for some buyers to import ethanol with full import duty than to bring supplies from the Midwest.” Furthermore, the limited rail access in many parts of Texas makes the overland shipping of ethanol to these areas from the Midwest cost prohibitive and the advantage of seagoing delivery even greater.

The West Coast ethanol market, although also accessible by water, is currently dominated by the domestic ethanol marketer Pacific Ethanol Inc. PEI has several West Coast corn-based ethanol plants under construction. Their primary focus is on serving the western states of California, Arizona, Nevada, and Oregon, and they benefit from several large contracts with leading oil companies in that area. But there is enough demand in this region for another marketer, and once in the market, the cost advantages of the product we sell and our shipping methods give us a competitive advantage for the long run. Pacific Ethanol Inc. admits that even after the completion of their Madera plant, while it will be “the largest plant on the west coast...it will still be hugely outpaced by the demand for ethanol in California...”

Thirty-two additional ethanol plants and 6 expansions are under construction in the US with a combined annual capacity of approximately 2 billion gallons. Most of these expansions will produce ethanol from corn, as do the vast majority of the existing facilities. The product we market has a production cost advantage over the product of these facilities. And shipping by sea is so much cheaper than rail shipment that there is still an advantage even over long ocean distances.

We will establish a place among these dominant marketers because of our lower prices, better distribution methods, and access to large supplies of ethanol. We believe we will consistently offer the market lower pricing because of our less costly product and the delivery-cost advantage of our international supply-chain.

Numerous ethanol plants have been announced as entrepreneurs enter the business. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking

statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances. Some of the factors that may cause actual results, developments and business decisions to differ materially from those contemplated by such forward-looking statements include the following risk factors:

1. The effectiveness of the reorganization;
2. Our ability to obtain additional capital to finance our initiatives;
3. The time, cost and ability to construct or complete construction of our first planned ethanol plant;
4. Issues arising in connection with the development and construction of our projects, including those relating to permits, easements, site conditions, workmanship, process engineering, and conflicts of interest;
5. The sale of interests in, or entry into, partnerships or joint ventures with respect to specific projects;
6. Anticipated trends in our financial condition and results of operations;
7. Our ability to distinguish ourselves from our current and future competitors;
8. Changes in or elimination of laws, tariffs, subsidies, trade or other controls or enforcement practices.
9. Changes in weather and general economic conditions;
10. Overcapacity within the ethanol and petroleum production and refining industries;
11. Total United States consumption of gasoline;
12. Availability and costs of products and raw materials, particularly sorghum, natural gas, stainless steel and carbon steel;
13. Labor costs;
14. Fluctuations in petroleum prices;

E. sources of availability of raw materials and the names of principal suppliers;

We anticipate that the feedstock used for our planned ethanol production facility will be grown within a 50 mile radius of the plant. No sources will be identified or contracted until the final selection of a plant site and facility design are determined.

F. dependence on one or a few major customers;  
N/A

G. patents, trademarks, licenses, franchises concessions, loyalty agreements or labor contracts, including their duration; and  
N/A

H. the need for any government approval of principal products or services and the status of any requested government approvals.

Environmental laws and restrictions are mandated at the local, state and federal level. It not possible, at this time, to determine the exact need until the final selection of a plant site and facility design are determined.

**Item VII The nature and extent of the issuers facilities.**

The issuer's primary corporate offices are located at 1240 Blalock Rd., Suite 200, Houston, Texas. The facilities are leased for a three year term and consist of 3000 feet of general office space.

**Part B Share Structure and Issuance History**

**Item VIII The exact title and class of securities outstanding.**

41,212,932 common shares outstanding  
40227P107 cusip number  
GFET trading symbol

**Item IX Description of the security**

- A. *Par or stated value.* Provide the par or stated value for each class of outstanding securities. The par value is .001 for all stock.
- B. Common or Preferred stock
1. For Common equity, describe any dividend, voting and preemption rights. Standard voting rights are prescribed by our articles and by-laws
  2. For preferred stock, describe the dividend, voting, conversion and liquidation rights as well as redemption or sinking fund provisions.  
N/A no preferred stock
  3. Describe any other material rights of common or preferred stockholders.  
None
  4. Describe any provisions in issuer's charter or by laws that would delay, defer or prevent a change in control of the issuer.  
None.

**Item X. The number of shares or total amount of the securities outstanding for each class of securities outstanding.**

In answering this item, provide the information below for each class of securities authorized. Please provide this information (i) as of the end of the issuer's most recent fiscal quarter and (ii) as of the end of the issuer's last two fiscal years.

- (i) Period and end date; as of fourth quarter 2007, 12/31/07
- (ii) Number of shares authorized; 100,000
- (iii) Number of shares outstanding; 41,212,932
- (iv) Freely tradable shares (public float); 13,510,653
- (v) Total number of beneficial shareholders; and
- (vi) Total number of shareholders of record. 33

- (i) Period and end date; as of fourth quarter 2006, 12/31/06
- (ii) Number of shares authorized; 100,000
- (iii) Number of shares outstanding; 11,022,903
- (iv) Freely tradable shares (public float); 1,145,279
- (v) Total number of beneficial shareholders; undetermined – information from previous Transfer agent unavailable
- (vi) Total number of shareholders of record. undetermined – information from previous Transfer agent unavailable

**Item XI List of securities offerings and shares issued for services in the past two years.**

- (i) On August 1, 2006 the Board authorized the company to issue on a "post split basis" 7,260,403 shares of common stock of the company to the officers and employees of the company in a private placement.
- (ii) the shares were not registered
- (iii) 7,260,403
- (iv) the shares were to be compensation for service to the company
- (v) Par value
- (vi) the shares can not be traded until the time limits and restrictions established by Rule 144 have been satisfied
- (vii) Restricted under rule 144

- 1. 2,005,403 Restricted common stock
- 2. IBIS Energy, LLC
- 3. Management Services

- 1. 1,585,000 shares restricted common stock
- 2. David Mordekhay
- 3. Management Services

- 1. 1,585,000 shares restricted common stock
- 2. Carly Long
- 3. Management Services

- 1. 1,585,000 shares restricted common stock
- 2. Oren Mizrahi
- 3. Management Services

- 1. 500,000 shares restricted common stock
- 2. Mark Schiller
- 3. Management Services

- (i) On November 7, 2006 the Board authorized the company to issue 400,000 shares of stock in a private placement.

- (ii) The shares were not registered
- (iii) 400,000
- (iv) 400,000
- (v) \$.50 and \$200,000.00
- (vi) The shares were restricted

(vii) The shares remain restricted

1. 250,000 Restricted common stock
2. IBIS Energy, LLC

1. 150,000 shares restricted common stock
2. Firemark Capital, LLC

(i) The nature of each offering:

On February 13, 2007, the Company's board of directors authorized the issuance of 20 million shares to ten accredited investors pursuant to Rule 504 of Regulation D of the Securities Act of 1933. Since the transaction resulted in a change of control and recapitalization, we treated these shares as founders' shares and valued them at \$2,000, their par value. Also on February 13, 2007, we granted options to two shareholders who were part of the offering, to purchase up to an additional six million shares (see Note 4 of the financial statements).

(ii) Any jurisdictions where the offering was registered or qualified;

The shares were not registered

(iii) The number of shares offered;

26,000,000

(iv) The number of shares sold;

20,000,000

(v) The price at which the shares were offered, and the amount actually paid to the issuer;

\$0.0001

(vi) The trading status of the shares; and

The shares were unrestricted

(vii) Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

1. Cloud Management – 4,000,000  
7302 Rustling Oaks Richmond, TX 77469  
Control Personnel – Thomas John Cloud  
Resident Agent – unknown
2. Oxford Funding Corp. – 2,000,000 shares  
160 Wimberly Ranch Drive  
Wimberly, TX 78676  
Control Personnel – John Thomas Cloud  
Resident Agent – unknown

3. National Health Alliance, Inc. – 2,000,000 shares  
7302 Rustling Oaks  
Richmond, TX 77469  
Control Personnel – Thomas John Cloud  
Resident Agent – unknown
4. Galleria Securities Corp. – 2,000,000 shares  
160 Wimberly Ranch Drive  
Wimberly, TX 78676  
Control Personnel – John Thomas Cloud  
Resident Agent – unknown
5. The Internet Business Factory – 6,000,000  
1240 Blalock Road Suite 150  
Houston, TX 77055  
Control Personnel – Jonathan Gilchrist  
Resident Agent – unknown
6. Hepplewhite Corporation – 2,000,000 shares  
1240 Blalock Road  
Houston, TX 77055  
Control Personnel – Jonathan Gilchrist  
Resident Agent – unknown
7. Tejas Capital, Inc. – 2,000,000 shares  
367 Fawn Road  
Livingston, TX 77351  
Control Personnel – Steven Lease  
Resident Agent – unknown
8. Accelerator Partners, Inc. – 2,000,000 shares  
1029 Highway 6 North, Suite 650-276  
Houston, TX 77079  
Control Personnel – Darrel Uselton  
Resident Agent – unknown
9. Brazos Capital, Inc – 2,457,144  
367 Fawn Road  
Livingston, TX 77351  
Control Personnel – Jim Mobitty  
Resident Agent – unknown
10. Valores Fund, L.P. – 2,000,000  
1029 Highway 6 North, Suite 650-276  
Houston, TX 77079  
Control Personnel – unknown  
Resident Agent – unknown

- (i) On July 31, 2007 the Board authorized the company to issue 2 million shares. The shares were issued but retained by the company. The board subsequently placed the shares in treasury and holds the certificates.
- (ii) The shares were not registered
- (iii) 2,000,000 were offered
- (iv) 2,000,000 were issued
- (v) The shares were issued in contract for services to be rendered
- (vi) The shares were restricted under Rule 144
- (vii) The shares were restricted under Rule 144 and are held in treasury

NOTE: On July 17, 2007 the Board of Directors, after becoming aware of an investigation of Darrel and Jack Uselton for securities related matters, resolved that the Company and all officers and directors should sever all business relationships with Darrell Uselton, Jack Uselton and any entities controlled by the Uselton's. In order to separate the company from the Useltons all of the shares held by the Uselton's or their entities were subsequently purchased by Galleria Asset Management, Inc. The President of Galleria Asset Management, Inc. is John Thomas Cloud and is located at 160 Wimberly Ranch Drive, Wimberly, TX 78676. The registered agent is William A. Carmichael

## Part C Management and Control Structure

### Item XII The name of the chief executive officer, members of the board of directors, as well as control persons.

1. **Full Name:** John Thomas Cloud, CEO, President, Director
2. **Address:** 1240 Blalock Road Suite200 Houston, TX 77055
3. **Employment History:** Mr. Cloud has 40 years of experience in a broad career in banking, insurance, ranching, and the oil and gas business. Mr. Cloud remains the portfolio manager of Galleria Securities, a private equity fund active in oil and gas investment and will serve as the Chairman and CEO of Gulf Ethanol Corporation. From 1995 through 1997 Mr. Cloud was the Chairman of North American Insurance. In 1979 until 1991 Mr. Cloud guided Oxford Funding as it's Chairman and developed it into one of the largest mortgage banking companies in America. Mr. Cloud also successfully lead the Bankers Investment Building Corporation as their Chairman from 1970 to 1989. Mr. Cloud is also a proud member of the American Quarter Horse Association and regularly shows horses trained on his ranch. He has significant experience in arranging and negotiating partnerships, joint ventures, strategic alliances, venture capital, and major contracts. He has held senior management positions in public companies and brings extensive experience in capital management, mergers, acquisitions, and investment banking to the Gulf Ethanol Corporation.
4. **No other Board memberships or Executive Officer positions.**
5. **Compensation:** No compensation has yet been determined by the Board
6. **Number and class of the issuers securities beneficially owned:** None

1. **Full Name:** William Carmichael, Corporate Secretary, Director
2. 1240 Blalock Road Suite200 Houston, TX 77055
3. **Employment History:** Former VP Marketing for iExalt, Inc. and Director of American Enterprise Development Corporation. Owner of Corporate Secretary Services, Inc. (providing director and officer support for public companies on an outsourced basis).
4. **Board Memberships and other affiliations:** Director, American Enterprise Development Corporation; Director, Oxford Funding Corp.; Director, Gulf Ethanol Corp.; Director Telemedicus, Inc.; Corporate Secretary, Alternative Energy Technology Center;
5. **Compensation:** Mr. Carmichael receives no direct compensation from the Company. The company contracts with Corporate Secretary Services, Inc. for his services. Compensation is \$2,667.00 per month.
6. **Number and class of the issuers securities beneficially owned:** None

A. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as the defendant in a pending criminal proceeding(excluding traffic violations and other minor offenses);NONE
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended, or otherwise limited such persons involvement in any type of business, securities, commodities, or banking activities;NONE
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, The Commodity Future Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, or suspended, or vacated; or NONE
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.  
NONE

B. Disclosure of Certain Relationships.

As explained in Note 6 of the financial statements, the Company has funded its operations through loans from shareholders. To fund our operating expenses, four of our principal shareholders have contributed cash totaling \$249,500. These notes pay 6% simple interest per year and are callable by the holder at any time. As of December 31, 2007, we have accrued \$3,435 in interest on these notes, but have not made any cash interest or principal payments.

C. Disclosure of Conflicts of Interest.

As explained in Note 6 of the financial statements, the Company has funded its operations through loans from shareholders. To fund our operating expenses, four of our principal shareholders have contributed cash totaling \$249,500. These notes pay 6% simple interest per year and are callable by the holder at any time. As of December 31, 2007, we have accrued \$3,435 in interest on these notes, but have not made any cash interest or principal payments.

**Item XIII Beneficial Owners.**

Firemark Capital, LLC  
1947 Sparrow Ridge Road  
Katy, TX 77450  
Control Person – unknown  
Resident Agent - unknown  
4,407,400 common shares

IBIS Energy  
615 Flaghoist Lane  
Houston, TX 77351  
Control Person – unknown  
Resident Agent - unknown  
4,755,403 common shares

Galleria Asset Management  
160 Wimberley Ranch Drive  
Wimberley, Texas 78676  
Control Person – John Thomas Cloud  
Resident agent - unknown  
6,000,000 Common Shares

**Item XIV The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure:**

1. Investment Banker N/A
2. Promoters N/A
3. Counsel

Jack Vaughan  
1240 Blalock Road suite 150  
Houston, TX 77055  
(713) 772-2934

4. Accountant and Auditor  
Accountant:

Randall Newton, CPA  
3 Riverway  
Ste. 1200  
Houston, TX 77056-1928  
(281) 961-5508  
newton@newton-collaboration.com

Randall Newton, CPA is an outside accounting firm provides bookkeeping and accounting services to Telemedicus, Inc. and prepares the companies financial statements and reviews them with Management.

Mr. Newton is a Certified Public Accountant with over twenty years of supervisory general and financial accounting experience. His experience ranges from companies in the automotive sector to international oil companies. He has both public and private company experience. He holds a BBA from the University of Texas at San Antonio and is a member of the American Institute of CPA's.

Auditor:

McElravy, Kinchen & Associates, P.C.

12605 East Freeway Suite 650

Houston, TX 77015

(713) 450-2727

jamie@mcelravycpa.com

ckinchen@McElravy.com

Casey G. Kinchen, CPA

Audit Partner

Mr. Kinchen is a licensed certified public accountant with approximately seven years of public accounting experience. Mr. Kinchen began his career at Postlethwaite & Netterville in Baton Rouge, Louisiana, where he served as an audit manager.

He later joined Malone & Bailey, PC where he served as an SEC audit manager for numerous small-cap to mid-cap publicly traded companies. While at Malone & Bailey, he worked with oil and gas, technology, manufacturing, and retail clients.

Mr. Kinchen joined Jamie McElravy on August 1, 2007 and formed McElravy & Kinchen & Associates, P.C. where he specializes in growing small-cap publicly traded companies and complex accounting issues such as reverse mergers, stock option valuation, shares issued for services, private debt and equity issuances, embedded derivatives, and the accounting for and identification of variable interest entities.

5. Public relations Consultant(s)

None

6. Investor Relations Consultant

None

7. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure documentation – the information shall include the telephone number and email address of each advisor.

None

**Part D**      Financial Information

**Item XV**      **Financial information for the issuer's most recent fiscal period.**

- |   |               |
|---|---------------|
| 1) Balance sheet;                               | Listed below: |
| 2) Statement of income;                         | Listed below: |
| 3) Statement of cash flows;                     | Listed below: |
| 4) Statement of changes in stockholders' equity | Listed below: |
| 5) Financial notes; and                         | Listed below: |
| 6) Audit letter, if audited                     | Listed below: |



**Financial Statements**  
(Formerly U.S. Development Corp.)

**For the Twelve Months Ended**

**December 31, 2007**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Gulf Ethanol Corp.  
Houston, Texas

We have audited the accompanying balance sheets of Gulf Ethanol Corp. (a development stage enterprise) as of December 31, 2007, and the related statements of operations, stockholder's equity, and cash flows for the year then ended and the period from re-entry into development stage, February 13, 2007 to December 31, 2007. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gulf Ethanol Corp. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended and the period from re-entry into development stage, February 13, 2007 to December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Gulf Ethanol Corp. will continue as a going concern. As shown in the financial statements, Gulf suffered losses from operations and has a working capital deficiency at December 31, 2007. These factors and others raise substantial doubt about Gulf's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2 to the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or to the amounts and classification of liabilities that might be necessary in the event Gulf cannot continue in existence.

McElravy, Kinchen & Associates, P.C.

www.mkacpas.com  
Houston, Texas

March 20, 2008

**GULF ETHANOL CORP.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**(Formerly U.S. Development Corp.)**  
**BALANCE SHEET AS OF DECEMBER 31, 2007**

**ASSETS**

Cash and cash equivalents	\$ 13,140
<b>TOTAL CURRENT ASSETS</b>	<u>13,140</u>

<b>TOTAL ASSETS</b>	<u><u>\$ 13,140</u></u>
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**LIABILITIES**

Accounts payable	\$ 26,904
Loans and accrued interest from related parties	252,935
<b>TOTAL CURRENT LIABILITIES</b>	<u>279,839</u>

<b>TOTAL LIABILITIES</b>	<u>279,839</u>
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**SHAREHOLDERS' DEFICIT**

Preferred stock, par value \$0.001, authorized 10 million shares, none issued or outstanding	-
Common stock, par value \$0.0001, authorized 100 million, 39,212,932 issued and outstanding.	3,921
Additional paid-in capital	4,111,875
Deficit accumulated from prior operations	(160,925)
Deficit accumulated during the development phase	(4,221,570)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	<u>(266,699)</u>

<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>	<u><u>\$ 13,140</u></u>
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See the accompanying summary of accounting policies and notes to the financial statements.

**GULF ETHANOL CORP.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**(Formerly U.S. Development Corp.)**  
**STATEMENTS OF OPERATIONS**  
**FROM JANUARY 1, 2007 TO DECEMBER 31, 2007 AND**  
**FROM RE-ENTERING THE DEVELOPMENT STAGE (FEBRUARY 13, 2007)**  
**TO DECEMBER 31, 2007**

	<b>From 1/1/07 to 12/31/07</b>	<b>From Re- Entering the Development Stage (2/13/07) to 12/31/07</b>
	\$	\$
Revenues	-	-
General and administrative expenses	4,154,833	4,154,833
Impairment of joint venture	50,000	50,000
Bad debt expense	<u>13,302</u>	<u>13,302</u>
Net operating loss	(4,218,135)	(4,218,135)
Interest expense, related parties	<u>3,435</u>	<u>3,435</u>
	\$	
<b>NET LOSS</b>	<b><u>(4,221,570)</u></b>	<b><u>\$(4,221,570)</u></b>
Weighted average shares outstanding	31,382,795	31,382,795
	\$	\$
Basic and fully diluted loss per share	(0.13)	(0.13)

See the accompanying summary of accounting policies and notes to the financial statements.

**GULF ETHANOL CORP.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**(Formerly U.S. Development Corp.)**  
**STATEMENTS OF CASH FLOWS**  
**FROM JANUARY 1, 2007 TO DECEMBER 31, 2007 AND**  
**FROM RE-ENTERING THE DEVELOPMENT STAGE (FEBRUARY 13, 2007)**  
**TO DECEMBER 31, 2007**

	<b>From 1/1/07 to 12/31/07</b>	<b>From Re- Entering the Development Stage (2/13/07) to 12/31/07</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	\$	\$
Net Loss	(4,221,570)	(4,221,570)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock based compensation	3,899,430	3,899,430
Impairment of joint venture	50,000	50,000
Bad debt expense	13,302	13,302
Changes in operating assets and liabilities:		
Accounts payable	11,919	11,919
Accrued expenses	3,435	3,435
	(243,484)	(243,484)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for joint venture	(50,000)	(50,000)
Net cash used by investing activities	(50,000)	(50,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on debt from related parties	249,500	249,500
Common stock issued for cash	2,000	2,000
Cash received upon exercise of options	600	600

Net cash provided by financing activities	<u>252,100</u>	<u>252,100</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(41,384)	(41,384)
Cash and cash equivalents at beginning of period	<u>54,524</u>	<u>54,524</u>
	\$	\$
Cash and cash equivalents at end of period	<u><u>13,140</u></u>	<u><u>3,140</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for:		
	\$	
Income taxes	-	\$ -
Related party interest	\$ -	\$ -

See the accompanying summary of accounting policies and notes to the financial statements.

**GULF ETHANOL CORP.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**(Formerly U.S. Development Corp.)**  
**FROM JANUARY 1, 2007 TO DECEMBER 31, 2007**

<u>Common Stock</u>							
	Date	No. of Shares	At Par Value	Additional Paid In Capital	Accum. Develop. Stage Deficit	Deficit accumulated from prior operations	Total
Balances, 12/31/06	12/31/06	13,212,932	\$ 6,805	\$ 206,961	\$ -	\$ (160,925)	\$ 52,841
Adjustment to 12/31/06 par value			(5,484)	5,484			-
Shares issued for cash	02/13/07	20,000,000	2,000				2,000
Options grants	02/13/07			3,899,430			3,899,430
Exercise of options	11/30/07	6,000,000	600				600
Net loss					(4,221,570)		(4,221,570)
Balances, 12/31/07		39,212,932	\$ 3,921	\$4,111,875	\$(4,221,570)	\$(160,925)	\$(266,699)

See the accompanying summary of accounting policies and notes to the financial statements.

**GULF ETHANOL CORP.**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**(Formerly U.S. Development Corp.)**  
**NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF BUSINESS

Gulf Ethanol Corp, (a Development Stage Enterprise) (“Gulf Ethanol”, the “Company”, “we” or “us”), formerly U.S. Development Corporation, and formerly Land Investors of America, was incorporated in the State of Oklahoma on February 26, 2003. Our common stock is traded on the Pink Sheets under the symbol GFET.

Gulf Ethanol is a development stage company and had no operating revenues for the twelve months ended December 31, 2007. Our business plan consists primarily of developing and constructing ethanol and ethanol feed stock manufacturing facilities. We expect to work with international producers to explore the importation of ethanol or feed-stocks for ethanol production from Central and South American sources.

As discussed in Note 3, our board of directors authorized the issuance of 20 million shares pursuant to our registration under Rule 504 of Regulation D of the Securities Act of 1933. As of December 31, 2007, all 20 million of those shares have been issued. With the change in control of the Company and resulting change in the business plan, we have deemed ourselves a Development Stage Company and will report, until we have significant revenues, as a Development Stage Entity under FASB Statement No. 7 - *Accounting and Reporting by Development Stage Enterprises*.

Summary of Significant Accounting Policies

**Basis of Presentation** – These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”).

**Cash and Cash Equivalents** -- For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of December 31, 2007, there were no cash equivalents.

**Impairment of Long-Lived Assets** – We review the carrying value of our long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. We assess recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset’s carrying value and fair value.

**Revenue Recognition** – We recognize revenue when persuasive evidence of an arrangement exists, product has been shipped to the customer, the sales price is fixed or determinable, and collectability is reasonably assured.

**Stock-based compensation** - We adopted the disclosure requirements of Financial Accounting Standard No. 123R, Accounting for Stock-Based Compensation (FAS No. 123R) and FAS No. 148 with respect to pro forma disclosure of compensation expense for options issued. For purposes of the

pro forma disclosures, the fair value of each option grant is estimated on the grant date using the Black-Scholes option-pricing model.

**Use of Estimates** - In preparing financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenue and expenses in the statement of expenses. Actual results could differ from those estimates.

**Basic and diluted net loss per share** -- The basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities.

**Concentrations of Credit Risk** - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and receivables. The Company places its cash with high credit quality financial institutions. At times, such amounts may exceed the FDIC limits; however, these deposits typically may be redeemed upon demand and therefore bear minimal risk. In monitoring this credit risk, the Company periodically evaluates the stability of the financial institutions.

**Income taxes**— We recognize deferred tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates that are expected to be in effect when the differences are expected to be recovered. We provide a valuation allowance for deferred tax assets for which we do not consider realization of such assets to be more likely than not.

#### Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (R), *Business Combinations*, a replacement for SFAS No. 141, *Business Combinations*. The Statement retains the fundamental requirements of SFAS No. 141, but requires the recognition of all assets acquired and liabilities assumed in a business combination at their fair values as of the acquisition date. It also requires the recognition of assets acquired and liabilities assumed arising from contractual contingencies at their acquisition date fair values. Additionally, SFAS No. 141(R) supersedes FASB Interpretation No. 4, *Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method*, which required research and development assets acquired in a business combination that have no alternative future use to be measured at their fair values and expensed at the acquisition date. SFAS No. 141(R) now requires that purchased research and development be recognized as an intangible asset. We are required to adopt SFAS No. 141(R) prospectively for any acquisitions on or after January 1, 2009 and are currently evaluating the impact this new standard will have on our future results of operations and financial position.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements*. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurements. FAS 157 does not require any new fair value measurements, but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. FAS 157 is effective for fiscal years beginning after November 15, 2007.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159 ("FAS 159"), *The Fair Value Option for Financial Assets and*

Financial Liabilities, which permits entities to choose to measure many financial instruments and certain other items at fair value which are not currently required to be measured at fair value. FAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect the adoption of FAS 159 to have an effect on its financial statements.

#### NOTE 2 – GOING CONCERN

The accompanying financial statements have been prepared assuming that Gulf will continue as a going concern. As shown in the accompanying financial statements, Gulf suffered losses of \$4,221,570 in 2007, has an accumulated deficit during the development stage of \$4,221,570 and a working capital deficit of \$266,699 at December 31, 2007. These conditions raise substantial doubt as to Gulf's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if Gulf is unable to continue as a going concern. Management intends to finance these deficits by selling its common stock.

#### NOTE 3 – CAPITAL STOCK

The Company is authorized to issue 100 million shares of common stock. At December 31, 2007, we had 39,212,932 shares of our capital stock outstanding.

On February 13, 2007, the Company's board of directors authorized the issuance of 20 million shares to ten accredited investors pursuant to Rule 504 of Regulation D of the Securities Act of 1933. Since the transaction resulted in a change of control and recapitalization, we treated these shares as founders' shares and valued them at \$2,000, their par value. Also on February 13, 2007, we granted options to two shareholders who were part of the offering, to purchase up to an additional six million shares (see Note 4).

#### NOTE 4 – OPTIONS AND WARRANTS

On February 13, 2007 we granted options to two shareholders who were included in the original offering, to purchase up to an additional six million shares. These options had an exercise price equal to the par value of the common shares (\$0.0001) and must be exercised within one year. We valued these options using the Black-Scholes model using a computed volatility of 172%, and a risk-free rate of 5.1%. This resulted in a charge to general and administrative expense of \$3,899,430.

As of December 31, 2007, all of the six million options had been exercised, resulting in a cash receipt of \$600.

No other options or warrants were granted for the twelve months ended December 31, 2007.

#### NOTE 5 – JOINT VENTURE AGREEMENT WITH MERIDIAN BIOREFINING

In December, 2007, we signed a Joint Venture Agreement ("the Agreement") with Meridian Biorefining Corporation ("Meridian") to establish a joint venture to develop a biomass ethanol feedstock technology. Under the terms of this agreement, we were to fund \$100,000 in development

costs with one payment of \$50,000 due upon closing and an additional \$50,000 due on January 10, 2008.

Additionally, Meridian was to receive 5 million shares of our common stock upon the achievement of milestones as follows: 1 million shares upon the completion of the first operational machine test; 1 million shares upon the first successful production of cellulosic feedstock; 1.5 million shares upon the completion of the first phase of testing of multiple ethanol feedstock and; 1.5 million shares upon the completion of an integrated ethanol plant design.

On December 11, 2007, we paid the first tranche of \$50,000. However, subsequently a dispute arose over the progress of the development of the machinery to produce the feedstock. We therefore withheld the second payment until the dispute could be resolved.

On January 14, 2008, we received a Notice of Dissolution of the Joint Venture (the "Notice") from the legal counsel representing Meridian, dissolving the joint venture for failure to make the second tranche of the agreement.

Both we and Meridian now consider the joint venture dissolved. We have therefore, fully reserved our cash investment of \$50,000 and removed our obligation to Meridian for the second \$50,000 tranche.

#### NOTE 6 – LOANS FROM RELATED PARTIES

To fund our operating expenses, four of our principal shareholders have contributed cash totalling \$249,500. These notes pay 6% simple interest per year and are callable by the holder at any time. As of December 31, 2007, we have accrued \$3,435 in interest on these notes, but have not made any cash interest or principal payments.

#### NOTE 7 – RELATED PARTY TRANSACTIONS

As explained in Note 6, the Company has funded its operations through loans from shareholders.

#### NOTE 8 – INCOME TAXES

Gulf uses the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes. During fiscal 2007 Gulf incurred net losses and, therefore, has no tax liability. The net deferred tax asset generated by the loss carryforward has been fully reserved. The cumulative net operating loss carryforward is approximately \$322,000 at December 31, 2007, and will expire in years 2023 through 2027.

At December 31, 2007, deferred tax assets consisted of the following:

Net operating losses	\$ 109,528
Less: valuation allowance	<u>(109,528)</u>
Net deferred tax asset	<u>\$ -</u>

## NOTE 9 – COMMITMENTS AND CONTINGENCIES

We lease approximately 2,800 square feet of office space in Houston, Texas for which we pay a monthly rental of \$3,180. This lease runs through March 31, 2010. Over the course of the lease, we will pay out \$85,860.

Year Ending  
December 31,

2008	\$
	38,160
2009	\$
	38,160
2010	\$
	9,540
Total	\$
	<u>85,860</u>

## NOTE 10 – SUBSEQUENT EVENTS

### Investment in Meridian Biorefining

As is more thoroughly discussed in Note 5, our joint venture with Meridian Biorefining has been dissolved as of March 14, 2008. We have therefore reserved our cash investment of \$50,000 and removed our liability for an additional cash payment of \$50,000.

### Forgiveness of Certain Debts

Included in Accounts Payable is \$18,165 of notes payable arising from a trade debt in 2006. On February 27, 2008, we received a letter from the supplier forgiving this debt. The balance remains in the accounts as of December 31, 2007, and will be removed in 2008.

**Item XVI    Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.**

***Gulf Ethanol Corporation***  
***Financial Statements***  
***December 31, 2006***  
***Unaudited***

**Gulf Ethanol Corporation**  
**Balance Sheet**  
**December 31, 2006**  
**(Unaudited)**

**Current Assets**

Cash in Bank	\$54,524
Loans Receivable	148,604
Less: Allowance For Doubtful Accounts	<u>(135,302)</u>
Total Current Assets	<u>67,826</u>

Total Assets \$67,826

**Liabilities and Stockholder Equity**  
**Current Liabilities**

Liabilities	
Accounts Payable	14,985
Total Liabilities	<u>14,985</u>

**Stockholders Equity**

Common Stock \$ .001 Par value 100,000,000 authorized 11,022,903 issued and outstanding	6,805
Additional Paid in Capital	206,961
Retained Earnings	<u>(160,925)</u>
Total Stockholder Equity	<u>52,841</u>
Total Liabilities and Stockholder Equity	<u>\$67,826</u>

**Gulf Ethanol Corporation**  
**Income Statement**  
**For the Twelve Months Ended December 31,2006**  
**(Unaudited)**

	<b>For Three Months Ended Dec.31,2006</b>	<b>For Twelve Months Ended Dec.31,2006</b>	<b>For Twelve Months Ended Dec.31,2005</b>
<b><u>Revenue</u></b>			
Sales and Other Revenues(Interest)	\$6	\$64	\$0
Total Revenues	<u>6</u>	<u>64</u>	<u>0</u>
<b><u>Expenses</u></b>			
General and Administrative Expenses	158,789	286,412	1,104
Interest Expense	0	2,086	14,466
Total Expenses	<u>158,789</u>	<u>288,498</u>	<u>15,570</u>
Impairment Loss		(11,266)	
Income From Forgiveness of Debt		297,999	
Gain of Sale of Land	9,281	9,281	
	<u>9,281</u>	<u>296,014</u>	
Net Income(Loss)	(\$149,502)	\$7,580	(\$15,570)
Loss per Share-Basic and Diluted	<u>-0.01356</u>	<u>0.00069</u>	<u>-0.00023</u>
Weighted Average Shares Outstanding	<u>11,022,903</u>	<u>11,022,903</u>	<u>68,050,000</u>

**Gulf Ethanol Corporation**  
**Statement of Cash Flows**  
**For the Twelve Months Ended December 31,2006**

	<b>For Three Months Ended <u>Dec.31,2006</u></b>	<b>For Twelve Months Ended <u>Dec.31,2006</u></b>
<b><u>Cash From Operating Activities</u></b>		
Net Income	(\$149,502)	\$7,580
Adjustments to reconcile net loss to net cash provided (used) in operating assets		
Adjustments to reconcile net gain(loss) to net cash Provided by (used) in operating assets		
Accrued Interest Payable	(397)	(4,000)
Impairment Loss		11,266
Total Adjustments	<u>(397)</u>	<u>7,266</u>
Net Cash Flow Provided (Used) From Investing Activities	(149,899)	14,846
<b><u>Cash Flows from financing Activities</u></b>		
Loan Receivable Repayments		72,000
Income from Forgiveness of Debt		(297,999)
Proceeds From Land Loan		40,000
Accounts Payable	(3,782)	14,985
Proceeds From borrowing from Shareholders and Affiliates		57,000
Land Loan repayment	(755)	(6,618)
Gain on Sale of Land	(9,281)	(9,281)
Proceeds from Sale of Stock	200,000	200,000
Net Cash Flows Provided (Used) in Investment Activities	<u>186,182</u>	<u>70,087</u>
<b><u>Capital Expenditures</u></b>		
Land Acquisition		<u>(81,101)</u>
Net Increase (Decrease) in Cash	<u>36,283</u>	<u>3,832</u>
Cash at beginning of period	<u>18,241</u>	<u>50,692</u>
Cash at end of period	<u>\$54,524</u>	<u>\$54,524</u>

**Gulf Ethanol Corporation**  
**Statement of Stockholder Equity**  
**For the Twelve Months Ended December 31,2006**

	Common Stock		Retained Earnings
	Number of Shares	Par Value	
Balance December 31,2005	68,050,000	6,805.00	(168,505)
Prior Period Adjustments 1 for 20 Reverse Split -July 31,2006	(64,647,500)		
New Shares Issued in Reorganization	7,220,403		
New Shares Issued in Private Placement	400,000		
Net Income(Loss)			7,580
Balance December 31,2006	11,022,903	6,805.00	(160,925)

**Gulf Ethanol Corporation**  
**Summary of Significant Accounting Policies**  
**December 31, 2006**

**Organization, Ownership and Business**

Gulf Ethanol Corporation (the company) formerly US Development Corporation, was incorporated under the laws of the State of Oklahoma on February 28, 2003, as Land Investors of America, Inc. The company changed its name and business objectives on July 31, 2006. The primary objective of the company is to become a leader in the marketing, sales, and distribution-logistics of fuel-grade ethanol.

**Accounts Receivable**

Accounts receivable consist primarily of trade receivables, net of a valuation allowance for doubtful accounts.

**Inventories**

Inventories are valued at the lower-of-cost or market on a first-in, first-out basis.

**Investment Securities**

The Company accounts for its investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Management determines the appropriate classification of its investments in marketable securities at the time of purchase and reevaluates such determination at each balance sheet date. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities for which the Company does not have the intent or ability to hold to maturity and equity securities not classified as trading securities are classified as available-for-sale. The cost of investments sold is determined on the specific identification or the first-in, first-out method. Trading securities are reported at fair value with unrealized gains and losses recognized in earnings, and available-for-sale securities are also reported at fair value, but unrealized gains and losses are shown in the caption "unrealized gains (losses) on shares available for sale" included in stockholders' equity. Management determines fair value of its investments based on quoted market prices at each balance sheet date.

**Property, Equipment and Depreciation**

Property and equipment are recorded at cost less accumulated depreciation. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts, with any resultant gain or loss being recognized as a component of other income or expense.

**Disposition of Assets**

On October 31, 2006 the company disposed of its interest in land in the Hudspeth

County, Texas to Warrioir Capital LLC (an affiliated company). The consideration received consisted of assumption of the loan on the land of \$33,381.85 and forgiveness on a note payable to Warrioir Capital of \$57,000. The total received was \$90,381.85, resulting in a one-time gain of \$9,280.85, which was recorded in the quarter ended December 31, 2006.

### **Impairment of Long-Lived Assets**

Realization of long-lived assets, including goodwill, is periodically assessed by the management of the Company. Accordingly, in the event that facts and circumstances indicate that property and equipment, and intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. In management's opinion, there is an impairment loss related to a previous land acquisition which subsequently has become worthless and \$11,266 was charged against Income as of September 30, 2006.

### **Forgiveness of Debt**

On September 30, 2006, the company recognized as income the entire principal and accrued interest of a loan forgiven by an affiliate. The total amount recognized in the period was \$297,999 dollars.

### **Revenue Recognition**

The Company recognizes revenue at the time of shipment of product to its customers or completion of services provided.

### **Income Taxes**

The Company is a taxable entity and recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect when the temporary differences reverse. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment date of the rate change. A valuation allowance is used to reduce deferred tax assets to the amount that is more likely than not to be realized.

### **Management's Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

### **Stock-based Compensation**

The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations and to elect the disclosure option of SFAS No. 123, "Accounting for Stock-Based Compensation". Accordingly, compensation cost for stock options issued to employees is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock.

### **Fair Value of Financial Instruments**

The Company estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the Company estimates of fair value are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumption and/or estimation methodologies may have a material effect on the estimated fair value amounts. The interest rates payable by the Company on its notes payable approximate market rates. The Company believes that the fair value of its financial instruments comprising accounts receivable, notes receivable, accounts payable, and notes payable approximate their carrying amounts.

### **New Standards Implemented**

In September 2006 FASB issued Statement No. 155, Accounting for Certain Hybrid Instruments, this statement is an amendment to FASB No. 133, Accounting for Derivative Instruments and Hedging Activities and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addresses in Statement 133 Implementations Issue No. D1. "Application of Statement 133 to Beneficial Interest in Securitized Financial Assets". This statement, 1) Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation 2) Clarifies which interest only strip and principal only strips are not subject to the requirements of Statement 133 3) Establishes requirement to evaluate interest in securitized financial assets to identify interest that are freestanding. 4) Clarifies the concentrations of credit risk in the form of subordination are not embedded derivatives. 5) Amends statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for all financial instruments acquired or issued after the beginning of the entity's first fiscal year that begins after September 15, 2006.

In March 2006, the FASB Issued Statement 156, Accounting and Servicing Of Financial Assets, an Amend ment of FASB statement 140. 1. It requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a contract in th the following situations. a) Transfer of servicer's financial assets that meet

the requirements for sale accounting b) A transfer of servicer's financial assets to a qualifying special purposes entity in a guarantee mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available for sale securities or trading securities in accordance with FASB statement No. 115, Accounting for Certain Investments in Debt and Equity securities. c) An acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets or the services or its consolidated affiliates. 2 . Requires separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. 3) Permits an entity to choose either of the following subsequent measurements methods for each class separately recognized servicing assets and servicing liabilities a) Amortization method-Amortize servicing assets or servicing liabilities in proportion to and over the period of estimated net servicing income or net servicing loss and assess servicing assets or servicing liabilities for impairment or increased obligation based on fair value at each reporting date. b) Fair value measurement method –Measure servicing assets or servicing liabilities at fair value at each reporting date and report changes in fair value in earnings in the period in which the changes occur. 4) At the initial adoption permits a one-time reclassification of available for sale securities to trading securities by entities with recognized security servicing rights, without calling into question the treatment of other available for sale securities under Statement 115, provided that the available for sale securities are identified in some manner as offering the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value. 5) Requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. An entity should adopt this statement as of the beginning of its first fiscal year that begins after September 15, 2006.

In September 2006 FASB issued Statement No .157 Fair Value Measurements which establishes a framework for measuring fair value in generally accepted accounting Principles (GAAP) and expands disclosures about fair value measurements. the Statement applies under other accounting pronouncements that require or permit fair value measurements, having previously concluded pronouncements that require or measurements attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this statement will change current practices. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

### **Business Combination**

On October 6, 2004, the Company entered into an agreement with FJN WorldNet, Inc. (FJN), a privately held North Dakota corporation, to acquire 37.5% of the outstanding shares of stock of FJN in exchange for 30% of the outstanding shares of stock of the Company. Both parties agreed to execute a Joint Venture Operating Agreement. In addition, the Company agreed to fund FJN's operating deficits after review and approval by the Company's Board of Directors. During the period from October 12, 2004 through November 12, 2004, the Company funded \$270,624 of FJN's operating expenses. The Company subsequently discovered that FJN was defrauding the

Company and all future funding was halted. In January 2005, the Company filed a lawsuit in the U.S. District Court for the Southern District of Texas, Houston Division, against the FJN and its President and Chief Executive Officer for recovery of the amount funded plus damages and legal fees. The Company established an allowance for 50% of the amount funded. In 2006 the company reached a settlement and as of September 30,2006, \$ 122,000 of the initial loan has been repaid.

### Capital Stock

The Company is authorized to issue up to 100,000,000 shares of Preferred and Common Stock, of which 100,000,000 shares of Common Stock is authorized and and 11,022,903 shares were issued and outstanding on December 31,2006.

On July 31, 2006 the board of directors authorized a 1 for 20 reverse stock split without affecting the companies capital structure. This was done in conjunction with a name change to Gulf Ethanol Corporation and establishment of new business objectives of becoming a leader in the marketing, sales and distribution-logistics of fuel-grade ethanol.

In October, 2006 the company received a private investment from the chairman of the board and a private investor for a total of \$ 200,000 dollars, for which 400,000 shares of common stock were issued.

### Income Taxes

A reconciliation of income taxes at the federal statutory rate to amounts provided for the twelve months ended December 31, 2006, are as follows:

Tax expense/(benefit) computed at statutory rate for continuing operations	(\$54,715)
Tax (benefit) of operating loss carryforwards	(\$54,715)
Tax expense/(benefit) for continuing operations	<u>\$</u>

The Company has current net operating loss carryforwards of \$ 160,925 on December 31, 2006, to offset future taxable income, which expire 2024 and 2025

Deferred taxes are determined based on the temporary differences between the financial statement and income tax bases of assets and liabilities as measured by the enacted tax rates, which will be in effect when these differences reverse. The components of deferred income tax assets are as follows:

Deferred tax assets:

Net operating loss	<u>\$54,715</u>
Total deferred tax asset	<u>54,715</u>
Valuation allowance	<u>54,715</u>
Net deferred asset	<u>\$</u>

At December 31, 2006, the Company provided a 100% valuation allowance for the deferred tax asset because given the volatility of the current economic climate, it could not be determined whether it was more likely than not that the deferred tax asset would be realized.

I, David Mordhekay, President of Gulf Ethanol Corporation, hereby certify that the financial statements filed herewith and any notes thereto, fairly present, in all material respects, the financial position and results of operations for the periods presented, in conformity with accounting principles generally accepted in the United States.

***US Development Corporation***  
***Financial Statements***  
***December 31, 2005***  
***Unaudited***

**US Development Corporation**  
**Balance Sheet**  
**December 31,2005**  
(Unaudited)

<b><u>Current Assets</u></b>		
Cash in Bank		50,692
Loans Receivable		220,604
Less: Allowance For Doubtful Accounts		<u>(135,302)</u>
	Total Current Assets	<u>135,994</u>
	<b>Fixed Assets</b>	
Investment in Land		11,266
		<u>147,260</u>
<b>Liabilities and Stockholder Equity</b>		
<b>Current Liabilities</b>		
	Liabilities	
Accrued Interest Payable		24,564
Loans Payable To shareholders and Affiliates		275,435
	Total Liabilities	<u>299,999</u>
<b>Stockholders Equity</b>		
Common Stock \$ .001 Par value 100,000,000 authorized 68,050,000 issued and outstanding		6,805
Additional Paid in Capital		6,961
Retained Earnings		<u>(166,505)</u>
	Total Stockholder Equity	<u>(152,739)</u>
	Total Liabilities and Stoholder Equity	<u>147,260</u>

**US Development Corporation**  
**Income Statement**  
**For the Twelve Months Ended December 31,2005**  
(Unaudited)

<b><u>Revenue</u></b>		
Sales and Other Revenues		<u>0</u>
	Total Revenues	0
<b><u>Expenses</u></b>		
General and Administrative Expenses		1,104
Interest Expense		<u>14,466</u>
	Total Expenses	<u>15,570</u>
	Net Loss	<u>(15,570)</u>
	Loss per Share-Basic and Diluted	-0.00023
	Weighted Avarage Shares Outstanding	68,050,000

**US Development Corporation**  
**Statement of Cash Flows**  
**For the Twelve Months Ended December 31,2005**

	Cash From Operating Activities	
Net Loss		(15,570)
Adjustments to reconcile net loss to net cash provided (used) in operating assets		
Adjustments to reconcile net gain(loss) to net cash Provided by (used) in operating assets		
Accrued Interest Payable		14,466
	Total Adjustments	<u>14,466</u>
Net Cash Flow Provided (Used) From Investing Activities		(1,104)
	Cash Flows from financing Activities	
Loan Repayments		50,000
Proceeds From borrowing from Shareholders and Affiliates		<u>1,000</u>
Net Cash Flows Provided (Used) in Investment Activities		51,000
Net Increase (Decrease) in Cash		49,896
Cash at beginning of period		<u>796</u>
Cash at end of period		<u>\$50,692</u>

**US Development Corporation**  
**Statement of Stockholder Equity**  
**For the Twelve Months Ended December,2005**

	Common Stock		
	Number of Shares	Par Value	Retained Earnings
Balance December 31,2004	68,050,000.00	6,805.00	(148,935)
Prior Period Adjustments Adjustments			
Net Income(Loss)			(15,570)
Balance December 31,2005	<u>68,050,000.00</u>	<u>6,805.00</u>	<u>(164,505)</u>

**US Development Corp**  
**Summary of Significant Accounting Policies**  
**December 31, 2005**

**Organization, Ownership and Business**

U. S. Development Corporation (the "Company"), formerly Land Investors of America, Inc., was incorporated under the laws of the State of Oklahoma on February 26, 2003. The primary objective of Land Investors of America, a Houston-based company, is to achieve short to intermediate-term capital appreciation from the acquisition and development of land, and high current income from mortgages originated through the sale of land to the public. The Company's business, from a different perspective, is to provide an easy means for investors to own land, either indirectly through their ownership of shares in the Company itself (without the headaches and hassles normally associated with traditional land management) or directly through easy-to-qualify, owner-financed purchases of land from the Company.

**Accounts Receivable**

Accounts receivable consist primarily of trade receivables, net of a valuation allowance for doubtful accounts.

**Inventories**

Inventories are valued at the lower-of-cost or market on a first-in, first-out basis.

**Investment Securities**

The Company accounts for its investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Management determines the appropriate classification of its investments in marketable securities at the time of purchase and reevaluates such determination at each balance sheet date. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities for which the Company does not have the intent or ability to hold to maturity and equity securities not classified as trading securities are classified as available-for-sale. The cost of investments sold is determined on the specific identification or the first-in, first-out method. Trading securities are reported at fair value with unrealized gains and losses recognized in earnings, and available-for-sale securities are also reported at fair value but unrealized gains and losses are shown in the caption "unrealized  $\zeta$  (losses) on shares available-for-sale" included in stockholders' equity. Management determines fair value of its investments based on quoted market prices at each balance sheet date.

**Property, Equipment and Depreciation**

Property and equipment are recorded at cost less accumulated depreciation. Upon retirement or sale, the cost of the assets disposed of and the related accumulated

depreciation are removed from the accounts, with any resultant gain or loss being recognized as a component of other income or expense.

### **Impairment of Long-Lived Assets**

Realization of long-lived assets, including goodwill, is periodically assessed by the management of the Company. Accordingly, in the event that facts and circumstances indicate that property and equipment, and intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. In management's opinion, there is no impairment of such assets at December 31, 2005.

### **Revenue Recognition**

The Company recognizes revenue at the time of shipment of product to its customers or completion of services provided.

### **Income Taxes**

The Company is a taxable entity and recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect when the temporary differences reverse. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment date of the rate change. A valuation allowance is used to reduce deferred tax assets to the amount that is more likely than not to be realized.

### **Advertising Costs**

The cost of advertising is expensed as incurred.

### **Management's Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

### **Stock-based Compensation**

The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations and to elect the disclosure option of SFAS No. 123, "Accounting for Stock-Based Compensation". Accordingly, compensation cost for stock options issued to

employees is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock.

### **Fair Value of Financial Instruments**

The Company estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the Company estimates of fair value are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumption and/or estimation methodologies may have a material effect on the estimated fair value amounts. The interest rates payable by the Company on its notes payable approximate market rates. The Company believes that the fair value of its financial instruments comprising accounts receivable, notes receivable, accounts payable, and notes payable approximate their carrying amounts.

### **New Standards Implemented**

In January 2003, the FASB issued SFAS No. 148, "*Accounting for Stock-Based Compensation - Transition and Disclosures.*" This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement also amends the disclosure require 123 to require more prominent and frequent disclosures in the financial statements about the effects of stock-based compensation. The transitional guidance and annual disclosure provisions of this Statement were effective for the December 31, 2005 financial statements.

SFAS 149 — In April 2003, the FASB issued SFAS 149, *Amendments of Statement 133 on Derivative Instruments and Hedging Activities* . SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* . In general, this Statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30,2003. The adoption of SFAS 149 did not have an impact on the Company's financial condition or results of operations.

SFAS 150 — In May 2003, the FASB issued SFAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Statement is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have a material impact on the Company's financial condition or results of operations.

FASB Interpretation No. 45 — In November 2002, the FASB issued interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, including indirect Guarantees of Indebtedness of Others* (FIN 45). Beginning with

transactions entered into after December 31, 2002, FIN 45 requires certain guarantees to be recorded at fair value, which is different from prior accounting practices, which was generally to record a liability only when a loss was probable and reasonably estimable, as defined in SFAS 5, *Accounting for Contingencies*. In general, FIN 45 applies to contracts or indemnification agreements that contingently require the Company to make payments to a guaranteed third-party based on changes in an underlying asset, liability, or an equity security of the guaranteed party. In accordance with FIN 45 the Company will record guarantees entered into after December 31, 2002 as a liability, at fair value.

### **Business Combination**

On October 6, 2004, the Company entered into an agreement with FJN WorldNet, Inc. (FJN), a privately held North Dakota corporation, to acquire 37.5% of the outstanding shares of stock of FJN in exchange for 30% of the outstanding shares of stock of the Company. Both parties agreed to execute a Joint Venture Operating Agreement. In addition, the Company agreed to fund FJN's operating deficits after review and approval by the Company's Board of Directors. During the period from October 12, 2004 through November 12, 2004, the Company funded \$270,624 of FJN's operating expenses. The Company subsequently discovered that FJN was defrauding the Company and all future funding was halted. In January 2005, the Company filed a lawsuit in the U.S. District Court for the Southern District of Texas, Houston Division, against the FJN and its President and Chief Executive Officer for recovery of the amount funded plus damages and legal fees. The Company established an allowance for 50% of the amount funded.

### **-3 Capital Stock**

The Company is authorized to issue up to 100,000,000 shares of Preferred and Common Stock, of which 10,000,000 shares of Preferred Stock is authorized and 100,000,000 shares of Common Stock is authorized. 68,050,000 shares of common stock were issued and outstanding as of December 31, 2005

### **Income Taxes**

A reconciliation of income taxes at the federal statutory rate to amounts provided for the year ended December 31, 2005, are as follows:

Tax expense/(benefit) computed at statutory rate	\$55,931
for	
continuing operations	
Tax (benefit) of operating loss carryforwards	( <u>\$55,931</u> )
Tax expense/(benefit) for continuing operations	<u>\$</u>

The Company has current net operating loss carryforwards is \$ 166,495 December 31, 2005, to offset future taxable income, which expire 2024.

Deferred taxes are determined based on the temporary differences between the financial statement and income tax bases of assets and liabilities as measured by

the enacted tax rates, which will be in effect when these differences reverse. The components of deferred income tax assets are as follows:

Deferred tax assets:

Net operating loss	<u>55,931</u>
Total deferred tax asset	55,931
Valuation allowance	<u>-55,931</u>
Net deferred asset	<u>\$</u>

At December 31, 2005, the Company provided a 100% valuation allowance for the deferred tax asset because given the volatility of the current economic climate, it could not be determined whether it was more likely than not that the deferred tax asset would be realized.

***I, Darrel Uselton, CEO of U S Development Corporation, hereby certify that the financial statements filed herewith and any notes thereto, fairly present, in all material respects, the financial position and results of operations for the periods presented, in conformity with accounting principles generally accepted in the United States.***

## **Item XVII Management's Discussion and Analysis or Plan of Operation.**

Gulf Ethanol is a development stage company and had no operating revenues for the six months ended June 30, 2007. Our business plan over the next twelve months is to develop, acquire, joint venture or construct one or more alternative fuel manufacturing facilities. We are in the process of selecting a site for the development of an ethanol plant along the gulf coast of the United States. In addition, we expect to attempt to develop, acquire, joint venture or construct one or more alternative fuel manufacturing facilities in Central or South America.

We do not currently produce any ethanol. We do not expect to operate at a profit, nor have positive cash flows from operations before the completion of our first ethanol plant and we have not yet located the site of our first project. To finance our on-going development, we will need to incur additional indebtedness, issue additional common stock or sell interests in the form of partnerships or joint ventures.

If we are unable to raise the capital required, we may be forced to terminate our operations and liquidate our assets at rates substantially lower than our carrying values.

The Company expects to continue to attempt to develop a cellulosic biomass feedstock technology utilizing vortex equipment. The company will also pursue a strategy of developing a biodiesel manufacturing facility in Central America.

The Company does not currently produce ethanol, as its projects are under development. We are in the development stage and were formed to develop ethanol production plants and other related assets. We do not expect to operate at a profit before our first ethanol plant is completely constructed and operational. To finance our ongoing development and capital needs, we will need to incur additional indebtedness, issue additional securities and/or sell interests in or form partnerships or joint ventures to develop our specific projects. Any such transactions may be consummated by Gulf Ethanol or by the particular subsidiaries of Gulf Ethanol that own and are developing the specific ethanol projects. Any such dispositions of interests in the specific projects may result in a deconsolidation of these project subsidiaries from our consolidated financial results and may result in a material decrease of our interest in, and control over, such projects. The Company has presented an audited balance sheet. Financial support, initially, was provided in the form of de-minimus equity contributions from purchasers of the stock issuance under 504 Reg D rules and from shareholder loans, which are further explained in the financial statements. There is no assurance that existing financing will be

adequate for completion of our first facility, that we will be able to secure additional financing for other projects, or that we will be successful in our efforts to develop, construct and operate one or more ethanol plants. Even if we successfully meet all of these objectives and begin operations, there is no assurance that we will be able to operate profitably. It is currently contemplated that these co-investors, partners or venture partners would generally be industry participants that have an interest in developing ethanol or have had prior involvement in the production and development of ethanol-related projects. Any sale of ownership interests in a project could have an adverse effect on our consolidated financial results and on our ability to control the operations relating to these projects. We expect to produce ethanol from sorghum, and our business will be sensitive to changes in the price of sorghum. The price of sorghum is subject to fluctuations due to unpredictable factors such as weather, total sorghum planted and harvested acreage, changes in national and global supply and demand, and government programs and policies. We also expect to use natural gas in the ethanol production process at some of our facilities, and our business will be sensitive to changes in the price of natural gas. The price of natural gas is influenced by such weather factors as extreme heat or cold in the summer and winter, in addition to the threat of hurricanes in the spring, summer and fall. Other natural gas price factors include the U.S. domestic onshore and offshore rig count and the amount of U.S. natural gas in underground storage during both the injection and withdrawal seasons. Numerous ethanol plants have been announced as entrepreneurs enter the business. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances. Some of the factors that may cause actual results, developments and business decisions to differ materially from those contemplated by such forward-looking statements include the following risk factors:

1. Our ability to obtain additional capital to finance our initiatives;
2. The time, cost and ability to construct or complete construction of our first alternative fuel plant;
3. Issues arising in connection with the development and construction of our projects, including those relating to permits, easements, site conditions, workmanship, process engineering, and conflicts of interest;
4. The sale of interests in, or entry into, partnerships or joint ventures with respect to specific projects;
5. Anticipated trends in our financial condition and results of operations;
6. Our ability to distinguish ourselves from our current and future competitors;
7. Changes in or elimination of laws, tariffs, subsidies, trade or other controls or enforcement practices.
8. Changes in weather and general economic conditions;

9. Overcapacity within the ethanol and petroleum production and refining industries;
10. Total United States consumption of gasoline;
11. Availability and costs of products and raw materials natural gas, stainless steel and carbon steel;
13. Labor costs;
14. Fluctuations in petroleum prices;

C. Off-Balance Sheet Arrangements.

There are no off-balance sheet arrangements.

Part E Exhibits

**Item XVII Material Contracts.**

None

**Item XIX Articles of Incorporation and Bylaws.**

- A. A complete copy of the issuer's articles of incorporation.

OFFICE OF THE SECRETARY OF STATE



**AMENDED  
CERTIFICATE OF INCORPORATION**

*WHEREAS, the Amended Certificate of Incorporation of*

**GULF ETHANOL CORP.**

*has been filed in the office of the Secretary of State as provided by the laws of the State of Oklahoma.*

*NOW THEREFORE, I, the undersigned, Secretary of State of the State of Oklahoma, by virtue of the powers vested in me by law, do hereby issue this certificate evidencing such filing.*

*IN TESTIMONY WHEREOF, I hereunto set my hand and cause to be affixed the Great Seal of the State of Oklahoma.*



*Filed in the city of Oklahoma City this  
2nd day of June, 2006.*

*M. Susan Savage*

*Secretary of State*

OFFICE OF THE SECRETARY OF STATE



CERTIFIED COPY OF ALL DOCUMENTS ON FILE

CERTIFICATE

*I THE UNDERSIGNED, Secretary of State of the State of Oklahoma, do hereby certify that, to the date of this certificate, the attached is a true and correct copy of all documents on file in this office as described below of:*

**NAME OF ENTITY**  
**GULF ETHANOL CORP.**

<b>DOCUMENT TYPE</b>	<b>DOCUMENT FILING DATE</b>
<i>Amended Certificate of Incorporation</i>	<i>June 02, 2006</i>
<i>Amended Certificate of Incorporation</i>	<i>November 22, 2004</i>
<i>Certificate of Incorporation</i>	<i>February 26, 2003</i>



*IN TESTIMONY WHEREOF, I hereunto set my hand and affixed the Great Seal of the State of Oklahoma, done at the City of Oklahoma City, this 7th, day of June, 2006.*

*M. Susan Savage*

*Secretary Of State*

**AMENDMENT TO THE  
CERTIFICATE OF INCORPORATION  
OF  
U.S. DEVELOPMENT CORPORATION**

**SECRETARY OF STATE  
STATE OF OKLAHOMA:**

The undersigned corporation, for the purpose of amending its Certificate of Incorporation pursuant to the provisions of Title 18, Section 1077, does hereby execute and submit the following Amendment to the Certificate of Incorporation of U.S. Development Corporation, which was originally incorporated on February 26, 2003 and amended on November 22, 2004.

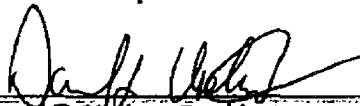
I. Article 1 of the Certificate of Incorporation stating the name of the corporation is hereby amended to change the name from U.S. Development Corporation to Gulf Ethanol Corp.

Such amendment of the Certificate was proposed and adopted by unanimous resolutions of the Shareholders and the Directors of the Corporation on May 22, 2006 pursuant to the provisions of Title 18, Section 1077 of the Oklahoma Statutes. I do hereby certify that all other provisions of the Certificate of Incorporation as filed with the Oklahoma Secretary of State on February 26, 2003 and amended on November 22, 2004, subject to this Amendment, remain in full force and effect.

IN WITNESS WHEREOF, this Corporation has caused this certificate to be signed by its President and attested to by its Secretary this 31 day of May, 2006.

U.S. DEVELOPMENT CORPORATION, an  
Oklahoma Corporation

By:

  
\_\_\_\_\_  
Darrel T. Uselton, President

Attest:

  
\_\_\_\_\_  
Mark Schiller, Secretary



**AMENDMENT TO THE  
CERTIFICATE OF INCORPORATION  
OF  
U.S. DEVELOPMENT CORPORATION**

SECRETARY OF STATE  
STATE OF OKLAHOMA:

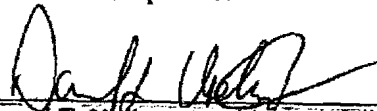
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I. Article 1 of the Certificate of Incorporation stating the name of the corporation is hereby amended to change the name from U.S. Development Corporation to Gulf Ethanol Corp.

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IN WITNESS WHEREOF, this Corporation has caused this certificate to be signed by its President and attested to by its Secretary this 31 day of May, 2006.

U.S. DEVELOPMENT CORPORATION, an  
Oklahoma Corporation

By:   
Darrel T. Uselton, President

Attest:

  
Mark Schiller, Secretary

OFFICE OF THE SECRETARY OF STATE



**CERTIFICATE OF INCORPORATION**

*WHEREAS* the Certificate of Incorporation of

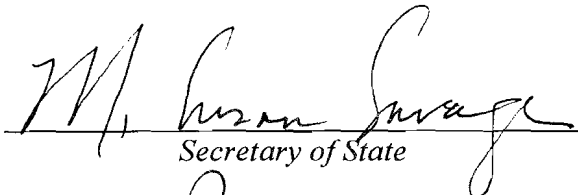
**LAND INVESTORS OF AMERICA, INC.**

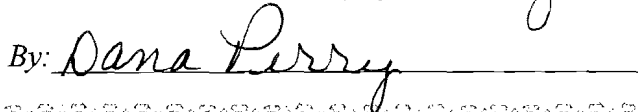
*has been filed in the office of the Secretary of State as provided by the laws of the State of Oklahoma.*

*NOW THEREFORE, I, the undersigned, Secretary of State of the State of Oklahoma, by virtue of the powers vested in me by law, do hereby issue this certificate evidencing such filing.*

*IN TESTIMONY WHEREOF, I hereunto set my hand and cause to be affixed the Great Seal of the State of Oklahoma.*

Filed in the City of Oklahoma City this 26th  
day of February, 2003.

  
Secretary of State

By: 

FILED

FEB 26 2003

OKLAHOMA SECRETARY OF STATE

MINIMUM FEE: \$50.00
Fee is \$1.00 per \$1,000.00 on Total Authorized Capital
FILE IN DUPLICATE
PRINT CLEARLY

CERTIFICATE OF INCORPORATION

TO: OKLAHOMA SECRETARY OF STATE
2300 N. Lincoln Blvd., Room 101, State Capitol Building
Oklahoma City, Oklahoma 73105-4897
(405) 522-4560

The undersigned, for the purpose of forming an Oklahoma profit corporation pursuant to the provisions of Title 18, Section 1001, do hereby execute the following certificate of incorporation:

1. The name of the corporation is:

Land Investors of America, Inc.

(NOTE: Please refer to procedure sheet for statutory words required to be included in the corporate name.)

2. The name of the registered agent and the street address of the registered office in the State of Oklahoma is:

Darrell Uselton 416 W. 15th Street, Bldg 300 Edmond Oklahoma 73013
Name Street Address City County Zip Code

(P.O. BOXES ARE NOT ACCEPTABLE)

3. The duration of the corporation is:

Perpetual

(Perpetual unless otherwise stated)

4. The purpose or purposes for which the corporation is formed are:

General Business Corporation

5. The aggregate number of shares which the corporation shall have the authority to issue, the designation of each class, the number of shares of each class, and the par value of the shares of each class are as follows:

Table with 3 columns: NUMBER OF SHARES, SERIES (If any), PAR VALUE PER SHARE (Or, if without par value, so state). Rows include COMMON 100,000,000 and PREFERRED 10,000,000 shares with a par value of .001.

RECEIVED
OK SEC. OF STATE
FEB 26 2003

6. If the powers of the incorporator(s) are to terminate upon the filing of the certificate of incorporation, the names and mailing addresses of the persons who are to serve as director(s):

<u>NAME</u>	<u>MAILING ADDRESS</u>	<u>CITY</u>	<u>STATE</u>	<u>ZIP CODE</u>
Daniel Uselton	416 W. 15 <sup>th</sup> Street, Bldg 300	Edmond	OK	73017
Mark Uselton	(SAME)			

7. The name and mailing address of the undersigned incorporator(s):

<u>NAME</u>	<u>MAILING ADDRESS</u>	<u>CITY</u>	<u>STATE</u>	<u>ZIP CODE</u>
(SAME)				

Signed and dated this 26<sup>th</sup> day of February, 2003.

**\*SIGNATURE OF ALL INCORPORATORS\***

Daniel Uselton  
SIGNATURE

Mark A. Uselton  
SIGNATURE

**B. A complete copy of the issuer's bylaws.**

**BY-LAWS  
OF  
LAND INVESTORS OF AMERICA, INC.**

(an Oklahoma corporation)

**ARTICLE I  
OFFICES**

Section 1. Principal Office. The principal office for the transaction of the business of the corporation in Oklahoma is hereby fixed and located at:

416 W. 15th Street, Building 300  
Edmond, Oklahoma 73013

The Board of Directors is hereby granted full power and authority to change said principal office from one location to another in said state. Any such change shall be noted in the by-laws by the Secretary, opposite this section, or this section may be amended to state the new location.

Section 2. Other Offices. Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the corporation is qualified to do business or the business of the corporation may require.

**ARTICLE II  
MEETINGS OF SHAREHOLDERS**

Section 1. Place of Meetings. All annual meetings of shareholders and all other meetings of shareholders shall be held either at the principal office of the corporation or at any other place within or without the State of Oklahoma as may be designated either by the Board of Directors pursuant to authority hereinafter granted to said Board or by the written consent of the shareholders entitled to vote at such meeting holding at least a majority of such shares given either before or after the meeting and filed with the Secretary of the corporation.

Section 2. Annual Meetings. The annual meetings of shareholders shall be held on such date not less than sixty (60) nor more than one hundred twenty (120) days after the end of the corporation's last preceding fiscal year, as the Board of Directors shall prescribe; provided, that if in any such year the annual meeting shall not have been held within such period, then it shall be held at 10:00 a.m. on the first Tuesday in the fifth month after the end of the corporation's last preceding fiscal year; provided, however, that should said day fall on a legal holiday, then any such annual meeting of shareholders shall be held at the same time and place on the next day thereafter ensuing which is a full business day. Any such annual meeting may be held at any other time which may be designated in a resolution by the Board of Directors or by the written consent of the shareholders entitled to vote at such meeting holding at least a majority of such shares. At such annual meeting, directors shall be elected, reports of the affairs of the corporation shall be considered, and any other business may be transacted which is within the powers of the shareholders to transact and which may be properly brought before the meeting.

Written notice of each annual meeting shall be given to each shareholder entitled to vote, either personally or by mail or other means of written communication, charges prepaid, addressed to such shareholder at his address appearing on the books of the corporation or given by him to the corporation for the purpose of notice. If a shareholder gives no address, notice shall be deemed to have been given him if sent by mail or other means of written communication addressed to the place where the principal office of the corporation is situated. All such notices shall be sent to each shareholder entitled thereto not less than ten (10) nor more than sixty (60) days before each annual meeting.

Section 3. Special Meetings. Special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by statute, may be called at any time by the President, or by resolution of the Board of Directors, or by one or more shareholders holding not less than ten percent (10%) of the issued and outstanding voting shares of the corporation, or such meeting may be held at any time without call or notice upon unanimous consent of the shareholders. Except in special cases where other express provision is made by statute, notice of such special meetings shall be given in the same manner and pursuant to the same notice provisions as for annual meetings of shareholders. Notices of any special meeting shall state, in addition to the place, day and hour of such meeting, the purpose or purposes of the meeting. Business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice.

Section 4. List of Shareholders Entitled to Vote. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of shareholders, a complete list of the shareholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in the name of each shareholder. Such list shall be open to the examination of any shareholder for any purpose germane to the meeting during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any shareholder who is present.

Section 5. Quorum. The holders of one-third (1/3) of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the shareholders for the transaction of business, except as otherwise provided by statute or the Certificate of Incorporation of the corporation. When a quorum is present at any meeting, a majority of the shares represented thereat and entitled to vote thereat shall decide any question brought before such meeting. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 6. Voting. At each meeting of shareholders each shareholder entitled to vote shall vote in person or by proxy and he shall have one (1) vote for each share standing registered in his name at the closing of the transfer books for such meeting, or the record date fixed for such meeting by the Board of Directors, as the case may be, or standing registered in his name at the time of such meeting if neither a date for the closing of the transfer books nor a record date for such meeting has been fixed by the Board of Directors.

Section 7. Consent of Absentees. The transaction of any meeting of shareholders, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person, or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 8. Action Without Meeting. Any action which, under any provisions of the laws of the State of Oklahoma or under the provisions of the Certificate of Incorporation or under these by-laws may be taken at a meeting of the shareholders, may be taken without a meeting if a record or memorandum thereof be made in writing and signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting for such purpose, and such record or memorandum be filed with the Secretary of the corporation and made a part of the corporate records.

Section 9. Proxies. Any shareholder entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by proxy. The appointment of a proxy shall be in writing and signed by the shareholder but shall require no other attestation and shall be filed with the Secretary of the corporation at or prior to the meeting. The termination of a proxy's authority by act of the shareholder shall, subject to the time limitation herein set forth, be ineffective until written notice of the termination has been given to the Secretary of the corporation. Unless otherwise provided therein, an appointment filed with the Secretary shall have the effect of revoking all proxy appointments of prior date.

### **ARTICLE III DIRECTORS**

Section 1. Powers. Subject to limitations of the Certificate of Incorporation, of the by-laws and of the laws of the State of Oklahoma as to action to be authorized or approved by the shareholders, and subject to the duties of directors as prescribed by the by-laws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be controlled by, the Board of Directors.

Section 2. Number, Election and Term of Office. The number of directors which shall constitute the whole Board shall be not less than one (1) nor more than seven (7) until changed by amendment to these by-laws. The shareholders at any annual meeting may determine the number which shall constitute the Board and the number so determined shall remain fixed until changed at a subsequent annual meeting. The directors shall be elected at each annual meeting of the shareholders; however, if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose. All directors shall hold office until their respective successors are elected.

Section 3. Vacancies. Vacancies in the Board of Directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and each director

so elected shall hold office until his successor is elected at an annual or a special meeting of the shareholders.

Section 4. Removal. Except as otherwise provided in the Certificate of Incorporation, By-Laws or by statute, the entire Board of Directors or any individual director may be removed from office with or without cause by vote of shareholders holding a majority of the outstanding shares entitled to vote at any annual or special meeting of shareholders. In case the entire Board or any one or more directors be so removed, new directors may be elected at the same meeting of shareholders.

Section 5. Place of Meetings. Regular meetings of Board of Directors shall be held at any place within or without the State of Oklahoma as may be designated from time to time by resolution of the Board of Directors or by the written consent of all members of the Board. In the absence of such designation, regular meetings shall be held at the principal office of the corporation. Special meetings of the Board may be held either at a place so designated or at the principal office.

Section 6. Regular Meetings. A regular annual meetings of the Board of Directors for the purpose of election of officers of the corporation and the transaction of any other business coming before such meeting shall be held each year immediately following the adjournment of the annual shareholder's meeting and no notice of such meeting to the elected directors shall be necessary in order to legally constitute the meeting, provided a majority of the whole Board shall be present. If a majority of the Board shall not be present, then such regular annual meeting may be held at such time as shall be fixed by the consent, in writing, of all of the directors. Other regular meetings of the Board may be held without notice at such time as shall from time to time be determined by the Board.

Section 7. Special Meetings. Special meetings of the Board of Directors for any purpose or purposes shall be called at any time by the President or, if he is absent or unable to act, by any Vice President or by any two directors upon three (3) days written notice. No business shall be considered at any special meeting other than the purposes stated in the notice given to each director of the meeting, except upon the unanimous consent of all directors.

Section 8. Waiver of Notice. Any action taken or approved at any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. If a director does not receive notice of a meeting, but attends and participates in the meeting, he shall be deemed to have waived notice of the meeting.

Section 9. Quorum. At all meetings of the Board, a quorum shall consist of a majority of the entire number of directors and the acts of a majority of the directors present shall be the acts of the Board of Directors except as may be otherwise specifically provided by statute or by the Certificate of Incorporation of the corporation or by these by-laws.

Section 10. Fees and Compensation. The Board of Directors may from time to time fix the compensation of directors for their services in that capacity. The compensation of a director may consist of an annual fee or a fee for attendance at each regular or special meeting of the Board or any meeting of any committee of the Board of which such director is a member or a combination of fees of both types; provided, that nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor. The Board may also provide for the reimbursement to any director of expenses incurred in attending any meeting of the Board or any committee of the Board of which he is a member.

Section 11. Action Without Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a majority of the members of the Board shall individually or collectively consent to such action by signing a written record or memorandum thereof. Such record or memorandum shall have the same effect as a unanimous vote of the Board of Directors and shall be filed with the Secretary of the corporation and made a part of the corporate records.

Section 12. Participation in Meetings by Telephone. Any one or more members of the Board of Directors or of any committee of the Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

#### **ARTICLE IV EXECUTIVE COMMITTEE**

Section 1. Election. At the annual meeting, or any special meeting of the Board of Directors, the Board may if it deems necessary, acting by resolution adopted by a majority of the number of directors fixed by these by-laws, elect from their own members an Executive Committee composed of three or more voting members.

Section 2. Duties. The Executive Committee shall have all of the powers of the directors in the interim between meetings of the Board, except the power to declare dividends and to adopt, amend or repeal the by-laws and where action of the Board of Directors is required by law. It shall keep regular minutes of its proceedings which shall be reported to the directors at their next meeting.

Section 3. Meetings. The Executive Committee shall meet at such times as may be fixed by the Committee or on the call of the President. Notice of the time and place of the meeting shall be given to each member of the Committee in the manner provided for the giving of notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors.

Section 4. Quorum and Voting. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business. The act of the majority of the members of the Executive Committee present at a meeting at which a quorum is present shall be the act of the Executive Committee. At all meetings of the Executive Committee, each member present shall have one (1) vote which shall be cast by him in person.

Section 5. Waiver of Notice. Any actions taken or approved at any meeting of the Executive Committee, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the members not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof.

Section 6. Removal. The entire Executive Committee or any individual member thereof may be removed from the Committee with or without cause by a vote of a majority of the whole Board of Directors.

Section 7. Vacancies. The Board of Directors shall fill all vacancies in the Executive Committee which may occur from time to time.

Section 8. Action Without Meeting. Any action which might be taken at a meeting of the Executive Committee may be taken without a meeting if a record or memorandum thereof be made in writing and signed by a majority of the members of the Executive Committee.

## **ARTICLE V COMMITTEES OF DIRECTORS**

Section 1. Designation. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, in addition to the Executive Committee provided for in Article IV hereof, each committee to consist of two or more of the directors of the corporation, which to the extent provided in the resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, except where action of the Board of Directors is required by law, and may authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 2. Procedural Rules. Each committee shall comply with the same procedural rules set forth in Sections 3 through 8, both inclusive, of Article IV that are applicable to the Executive Committee.

## **ARTICLE VI OFFICERS**

Section 1. Officers and Qualifications. The officers of the corporation shall be a President, a Secretary, a Treasurer and such other officers as the Board of Directors may deem necessary or advisable, including but not limited to a Chairman of the Board, a Vice Chairman of the Board, an Executive Vice President, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions Section 3 or Section 5 of this Article. One person may hold two or more offices.

Section 2. Election. The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article, shall be chosen

annually by the Board of Directors, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

Section 3. Subordinate Officers. The Board of Directors may appoint, and may empower the President to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the by-laws or as the Board of Directors may from time to time determine.

Section 4. Removal and Resignation. Any officer may be removed, either with or without cause, by the Board of Directors, at any regular or special meeting thereof, or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the by-laws for regular appointments to such office.

Section 6. Duties of Officers. The duties and powers of the officers of the corporation shall be as follows, and as shall hereafter be set by resolution of the Board of Directors:

Chairman of the Board. The Chairman of the Board, if there shall be such an officer, shall, if present, preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the by-laws.

President. Subject to such powers and duties, if any, as may be assigned by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall be the Chief Executive Officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation.

Vice President. In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Board of Directors, shall perform all the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the by-laws. The Board of Directors may designate such titles as may be descriptive of their respective functions or indicative of their relative seniority.

Secretary. The Secretary shall keep or cause to be kept, at the principal office of the corporation or such other place as the Board of Directors may order, a book of minutes of all meetings of directors and shareholders, with the time and place of holding, whether regular or special, and, if special, how authorized, notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The Secretary shall keep, or cause to be kept, at the principal office of the corporation or at the office of the corporation's transfer agent, a share ledger, or a duplicate share ledger, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the Board of Directors required by the by-laws or by law to be given, and he shall keep the seal of the corporation in safe custody. He shall also sign, with the President or Vice President, all contracts, deeds, licenses and other instruments when so ordered. He shall make such reports to the Board of Directors as they may request and shall also prepare such reports and statements as are required by the laws of the State of Oklahoma and shall perform such other duties as may be prescribed by the Board of Directors or by the by-laws.

The Secretary shall allow any shareholder, on application, during normal business hours, to inspect the share ledger. He shall attend to such correspondence and perform such other duties as may be incidental to his office or as may be properly assigned to him by the Board of Directors.

The Assistant Secretary or Secretaries shall perform the duties of the Secretary in the case of his absence or disability and such other duties as may be specified by the Board of Directors.

Treasurer. The Treasurer shall be the Chief Financial Officer of the corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, including account of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. The books of account shall at all reasonable times be open to inspection by any director.

The Treasurer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositories may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the President and directors, whenever they request it, an account of all of his transactions as Treasurer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the by-laws.

The Assistant Treasurer or Treasurers shall perform the duties of the Treasurer in the event of his absence or disability and such other duties as the Board of Directors may determine.

Section 7. Delegation of Duties. In case of the absence or disability of any officer of the corporation or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may, by a vote of a majority of the whole Board, delegate, for the time being, the powers or duties, or any of them, of such officer to any other officer or to any director.

## **ARTICLE VII SHARES OF STOCK**

Section 1. Certificates of Stock. A certificate or certificates shares of capital stock of the corporation shall be issued to each shareholder when any such shares are fully paid, showing the number of the shares of the corporation standing on the books in his name. All such certificates shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary, or be authenticated by facsimiles of the signatures of the President and Secretary or by a facsimile of the signature of the President and a written signature of the Secretary or an Assistant Secretary. Every certificate authenticated by a facsimile of a signature must be countersigned by a transfer agent or transfer clerk. Even though an officer who signed, or whose facsimile signature has been written, printed or stamped on, a certificate for shares shall have ceased by death, resignation or otherwise to be an officer of the corporation before such certificate delivered by the corporation, such certificate shall be as valid as though signed by a duly elected, qualified and authorized officer, if it be countersigned by a transfer agent or transfer clerk and registered by an incorporated bank or trust company as registrar of transfer. Such certificates shall also be numbered and sealed with the seal of the corporation. Such seal may be a facsimile, engraved or imprinted.

Section 2. Record of Shareholders; Transfer of Shares. There shall be kept at the registered office of the corporation a record containing the names and addresses of all shareholders of the corporation, the number and class of shares held by each and the dates when they respectively became the owners of record thereof; provided, however, that the foregoing shall not be required if the corporation shall keep at its registered office a statement containing the name and post office address, including street number, if any, of the custodian of such record. Duplicate lists may be kept in such other state or states as may, from time to time, be determined by the Board. Transfers of stock of the corporation shall be made on the books of the corporation only upon authorization by the registered holder thereof or by his attorney lawfully constituted in writing and on surrender and cancellation of a certificate or certificates for a like number of shares of the same class properly endorsed or accompanied by a duly executed proof of authenticity of the signatures as the corporation or its transfer agents may reasonably require.

Section 3. Fixing Record Date. In order that the corporation may determine the shareholders entitled to notice of or to vote at any meeting of the shareholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment or any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 4. Registered Shareholders. The corporation shall be entitled to recognize the holder of record of any share or shares of stock as the exclusive owner thereof for all purposes, and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such shares

on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

Section 5. Lost Certificates. Except as hereinafter in this section provided, no new certificate for shares shall be issued in lieu of an old one unless the latter is surrendered and canceled at the same time. The Board of Directors may, however, in case any certificate for shares is lost, stolen, mutilated or destroyed, authorize the issuance of a new certificate in lieu thereof, upon such terms and conditions including indemnification of the corporation reasonably satisfactory to it, as the Board shall determine.

Section 6. Regulations; Appointment of Transfer Agents and Registrars. The Board may make such rules and regulations as it may deem expedient concerning the issuance, transfer and registration of certificates for shares of stock. It may appoint one or more transfer agents or registrars of transfers, or both, and may require all certificates of stock to bear the signature of either or both.

Section 7. Treasury Shares. Treasury shares, or other shares not at the time issued and outstanding, shall not, directly or indirectly, be voted at any meeting of the shareholders, or counted in calculating the actual voting power of shareholders at any given time.

Section 8. Securities. Any security of the corporation, which is issued to any person without an effective registration under the Securities Act of 1933, as amended, or the Blue Sky laws of any state having jurisdiction, shall not be transferable, or be the subject of any offer, sale, pledge, assign or transfer until the corporation has been furnished with the opinion of owner's counsel satisfactory to counsel for the Corporation that such offer, sale, pledge, assign or transfer does not involve a violation of the Securities Act of 1933, as amended, or the applicable Blue sky laws of any state having jurisdiction. The certificate representing any restricted securities shall bear substantially the following legend:

**"The securities represented by this certificate are not registered under the Securities Act of 1933, as amended (the "Act"), or the Blue Sky laws of any state, and these shares may not be offered, sold, transferred, pledged or assigned in the absence of an effective registration under the Act or an opinion of owner's counsel satisfactory counsel for the issuer the such offer, sale, transfer, assign, or pledge does not involve a violation of the Act, or the Blue Sky laws of any state having jurisdiction."**

Section 9. Fractional Shares. The corporation shall not be required to issue certificates representing any fraction or fractions of a share or shares of any class, but may issue in lieu thereof, one or more script certificates in such form or forms as shall be approved by the Board of Directors, each representing a fractional interest in respect to one share. Such script certificates, upon presentation together with similar script certificates representing in the aggregate an interest in respect of one or more full shares, shall entitle the holder thereof to receive one or more full shares of the class and series, if any, specified in such script certificate.

Unless otherwise provided by the terms of the script certificate, each script certificate shall entitle the holder thereof to receive dividends, to participate in the distribution of corporate assets in the event of the corporation's liquidation, and to vote the fractional shares in person or by proxy.

## **ARTICLE VIII MISCELLANEOUS**

Section 1. Fiscal Year. The fiscal year of the corporation shall be the calendar year unless otherwise determined by the Board.

Section 2. Seal. The corporate seal shall be a device containing the name of the corporation, the year, and the words "Corporate Seal, Oklahoma."

Section 3. Annual Report. An Annual Report may be furnished to the shareholders at the request of the directors but same shall not be required.

Section 4. Inspection of Corporation Records. The share ledger or duplicate share ledger, the books of account, copy of the by-laws as amended certified by the Secretary, and minute of proceedings of the shareholders and directors and of the Executive Committee and other committees of the Board of Directors shall be open to inspection upon the written demand of any shareholder or holder or as the holder of a voting trust certificate and shall be exhibited at any time when required by the demand of ten percent (10%) of the shares represented at any shareholders' meeting. Such inspection may be made in person or by an agent or attorney and shall include the right to make extracts. Demand of inspection other than at a shareholders' meeting shall be made in writing upon the President, Secretary or Assistant Secretary of the corporation.

Section 5. Dividends. Dividends upon the shares of the capital stock of the corporation may be declared and paid, when earned, to the extent permitted by the laws of the State of Oklahoma by the Board of Directors in their discretion at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of capital stock.

## **ARTICLE IX NOTICES**

Section 1. Form of Notices. Whenever, under the provisions of these by-laws, notice is required to be given to any director, officer or shareholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, by depositing the same in the United States Mail in a postpaid sealed wrapper, addressed to such director, officer or shareholder at such address as appears on the books of the corporation, or, in default of other address, to such director, officer or shareholder at the general post office in the city where the corporation's principal office for the transaction of business is located, and such notice be deemed to be given at the time when the same shall be thus mailed.

Section 2. Waiver of Notice. Any shareholder, director or officer may waive any notice required to be given under these by-laws by a written waiver signed by the person, or persons,

entitled to such notice, whether before or after the time stated therein, and such waiver shall be deemed equivalent to the actual giving of such notice.

## **ARTICLE X AMENDMENTS**

Section 1. Who May Amend. These by-laws may be amended, altered, changed or repealed by the affirmative vote of a majority of the shares issued and outstanding, and entitled to vote thereat, at any regular or special meeting of the shareholders if notice of the proposed amendment, alteration, change or repeal be contained in the notice of the meeting, or by the affirmative vote of the majority of the Board of Directors at any regular or special meeting of the Board of Directors; provided, however, that the Board of Directors shall have no power to adopt, amend or alter any by-laws fixing their number, qualifications, classifications, term of office or the right of the shareholders to remove them from office.

## **ARTICLE XI INDEMNIFICATION**

Section 1. Indemnification of Officers, Directors, Employees and Agents of the Corporation. The corporation shall indemnify its officers, directors, employees and agents to the extent permitted by the Oklahoma General Corporation Act.

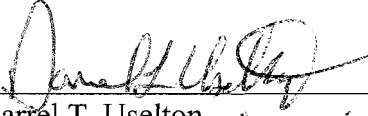
Section 2. Nonexclusive Indemnification. The indemnification provided by this Article XI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of shareholders or disinterested directors otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

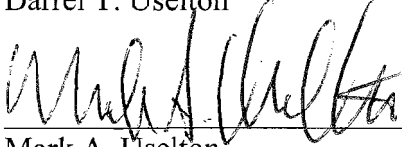
Section 3. Insurance. The corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article XI.

Section 4. Constituent Corporation. For the purposes of this Article, references to "the corporation" include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article XI with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity.

APPROVAL OF DIRECTORS

The foregoing by-laws were read and discussed, section by section, by the directors, who have authority to adopt by-laws which shall remain effective until legally amended or repealed. Following such discussion, they were duly approved at a meeting held in Oklahoma City, Oklahoma on February 26, 2003.

  
\_\_\_\_\_  
Darrel T. Usselton

  
\_\_\_\_\_  
Mark A. Usselton

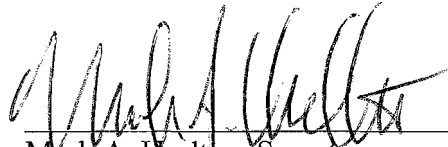
**CERTIFICATE OF SECRETARY**

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of Land Investors of America, Inc., an Oklahoma corporation;

2. That the foregoing by-laws comprising of 13 pages constitute the by-laws of said corporation as duly adopted by the Board of Directors thereof on February 26, 2003.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation on February 26, 2003.

  
\_\_\_\_\_  
Mark A. Uselton, Secretary

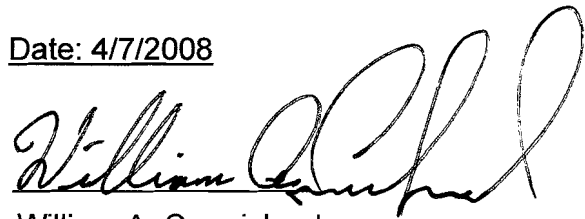
**Item XX Issuer's Certifications.**

The certifications shall follow the format below:

I, William A. Carmichael, certify that:

1. I have reviewed this annual disclosure statement of Gulf Ethanol Corp. and based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in a light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement ; and based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: 4/7/2008

A handwritten signature in black ink, appearing to read "William Carmichael", written in a cursive style.

William A. Carmichael  
Corporate Secretary

Part F Miscellaneous

**Item XXI Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

- A. In the following tabular format, provide the information specified in paragraph (B) of this item XXI with respect to any purchase made by on or behalf of the issuer or any “Affiliated Purchaser” ( as defined in paragraph(C) of this item XXI) of shares or other units of any class of the issuers equity securities.

ISSUER PURCHASES OF EQUITY SECURTIES				
Period	<b>Column (a)</b> Total Number of Shares (or Units) Purchased	<b>Column (b)</b> Average Price Paid per Share (or unit)	<b>Column (c)</b> Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	<b>Column (d)</b> Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
<b>Month #1</b> (identify beginning and ending dates)	N/A	N/A	N/A	N/A
<b>Month #2</b> (identify beginning and ending dates)	N/A	N/A	N/A	N/A
<b>Month #3</b> (identify beginning and ending dates)	N/A	N/A	N/A	N/A
<b>Total</b>	N/A	N/A	N/A	N/A

This is not legal advice, and Pink Sheets cannot assure anyone that compliance with our disclosure requirements will satisfy any legal requirements.