

Arkalon Ethanol, LLC

For the month ending 06/30/13

	Q2 '13	Q1 '13	Q2 '12
ASSETS			
Current Assets			
Cash & Equivalents	\$26,124,435.18	\$18,676,687.57	\$17,970,840.57
Accounts Receivable - Trade	6,610,674.36	8,295,922.04	9,651,031.42
Accounts Receivable - Other	68,130.32	789,179.60	2,228,965.47
Accounts Receivable - Allowance for Bad Debt	(54,420.47)	(54,420.47)	(164,735.51)
Total Accounts Receivable	6,624,384.21	9,030,681.17	11,715,261.38
Inventory - Corn	2,577,439.81	1,457,772.27	4,425,996.84
Inventory - Sorghum	1,674,578.85	2,498,248.09	4,202,632.76
Inventory - Chem, Enzymes & Yeast	400,610.67	408,403.18	494,353.87
Inventory - Denaturant	143,047.39	264,899.99	430,998.84
Inventory - Work In Process	2,769,600.52	3,030,589.19	2,962,815.77
Inventory - Spare Parts	1,530,672.63	1,453,381.14	1,372,880.35
Inventory - Ethanol	2,487,878.49	3,490,767.81	2,910,864.66
Inventory - DDG	49,270.00	106,730.60	1,140.70
Inventory-Pellets/Cubes	185.06	185.06	1,304.25
Inventory-DWG	70,307.60	140,762.80	24,102.56
LIFO Reserve	(4,091,581.74)	(4,091,581.74)	(2,012,450.49)
Total Inventory	7,612,009.28	8,760,158.39	14,814,640.11
Prepays	6,509,343.14	6,651,201.48	6,558,968.30
Hedging Accounts at Market	4,580,340.24	3,889,941.61	3,459,969.69
Total Other Current Assets	11,089,683.38	10,541,143.09	10,018,937.99
Total Current Assets	51,450,512.05	47,008,670.22	54,519,680.05
PPE-Land and Buildings - Net	21,660,696.09	22,077,707.13	23,328,740.27
PPE-Machinery and Equipment - Net	89,392,667.06	91,677,837.95	96,949,867.98
PPE-Office, Computers and Software - Net	68,143.86	25,593.23	39,952.82
PPE-Vehicles - Net	3,240.00	3,847.50	8,662.63
Total Property, Plant and Equip - Net	111,124,747.01	113,784,985.81	120,327,223.70
Other Assets	2,130,893.80	2,241,680.85	3,766,978.40
Total Other Assets	2,130,893.80	2,241,680.85	3,766,978.40
TOTAL ASSETS	164,706,152.86	163,035,336.88	178,613,882.15
LIABILITIES & EQUITY			
Current Liabilities			
Accounts Payable	13,272,965.92	13,803,914.57	10,573,502.23
Accruals	921,790.86	1,472,986.97	939,294.50
Current Maturities of Working Capital	6,500,000.00	6,500,000.00	6,500,000.00
Current Maturities of Senior Debt (Incl Sweeps)	3,459,373.00	3,876,280.00	3,876,280.00
Total Current Liabilities	24,154,129.78	25,653,181.54	21,889,076.73
Notes Payable	1,457.13	5,769.11	18,185.78
Long Term Senior Debt	64,580,583.75	65,028,520.00	67,623,049.75
Total Liabilities	88,736,170.66	90,687,470.65	89,530,312.26
Equity	98,360,102.57	98,360,102.57	98,360,102.57
Retained Earnings	(24,905,973.02)	(24,905,973.02)	3,842,533.92
Current Year Income	2,515,852.65	(1,106,263.32)	(13,119,066.60)
TOTAL LIABILITIES & EQUITY	164,706,152.86	163,035,336.88	178,613,882.15

**Arkalon Ethanol
Budget vs Actual
For the quarter ending 06/30/13**

Description	Q2 Budget	Per Gal	Q2 Actual	Per Gal	Variance	Per Gal
Gallons Sold	27,990,000	1.000	28,271,563	1.000	281,563	1.000
Revenues						
Ethanol	67,025,320.50	2.395	71,186,472.15	2.518	4,161,151.65	0.123
DDGS	584,122.25	0.021	3,729,984.42	0.132	3,145,862.17	0.111
WDGS	21,332,269.45	0.762	19,371,167.23	0.685	(1,961,102.22)	-0.077
Other	324,000.00	0.012	521,490.49	0.018	197,490.49	0.007
Total Revenue	89,265,712.21	3.189	94,809,114.29	3.354	5,543,402.08	0.164
COGS						
Feedstock						
Total Grain	79,081,965.33	2.825	77,220,219.06	2.731	(1,861,746.27)	-0.094
Natural Gas	1,697,645.83	0.061	2,355,158.87	0.083	657,513.04	0.023
Denaturant	734,737.50	0.026	1,355,783.53	0.048	621,046.03	0.022
Chemicals						
Fuel	2,114.80	0.000	16,011.59	0.001	13,896.79	0.000
ABS	16,272.24	0.001	10,756.99	0.000	(5,515.25)	0.000
Chemicals	16,036.84	0.001	204,445.01	0.007	188,408.17	0.007
Urea	190,056.77	0.007	321,790.43	0.011	131,733.66	0.005
Antibiotics	160,180.26	0.006	57,002.50	0.002	(103,177.76)	-0.004
Yeast	67,716.00	0.002	60,057.20	0.002	(7,658.80)	0.000
Ammonia	31,550.81	0.001	83,183.07	0.003	51,632.26	0.002
Sulfuric Acid	57,774.19	0.002	7,243.34	0.000	(50,530.85)	-0.002
Caustic	154,683.87	0.006	194,179.30	0.007	39,495.43	0.001
Enzymes	1,132,620.97	0.040	1,146,426.92	0.041	13,805.95	0.000
Total Chemicals	1,829,006.75	0.065	2,101,096.35	0.074	272,089.60	0.009
Water	105,000.00	0.004	107,938.00	0.004	2,938.00	0.000
Electricity	810,000.00	0.029	957,358.31	0.034	147,358.31	0.005
Total COGS	84,258,355.41	3.010	84,097,554.12	2.975	(160,801.29)	-0.036
Gross Profit	5,007,356.80	0.179	10,711,560.17	0.379	5,704,203.37	0.200
Labor	717,099.98	0.026	717,000.00	0.025	(99.98)	0.000
Management Fees	499,125.00	0.018	499,125.00	0.018	0.00	0.000
Operations and Maintenance	775,075.00	0.028	864,029.21	0.031	88,954.21	0.003
Other Plant Fixed Costs	96,000.00	0.003	132,781.79	0.005	36,781.79	0.001
License Fees and Insurance	293,000.00	0.010	370,524.48	0.013	77,524.48	0.003
Bank Fees	25,125.00	0.001	25,135.59	0.001	10.59	0.000
Property Tax	30,000.00	0.001	50,880.76	0.002	20,880.76	0.001
Depreciation	2,718,659.16	0.097	2,739,013.80	0.097	20,354.64	0.000
Amortization	316,457.88	0.011	316,457.88	0.011	0.00	0.000
Bad Debt Reserve	54,790.98	0.002	0.00	0.000	(54,790.98)	-0.002
Total Fixed Costs - Operation	5,525,333.00	0.197	5,714,948.51	0.202	189,615.51	0.005
EBIT	(517,976.20)	-0.019	4,996,611.66	0.177	5,514,587.86	0.195
Interest/Other Income	0.00	0.000	33,794.51	0.000	33,794.51	0.000
Interest Expense	1,167,036.00	0.042	1,408,290.20	0.000	241,254.20	-0.042
Net Income	(1,685,012.20)	-0.060	3,622,115.97	0.128	5,307,128.17	0.188
EBITDA	2,517,140.83	0.090	8,085,877.85	0.286	5,568,737.02	0.196
EBITDA - Debt Service	414,945.01	0.015	5,708,517.66	0.202	5,293,572.65	0.187

Arkalon Analytics
 ('000's)

	YE 2009	YE 2010	YE 2011	Q2 2012	Q2 2013
Revenue	204,319.13	235,194.67	352,056.60	71,588.09	94,809.11
Gross Profit	28,729.83	39,712.03	53,952.04	454.67	10,711.56
Net Profit	(4,726.33)	7,626.87	22,171.53	(6,500.00)	3,622.12
EBITDA	18,576.00	29,434.15	42,112.65	(2,051.44)	8,085.88
EBITDA - Debt Service	6,523.19	18,580.87	33,166.35	(4,438.84)	5,708.52
Senior Debt / Gallon	\$ 0.87	\$ 0.85	\$ 0.70	\$ 0.65	\$ 0.62

Debt Analytics
('000's)

	YE 2009	YE 2010	YE 2011	Q2 2012	Q2 2013
Senior Debt	94,484.33	93,515.26	73,107.89	67,623.05	64,580.58
Current Maturities of Senior Debt	969.07	969.07	3,876.28	3,876.28	3,459.37

Arkalon Ethanol, LLC
 Cash Flow Statement
 For the quarter ending 6/30/13

Beginning Cash	\$ 18,676,687.57
Ending Cash	\$ 26,124,435.18
Net Income	3,622,115.97
Depreciation	2,739,013.80
<i>Changes in Working Capital</i>	
Accounts Receivable	2,406,296.96
Inventory	1,148,149.11
Prepaid & Commodity	(548,540.29)
Other Assets	110,787.05
Accounts Payable	(1,082,144.76)
Notes Payable	(4,311.98)
Revolver	(416,907.00)
CMLTD - Sr. Debt	0.00
<u>Total</u>	<u>1,613,329.09</u>
Operating Activities	7,974,458.86
<i>Investing Activities</i>	
Acquisition of Assets	
<u>Sale of Assets</u>	<u>(78,775.00)</u>
Investing Activities	(78,775.00)
<i>Financing Activities</i>	
Proceeds from Long Term Debt	0.00
Debt Repayment	(447,936.25)
<u>Dividend</u>	<u>0.00</u>
Financing Activities	(447,936.25)
Net Change in Cash	7,447,747.61

Debt Disclosure
('000's)

For the Three Months Ended
June 30th,

	<u>2013</u>	<u>2012</u>
Notes Payable	1.46	18.19
Revolver	6,500.00	6,500.00
Senior Debt	<u>68,039.96</u>	<u>71,499.33</u>
Total Long-Term Debt	<u>74,541.41</u>	<u>78,017.52</u>

Debt Terms

- Revolver: \$6,500,000 at LIBOR + 6% as of 12/31/2012 and is tiered pari pasu with Sr Debt
- Senior Debt: \$68,040 outstanding at LIBOR + 6%; interest is tiered based on outstanding debt per gallon; 7 year term; 4% Required AM + up to 100% of cashflow after waterfall;

Amounts of LT debt due in each of the next 5 years (in thousands):

Years Ended	
December 31,	Amount
2013	3,876
2014	3,876
2015	3,876
2016	3,876
2017	3,876
Thereafter	48,659
Total	<u>68,040</u>

Debt Terms

- Senior debt terms: 4% Required AM + up to 100% of cashflow after waterfall.
- The above is the required amortization schedule as indicated in the contract.

3 Months Ended
6/30/2013

Per Gallon Information

Total Gallons Sold (000's):

EBITDA

Debt

Cash

	2013	2012	Change
Total Gallons Sold (000's):	28,272	26,748	1,523
EBITDA	\$ 286.01	\$ (76.69)	363
Debt	\$ 2,406.66	\$ 2,673.04	(266)
Cash	\$ 924.05	\$ 671.85	252

Key Production Indicators

	3 Months Ended		
	6/30/2013		
	<u>2013</u>	<u>2012</u>	<u>Change</u>
*baesd on sales data			
Gallons sold (in thousands)	28,272	26,748	1,523
Sales price per gallon (inclusive of hedging)	\$ 2.49	\$ 2.01	\$ 0.48
Corn cost per bushel	\$ 7.51	\$ 6.90	\$ 0.61
Crush margin	\$ (0.21)	\$ (0.51)	\$ 0.30
Denatured yield (2.25% denaturant added)	2.78	2.73	0.05
Distiller's grain as a % of the delivered cost of corn	30%	24%	6%