

Arkalon Ethanol, LLC

For the month ending 06/30/12

	Current	Prior Month	Prior Year
ASSETS			
Current Assets			
Cash & Equivalents	\$17,970,840.57	\$30,638,682.24	\$24,266,874.63
Accounts Receivable - Trade	9,651,031.42	9,009,737.55	11,969,646.97
Accounts Receivable - Other	2,228,965.47	0.00	500,000.00
Accounts Receivable - Allowance for Bad Debt	(164,735.51)	(164,735.51)	(150,606.23)
Total Accounts Receivable	11,715,261.38	8,845,002.04	12,319,040.74
Inventory - Corn	4,425,996.84	5,900,773.86	3,146,224.08
Inventory - Sorghum	4,202,632.76	5,427,680.34	3,092,195.04
Inventory - Chem, Enzymes & Yeast	494,353.87	569,656.89	503,424.59
Inventory - Denaturant	430,998.84	411,762.39	303,666.50
Inventory - Work In Process	2,962,815.77	2,545,854.78	2,890,556.28
Inventory - Spare Parts	1,372,880.35	1,360,476.86	1,016,225.67
Inventory - Ethanol	2,910,864.66	1,647,724.80	2,240,979.86
Inventory - DDG	1,140.70	4,778.20	91,828.00
Inventory-Pellets/Cubes	1,304.25	1,269.00	0.00
Inventory-DWG	24,102.56	47,021.40	43,314.00
LIFO Reserve	(2,012,450.49)	(1,994,979.95)	0.00
Total Inventory	14,814,640.11	15,922,018.57	13,328,414.02
Prepays	6,558,968.30	6,616,204.59	309,453.66
Hedging Accounts at Market	3,459,969.69	3,910,320.47	4,979,341.43
Total Other Current Assets	10,018,937.99	10,526,525.06	5,288,795.09
Total Current Assets	54,519,680.05	65,932,227.91	55,203,124.48
PPE-Land and Buildings - Net	23,328,740.27	23,467,743.94	24,996,434.46
PPE-Machinery and Equipment - Net	96,949,867.98	97,712,309.83	102,892,693.28
PPE-Office, Computers and Software - Net	39,952.82	42,465.89	70,109.56
PPE-Vehicles - Net	8,662.63	9,292.64	16,222.93
Total Property, Plant and Equip - Net	120,327,223.70	121,231,812.30	127,975,460.23
Other Assets	3,766,978.40	3,629,137.03	6,319,735.35
Total Other Assets	3,766,978.40	3,629,137.03	6,319,735.35
TOTAL ASSETS	178,613,882.15	190,793,177.24	189,498,320.06
LIABILITIES & EQUITY			
Current Liabilities			
Accounts Payable	10,573,502.23	12,786,209.33	13,239,691.07
Accruals	939,294.50	1,786,900.11	1,330,677.75
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	3,876,280.00
Total Current Liabilities	21,889,076.73	24,949,389.44	24,946,648.82
Notes Payable	18,185.78	19,518.74	33,594.06
Long Term Senior Debt	67,623,049.75	72,243,049.75	78,607,893.00
Total Liabilities	89,530,312.26	97,211,957.93	103,588,135.88
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	(13,119,066.60)	(8,621,417.18)	5,879,076.09
TOTAL LIABILITIES & EQUITY	178,613,882.15	190,793,177.24	189,498,320.06

Arkalon Ethanol
Budget vs Actual
For the quarter ending 06/30/12

Description	Q2 Budget		Q2 Actual		Variance	Per Gal
	Q2 Budget	Per Gal	Q2 Actual	Per Gal		
Gallons Sold	28,495,500	1.000	26,748,279	1.000	(1,747,221)	1.000
Revenues						
Ethanol	73,261,932.00	2.571	53,724,189.57	2.009	(19,537,742.43)	-0.562
DDGS	536,919.00	0.019	84,668.26	0.003	(452,250.74)	-0.016
WDGS	17,496,522.00	0.614	15,611,181.56	0.584	(1,885,340.44)	-0.030
Other	168,000.00	0.006	2,168,053.09	0.081	2,000,053.09	0.075
Total Revenue	91,463,373.00	3.210	71,588,092.48	2.676	(19,875,280.52)	-0.533
COGS						
Feedstock						
Total Grain	78,902,067.00	2.769	66,662,824.76	2.492	(12,239,242.24)	-0.277
Natural Gas	2,273,928.00	0.080	1,172,253.20	0.044	(1,101,674.80)	-0.036
Denaturant		0.000	297,584.77	0.011	297,584.77	0.011
Chemicals						
Fuel		0.000	2,114.80	0.000	2,114.80	0.000
ABS		0.000	16,272.24	0.001	16,272.24	0.001
Chemicals	16,038.00	0.001	36,002.77	0.001	19,964.77	0.001
Urea	218,295.00	0.008	328,768.09	0.012	110,473.09	0.005
Antibiotics	160,179.00	0.006	130,841.00	0.005	(29,338.00)	-0.001
Yeast	67,716.00	0.002	65,609.28	0.002	(2,106.72)	0.000
Ammonia	31,551.00	0.001	29,721.76	0.001	(1,829.24)	0.000
Sulfuric Acid	57,774.00	0.002	93,800.31	0.004	36,026.31	0.001
Cautic	189,057.00	0.007	196,559.72	0.007	7,502.72	0.001
Enzymes	1,418,298.00	0.050	1,094,417.41	0.041	(323,880.59)	-0.009
Total Chemicals	2,158,908.00	0.076	1,994,107.38	0.075	(164,800.62)	-0.001
Water	105,000.00	0.004	60,598.00	0.002	(44,402.00)	-0.001
Electricity	810,000.00	0.028	946,057.19	0.035	136,057.19	0.007
Total COGS	84,249,903.00	2.957	71,133,425.30	2.659	(13,116,477.70)	-0.297
Gross Profit	7,213,470.00	0.253	454,667.18	0.017	(6,758,802.82)	-0.236
Total Fixed Costs - Operation	5,596,792.00	0.196	5,552,367.73	0.208	(44,424.27)	0.011
EBIT	1,616,678.00	0.057	(5,097,700.55)	-0.191	(6,714,378.55)	-0.247
Interest/Other Income	0.00	0.000	16,033.90	0.000	16,033.90	0.000
Interest Expense	1,379,937.00	0.048	1,418,328.61	0.000	38,391.61	-0.048
Net Income	236,741.00	0.008	(6,499,995.26)	-0.243	(6,736,736.26)	-0.251
EBITDA	4,761,973.00	0.167	(2,051,442.91)	-0.077	(6,813,415.91)	-0.244
EBITDA - Debt Service	2,412,966.01	0.085	(4,438,841.51)	-0.166	(6,851,807.52)	-0.251

Arkalon Analytics
 ('000's)

	YE 2009	YE 2010	Q2 2011	Q2 2012
Revenue	204,319.13	235,194.67	93,251.57	71,588.09
Gross Profit	28,729.83	39,712.03	12,297.05	454.67
Net Profit	(4,726.33)	7,626.87	4,536.12	(6,500.00)
EBITDA	18,576.00	29,434.15	9,675.13	(2,051.44)
EBITDA - Debt Service	6,523.19	18,580.87	7,271.57	(4,438.84)
Senior Debt / Gallon	\$ 0.87	\$ 0.85	\$ 0.75	\$ 0.65

Debt Analytics
('000's)

	YE 2009	YE 2010	Q2 2011	Q2 2012
Senior Debt	94,484.33	93,515.26	78,607.89	67,623.05
Current Maturities of Senior Debt	969.07	969.07	3,876.28	3,876.28

Cash Flow Statement
('000's)

Beg Cash 3/31/2012	34,682.73
End Cash 6/30/2012	17,970.84

Net Income	(6,500)
Depreciation	2,714

Changes in Working Capital

DSR	0
Margin Account	0
Accounts Receivable	(6,411)
Inventory	(485)
Prepaid & Commodity	1,477
Other Assets	(328)
Accounts Payable	(2,554)
Notes Payable	(4)
Revolver	0
CMLTD - Sr. Debt	0
<u>Total</u>	<u>(8,306)</u>

Operating Activities (12,092)

Investing Activities

Acquisition of Assets	0
Sale of Assets	0

Investing Activities 0

Financing Activities

Proceeds from Long Term Debt	0
Debt Repayment	(4,620)
Dividend	0

Financing Activities (4,620)

Net Change in Cash (16,712)

Debt Disclosure
('000's)

For the Three Months Ended
6/30/2012

	<u>2012</u>	<u>2011</u>
Notes Payable	18.19	33.59
Revolver	6,500.00	6,500.00
Senior Debt	<u>71,499.33</u>	<u>82,484.17</u>
Total Long-Term Debt	<u>78,017.52</u>	<u>89,017.77</u>

Debt Terms

- Revolver: \$6,500,000 at LIBOR + 6.5% as of 6/30/2012 and is tiered like pari pasu with Sr Debt
- Senior Debt: \$71,499 outstanding at LIBOR + 6.5%; 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	
<u>December 31,</u>	<u>Amount</u>
2012	3,876
2013	3,876
2014	3,876
2015	3,876
2016	3,876
Thereafter	<u>52,118</u>
Total	<u><u>71,499</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
6/30/2012**

Per Unit Information

Total Units Outstanding:

EBITDA

Debt

Cash

	2012	2011	Change
Total Units Outstanding:	35,390	35,390	-
EBITDA	\$ (57.97)	\$ 273.39	(331)
Debt	\$ 2,020.33	\$ 2,330.72	(310)
Cash	\$ 507.79	\$ 685.70	(178)

Per Gallon Information

Total Gallons Sold (000's):

EBITDA

Debt

Cash

	2012	2011	Change
Total Gallons Sold (000's):	26,748	28,495	(1,747)
EBITDA	\$ (76.69)	\$ 339.53	(416)
Debt	\$ 2,673.04	\$ 2,894.65	(222)
Cash	\$ 671.85	\$ 851.61	(180)

Key Production Indicators

	For the Three Months Ended		
	June 30,		
	<u>2012</u>	<u>2011</u>	<u>Change</u>
*baesd on sales data			
Gallons sold (in thousands)	26,748.28	28,495.35	(1,747.07)
Average sales price per gallon (net)	\$ 2.01	\$ 2.64	\$ (0.63)
Corn cost per bushel	\$ 6.75	\$ 7.17	\$ (0.42)
Crush margin	\$ (0.46)	\$ 0.07	\$ (0.53)
Denatured yield (2.25% denaturant added)	2.73	2.79	(0.06)
Distiller's grain as a % of the delivered cost of corn	24%	24%	0%