

Arkalon Ethanol, LLC

For the month ending 09/30/12

	Current	Prior Month	Prior Year
<b>ASSETS</b>			
Current Assets			
Cash & Equivalents	\$29,311,061.52	\$25,140,082.97	\$32,565,486.49
Accounts Receivable - Trade	5,400,758.05	5,962,047.56	10,143,189.02
Accounts Receivable - Other	3,735,329.03	3,064,178.24	3,594,243.22
Accounts Receivable - Allowance for Bad Debt	(164,735.51)	(164,735.51)	(164,736.59)
Total Accounts Receivable	8,971,351.57	8,861,490.29	13,572,695.65
Inventory - Corn	5,817,354.46	4,699,293.20	4,952,052.90
Inventory - Sorghum	3,589,129.84	4,716,149.22	3,300,151.59
Inventory - Chem, Enzymes & Yeast	474,542.58	684,459.29	507,862.20
Inventory - Denaturant	274,854.42	255,036.81	252,962.31
Inventory - Work In Process	2,798,950.52	2,921,090.18	3,282,931.35
Inventory - Spare Parts	1,392,779.85	1,380,919.08	1,166,000.89
Inventory - Ethanol	3,499,101.20	1,959,193.48	2,125,649.92
Inventory - DDG		30,130.00	
Inventory-Pellets/Cubes	282.00	810.75	
Inventory-DWG	182,259.90	89,793.00	40,991.50
LIFO Reserve	(2,012,450.49)	(2,012,450.49)	
Total Inventory	16,016,804.28	14,724,424.52	15,628,602.66
Prepays	6,394,177.19	6,443,788.18	390,231.53
Hedging Accounts at Market	1,579,128.20	3,072,037.06	5,013,541.25
Total Other Current Assets	7,973,305.39	9,515,825.24	5,403,772.78
Total Current Assets	62,272,522.76	58,241,823.02	67,170,557.58
PPE-Land and Buildings - Net	22,911,729.22	23,050,732.89	24,579,423.41
PPE-Machinery and Equipment - Net	95,801,473.46	96,568,977.26	101,700,373.33
PPE-Office, Computers and Software - Net	32,413.63	34,926.70	62,570.38
PPE-Vehicles - Net	6,772.55	7,402.57	14,332.85
Total Property, Plant and Equip - Net	118,752,388.86	119,662,039.42	126,356,699.97
Other Assets	3,296,872.85	3,405,286.45	5,098,421.98
Total Other Assets	3,296,872.85	3,405,286.45	5,098,421.98
<b>TOTAL ASSETS</b>	<b>184,321,784.47</b>	<b>181,309,148.89</b>	<b>198,625,679.53</b>
<b>LIABILITIES &amp; EQUITY</b>			
Current Liabilities			
Accounts Payable	22,180,861.40	13,661,060.43	9,328,566.46
Accruals	1,777,638.44	1,396,579.50	1,631,587.39
Current Maturities of Working Capital	6,500,000.00	6,500,000.00	6,500,000.00
Current Maturities of Senior Debt (Incl Sweeps)	3,876,280.00	3,876,280.00	3,491,393.28
Total Current Liabilities	34,334,779.84	25,433,919.93	20,951,547.13
Notes Payable	501,856.66	600,762.30	29,859.93
Long Term Senior Debt	66,758,206.50	67,623,049.75	78,127,936.47
Total Liabilities	101,594,843.00	93,657,731.98	99,109,343.53
Equity	98,360,102.57	98,360,102.57	98,360,102.57
Retained Earnings	3,842,533.92	3,842,533.92	(18,328,994.48)
Current Year Income	(19,475,695.02)	(14,551,219.58)	19,485,227.91
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>184,321,784.47</b>	<b>181,309,148.89</b>	<b>198,625,679.53</b>

**Arkalon Ethanol  
Budget vs Actual  
For the quarter ending 09/30/12**

Description	Q3 Budget		Q3 Actual		Variance		YTD Budget		YTD Actual		Variance	
	Q3 Budget	Per Gal	Q3 Actual	Per Gal	Variance	Per Gal	YTD Budget	Per Gal	YTD Actual	Per Gal	Variance	Per Gal
<b>Gallons Sold</b>	<b>28,495,500</b>	<b>1.000</b>	<b>25,541,467</b>	<b>1.000</b>	<b>(2,954,033)</b>	<b>1.000</b>	<b>84,853,267</b>	<b>1.000</b>	<b>78,543,325</b>	<b>1.000</b>	<b>(6,309,942)</b>	<b>1.000</b>
<b>Revenues</b>												
Ethanol	81,385,682.00	2.856	59,096,666.22	2.314	(22,289,015.78)	-0.542	224,331,143.00	2.536	168,809,848.01	2.149	(55,521,294.99)	-0.387
DDGS	555,684.00	0.020	42,421.10	0.002	(513,262.90)	-0.018	1,610,754.00	0.019	255,970.87	0.003	(1,354,783.13)	-0.015
WDGS	18,146,760.00	0.637	19,334,519.76	0.757	1,187,759.76	0.120	52,489,569.00	0.609	49,317,838.49	0.628	(3,171,730.51)	0.019
Other	168,000.00	0.006	1,603,338.80	0.063	1,435,338.80	0.057	504,000.00	0.006	4,005,879.85	0.051	3,501,879.85	0.045
<b>Total Revenue</b>	<b>100,256,126.00</b>	<b>3.518</b>	<b>80,076,945.88</b>	<b>3.135</b>	<b>(20,179,180.12)</b>	<b>-0.383</b>	<b>278,935,466.00</b>	<b>3.287</b>	<b>222,389,537.22</b>	<b>2.831</b>	<b>(56,545,928.78)</b>	<b>-0.456</b>
<b>COGS</b>												
<b>Feedstock</b>												
Total Grain	80,255,442.00	2.816	74,449,952.24	2.915	(5,805,489.76)	0.098	234,027,004.00	2.728	206,755,596.58	2.632	(27,271,407.42)	-0.096
Natural Gas	2,273,928.00	0.080	1,453,878.09	0.057	(820,049.91)	-0.023	6,821,784.00	0.081	4,110,366.34	0.052	(2,711,417.66)	-0.028
Denaturant		0.000	583,141.91	0.023	583,141.91	0.023		0.000	1,109,234.35	0.014	1,109,234.35	0.014
<b>Chemicals</b>												
Fuel	0.00	0.000	2,355.30	0.000	2,355.30	0.000		0.000	9,363.10	0.000	9,363.10	0.000
ABS	0.00	0.000	10,985.74	0.000	10,985.74	0.000		0.000	36,068.21	0.000	36,068.21	0.000
Chemicals	15,681.00	0.001	106,356.56	0.004	90,675.56	0.004	47,399.00	0.001	192,523.06	0.002	145,124.06	0.002
Urea	213,444.00	0.007	318,996.05	0.012	105,552.05	0.005	645,184.00	0.008	951,149.90	0.012	305,965.90	0.004
Antibiotics	156,620.00	0.005	76,915.00	0.003	(79,705.00)	-0.002	473,420.00	0.006	312,187.22	0.004	(161,232.78)	-0.002
Yeast	66,211.00	0.002	78,037.06	0.003	11,826.06	0.001	200,138.00	0.002	204,474.71	0.003	4,336.71	0.000
Ammonia	30,850.00	0.001	34,276.78	0.001	3,426.78	0.000	93,251.00	0.001	73,209.30	0.001	(20,041.70)	0.000
Sulfuric Acid	56,490.00	0.002	20,875.80	0.001	(35,614.20)	-0.001	170,754.00	0.002	215,761.36	0.003	45,007.36	0.001
Cautic	184,856.00	0.006	198,479.75	0.008	13,623.75	0.001	558,770.00	0.007	613,144.05	0.008	54,374.05	0.001
Enzymes	1,386,780.00	0.049	1,073,604.04	0.042	(313,175.96)	-0.007	4,191,858.00	0.050	3,265,217.14	0.042	(926,640.86)	-0.008
<b>Total Chemicals</b>	<b>2,110,932.00</b>	<b>0.074</b>	<b>1,920,882.08</b>	<b>0.075</b>	<b>(190,049.92)</b>	<b>0.001</b>	<b>6,380,774.00</b>	<b>0.076</b>	<b>5,873,098.05</b>	<b>0.075</b>	<b>(507,675.95)</b>	<b>-0.001</b>
Water	105,000.00	0.004	159,538.00	0.006	54,538.00	0.003	315,000.00	0.004	305,954.00	0.004	(9,046.00)	0.000
Electricity	810,000.00	0.028	1,012,063.67	0.040	202,063.67	0.011	2,430,000.00	0.029	2,757,453.29	0.035	327,453.29	0.006
<b>Total COGS</b>	<b>85,555,302.00</b>	<b>3.002</b>	<b>79,579,455.99</b>	<b>3.116</b>	<b>(5,975,846.01)</b>	<b>0.113</b>	<b>249,974,562.00</b>	<b>2.946</b>	<b>220,911,702.61</b>	<b>2.813</b>	<b>(29,062,859.39)</b>	<b>-0.133</b>
<b>Gross Profit</b>	<b>14,700,824.00</b>	<b>0.253</b>	<b>497,489.89</b>	<b>0.019</b>	<b>(14,203,334.11)</b>	<b>-0.234</b>	<b>28,960,904.00</b>	<b>0.341</b>	<b>1,477,834.61</b>	<b>0.019</b>	<b>(27,483,069.39)</b>	<b>-0.322</b>
Labor	717,099.00	0.025	717,000.00	0.028	(99.00)	0.003	2,151,297.00	0.025	2,151,000.00	0.027	(297.00)	0.002
Management Fees	499,125.00	0.018	499,125.00	0.020	0.00	0.002	1,497,375.00	0.018	1,497,375.00	0.019	0.00	0.001
Operations and Maintenance	1,066,863.00	0.037	978,064.97	0.038	(88,798.03)	0.001	2,845,589.00	0.032	2,723,505.29	0.035	(122,083.71)	0.003
Other Plant Fixed Costs	109,200.00	0.004	163,545.04	0.006	54,345.04	0.003	327,600.00	0.004	452,741.86	0.006	125,141.86	0.002
License Fees and Insurance	314,001.00	0.011	327,517.16	0.013	13,516.16	0.002	942,003.00	0.011	1,153,395.41	0.015	211,392.41	0.004
Bank Fees	25,125.00	0.001	28,039.99	0.001	2,914.99	0.000	75,375.00	0.001	78,079.97	0.001	2,704.97	0.000
Property Tax	30,000.00	0.001	36,000.00	0.001	6,000.00	0.000	90,000.00	0.001	108,235.52	0.001	18,235.52	0.000
Depreciation	3,007,231.00	0.106	2,726,555.34	0.107	(280,675.66)	0.001	8,520,203.00	0.098	8,154,087.20	0.104	(366,115.80)	0.006
Amortization	316,458.00	0.011	316,457.88	0.012	(0.12)	0.001	949,374.00	0.011	949,373.64	0.012	(0.36)	0.001
Bad Debt Reserve	46,755.00	0.002	(152,775.21)	-0.006	(199,530.21)	-0.008	135,249.00	0.002	(152,774.08)	-0.002	(288,023.08)	-0.004
<b>Total Fixed Costs - Operation</b>	<b>6,131,857.00</b>	<b>0.215</b>	<b>5,639,530.17</b>	<b>0.221</b>	<b>(492,326.83)</b>	<b>0.006</b>	<b>17,534,065.00</b>	<b>0.207</b>	<b>17,115,019.81</b>	<b>0.218</b>	<b>(419,045.19)</b>	<b>0.011</b>
<b>EBIT</b>	<b>8,568,967.00</b>	<b>0.301</b>	<b>(5,142,040.28)</b>	<b>-0.201</b>	<b>(13,711,007.28)</b>	<b>-0.502</b>	<b>11,426,839.00</b>	<b>0.135</b>	<b>(15,637,185.20)</b>	<b>-0.199</b>	<b>(27,064,024.20)</b>	<b>-0.334</b>
Interest/Other Income	0.00	0.000	67,647.32	0.000	67,647.32	0.000	0.00	0.000	404,088.26	0.000	404,088.26	0.000
Interest Expense	1,290,486.00	0.045	1,282,235.46	0.000	(8,250.54)	-0.045	4,066,143.00	0.000	4,242,598.08	0.000	176,455.08	0.000
<b>Net Income</b>	<b>7,278,481.00</b>	<b>0.008</b>	<b>(6,356,628.42)</b>	<b>-0.249</b>	<b>(13,635,109.42)</b>	<b>-0.257</b>	<b>7,360,696.00</b>	<b>0.087</b>	<b>(19,475,695.02)</b>	<b>-0.248</b>	<b>(26,836,391.02)</b>	<b>-0.335</b>
<b>EBITDA</b>	<b>11,892,656.00</b>	<b>0.167</b>	<b>(2,031,379.74)</b>	<b>-0.080</b>	<b>(13,924,035.74)</b>	<b>-0.247</b>	<b>20,896,416.00</b>	<b>0.246</b>	<b>(6,129,636.10)</b>	<b>-0.078</b>	<b>(27,026,052.10)</b>	<b>-0.324</b>
<b>EBITDA - Debt Service</b>	<b>9,633,100.01</b>	<b>0.085</b>	<b>(4,282,685.19)</b>	<b>-0.168</b>	<b>(13,915,785.20)</b>	<b>-0.252</b>	<b>13,923,063.03</b>	<b>0.164</b>	<b>(13,279,444.15)</b>	<b>-0.169</b>	<b>(27,202,507.18)</b>	<b>-0.333</b>

**Arkalon Analytics**  
**('000's)**

	YE 2009	YE 2010	Q3 2011	Q3 2012
Revenue	204,319.13	235,194.67	94,601.95	80,076.95
Gross Profit	28,729.83	39,712.03	20,985.64	497.49
Net Profit	( 4,726.33 )	7,626.87	13,606.15	( 6,356.63 )
EBITDA	18,576.00	29,434.15	18,412.16	( 2,031.38 )
EBITDA - Debt Service	6,523.19	18,580.87	16,366.04	( 4,282.69 )
Senior Debt / Gallon	\$ 0.87	\$ 0.85	\$ 0.74	\$ 0.64

**Debt Analytics**  
**('000's)**

	YE 2009	YE 2010	Q3 2011	Q3 2012
Senior Debt	94,484.33	93,515.26	78,127.94	66,758.21
Current Maturities of Senior Debt	969.07	969.07	3,491.39	3,876.28

Arkalon Ethanol, LLC  
 Cash Flow Statement  
 For the quarter ending 09/30/12

Beginning Cash (Prior Month)	\$ 17,970,840.57
Ending Cash (Current Month)	\$ 29,311,061.52
Net Income	(6,356,628.42)
Depreciation	2,726,555.34
<i>Changes in Working Capital</i>	
Accounts Receivable	2,743,909.81
Inventory	(1,202,164.17)
Prepaid & Commodity	2,045,632.60
Other Assets	470,105.55
Accounts Payable	12,445,703.11
Notes Payable	483,670.88
Revolver	0.00
CMLTD - Sr. Debt	0.00
<u>Total</u>	<u>16,986,857.78</u>
Operating Activities	13,356,784.70
<i>Investing Activities</i>	
Acquisition of Assets	(1,151,720.50)
Sale of Assets	0.00
Investing Activities	(1,151,720.50)
<i>Financing Activities</i>	
Proceeds from Long Term Debt	
Debt Repayment	(864,843.25)
Dividend	0.00
Financing Activities	(864,843.25)
Net Change in Cash	11,340,220.95

**Debt Disclosure**  
**('000's)**

**For the Three Months Ended**  
**9/30/2012**

	<u>2012</u>	<u>2011</u>
Notes Payable	501.86	29.86
Revolver	6,500.00	6,500.00
Senior Debt	<u>70,634.49</u>	<u>81,619.33</u>
Total Long-Term Debt	<u>77,636.34</u>	<u>88,149.19</u>

**Debt Terms**

- Revolver: \$6,500,000 at LIBOR + 6% as of 9/30/2012 and is tiered like pari pasu with Sr Debt
- Senior Debt: \$70,634 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):**

<b>Years Ended</b>	
<b>December 31,</b>	<b>Amount</b>
2012	3,876
2013	3,876
2014	3,876
2015	3,876
2016	3,876
Thereafter	<u>51,253</u>
Total	<u><u>70,634</u></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  
9/30/2012**

**Per Unit Information**

Total Units Outstanding:

EBITDA

Debt

Cash

	<b>2012</b>	<b>2011</b>	<b>Change</b>
Total Units Outstanding:	35,410	35,410	-
EBITDA	\$ ( 57.37 )	\$ 519.97	( 577 )
Debt	\$ 1,994.76	\$ 2,304.98	( 310 )
Cash	\$ 827.76	\$ 919.67	( 92 )

**Per Gallon Information**

Total Gallons Sold (000's):

EBITDA

Debt

Cash

	<b>2012</b>	<b>2011</b>	<b>Change</b>
Total Gallons Sold (000's):	25,541	26,321	( 779 )
EBITDA	\$ ( 79.53 )	\$ 699.53	( 779 )
Debt	\$ 2,765.48	\$ 3,100.93	( 335 )
Cash	\$ 1,147.59	\$ 1,237.25	( 90 )



## Key Production Indicators

	For the Three Months Ended		
	September 30,		
	<u>2012</u>	<u>2011</u>	<u>Change</u>
Gallons sold (in thousands)	25,541	26,321	( 779 )
Average sales price per gallon (net)	\$ 2.29	\$ 2.79	\$ ( 0.50 )
Corn cost per bushel	\$ 7.58	\$ 7.10	\$ 0.48
Crush margin	\$ ( 0.43 )	\$ 0.24	\$ ( 0.67 )
Denatured yield (2.25% denaturant added)	2.78	2.78	( 0.00 )
Distiller's grain as a % of the delivered cost of corn	28%	25%	2%