

Arkalon Ethanol, LLC

For the Nine Months Ending September 30, 2011

	Current	Prior Month	Prior Year
<b>ASSETS</b>			
Current Assets			
Cash & Equivalents	\$32,565,486.49	\$35,406,074.93	\$29,049,294.28
Accounts Receivable - Trade	10,143,189.02	5,001,573.20	4,821,326.44
Accounts Receivable - Other	3,594,243.22	1,171,614.63	3,826,173.04
Accounts Receivable - Allowance for Bad Debt	(164,736.59)	(164,736.47)	(230,922.77)
Total Accounts Receivable	13,572,695.65	6,008,451.36	8,416,576.71
Inventory - Corn	4,952,052.90	5,060,947.05	2,834,971.63
Inventory - Sorghum	3,300,151.59	2,966,889.48	1,714,518.00
Inventory - Chem, Enzymes & Yeast	507,862.20	482,812.06	496,794.93
Inventory - Denaturant	252,962.31	256,638.05	252,486.33
Inventory - Work In Process	3,282,931.35	2,686,469.80	2,345,420.14
Inventory - Spare Parts	1,166,000.89	1,046,068.73	978,921.59
Inventory - Ethanol	2,125,649.92	3,778,838.27	1,767,292.85
Inventory - DDG	0.00	8,761.20	67,676.83
Inventory - DWG	40,991.50	25,488.00	46,550.00
Total Inventory	15,628,602.66	16,312,912.64	10,504,632.30
Prepays	390,231.53	523,852.14	480,142.79
Hedging Accounts at Market	5,013,541.25	1,360,120.26	3,458,325.50
Total Other Current Assets	5,403,772.78	1,883,972.40	3,938,468.29
Total Current Assets	67,170,557.58	59,611,411.33	51,908,971.58
PPE-Land and Buildings - Net	24,579,423.41	24,718,427.08	26,205,467.62
PPE-Machinery and Equipment - Net	101,700,373.33	102,451,373.03	109,549,452.92
PPE-Office, Computers and Software - Net	62,570.38	65,083.44	78,439.23
PPE-Vehicles - Net	14,332.85	14,962.87	21,893.19
Total Property, Plant and Equip - Net	126,356,699.97	127,249,846.42	135,855,252.96
Other Assets	5,098,421.98	5,191,498.27	5,789,046.40
Total Other Assets	5,098,421.98	5,191,498.27	5,789,046.40
<b>TOTAL ASSETS</b>	<b>198,625,679.53</b>	<b>192,052,756.02</b>	<b>193,553,270.94</b>
<b>LIABILITIES &amp; EQUITY</b>			
Current Liabilities			
Accounts Payable	9,328,566.46	9,182,102.10	12,634,716.06
Accruals	1,631,587.39	2,009,537.68	667,100.93
Current Maturities of Working Capital	6,500,000.00	6,500,000.00	8,500,000.00
Current Maturities of Senior Debt (Incl Sweeps)	3,491,393.28	3,876,280.00	969,070.00
Total Current Liabilities	20,951,547.13	21,567,919.78	22,770,886.99
Notes Payable	29,859.93	31,113.17	44,346.78
Long Term Senior Debt	78,127,936.47	78,607,893.00	93,757,522.50
Total Liabilities	99,109,343.53	100,206,925.95	116,572,756.27
Equity	98,360,102.57	98,360,102.57	98,360,102.57
Retained Earnings	(18,328,994.48)	(18,328,994.48)	(25,955,867.43)
Current Year Income	19,485,227.91	11,814,721.98	4,576,279.53
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>198,625,679.53</b>	<b>192,052,756.02</b>	<b>193,553,270.94</b>

Arkalon - Income Statement

Variance greater than 10% explained below

\$000s

	Q3 2011					
	Budget		Actual		Change (Better / Worse)	
	\$	Per Gallon	Q3	Per Gallon	\$	Per Gallon
<b>Revenues</b>						
Ethanol	55,517	\$ 2.04	73,278	\$ 2.78	17,762	\$ 0.75
DDGs	295	\$ 0.01	105	\$ 0.00	( 190)	\$ ( 0.01)
WDG's	9,191	\$ 0.34	16,977	\$ 0.65	7,787	\$ 0.31
CO2/Other Income	668	\$ 0.02	4,241	\$ 0.16	3,573	\$ 0.14
<b>Total Revenues</b>	<b>65,670</b>	<b>\$ 2.41</b>	<b>94,602</b>	<b>\$ 3.59</b>	<b>28,932</b>	<b>\$ 1.19</b>
<b>COGS</b>						
<b>Feedstock</b>						
Total Feedstock	48,933	\$ 1.79	67,613	\$ 2.57	( 18,681)	\$ 0.78
Natural Gas	2,347	\$ 0.09	2,225	\$ 0.08	122	\$ ( 0.00)
Denaturant	1,136	\$ 0.04	719	\$ 0.03	416	\$ ( 0.01)
<b>Chemicals</b>						
Fuel (Non-Denaturant)	-	\$ -	17	\$ 0.00	( 17)	\$ 0.00
ABS	-	\$ -	13	\$ 0.00	( 13)	\$ 0.00
Chemicals	23	\$ 0.00	54	\$ 0.00	( 31)	\$ 0.00
Urea	288	\$ 0.01	225	\$ 0.01	64	\$ ( 0.00)
Antibiotics	104	\$ 0.00	146	\$ 0.01	( 42)	\$ 0.00
Yeast	65	\$ 0.00	67	\$ 0.00	( 2)	\$ 0.00
Ammonia	36	\$ 0.00	2	\$ 0.00	34	\$ ( 0.00)
Sulfuric Acid	31	\$ 0.00	32	\$ 0.00	( 1)	\$ 0.00
Caustic	128	\$ 0.00	261	\$ 0.01	( 133)	\$ 0.01
Enzymes	1,338	\$ 0.05	1,163	\$ 0.04	175	\$ ( 0.00)
<b>Total Chemicals</b>	<b>2,015</b>	<b>\$ 0.07</b>	<b>1,980</b>	<b>\$ 0.08</b>	<b>34</b>	<b>\$ 0.00</b>
Water	111	\$ 0.00	139	\$ 0.01	( 28)	\$ 0.00
Electricity	825	\$ 0.03	939	\$ 0.04	( 114)	\$ 0.01
<b>Total COGS</b>	<b>55,366</b>	<b>\$ 2.03</b>	<b>73,616</b>	<b>\$ 2.80</b>	<b>( 18,250)</b>	<b>\$ 0.77</b>
<b>Gross Profit</b>	<b>10,304</b>	<b>\$ 0.38</b>	<b>20,986</b>	<b>\$ 0.80</b>	<b>10,682</b>	<b>\$ 0.42</b>
<b>Total Fixed Costs - Operation</b>	<b>5,836</b>	<b>\$ 0.21</b>	<b>5,605</b>	<b>\$ 0.21</b>	<b>231</b>	<b>\$ ( 0.00)</b>
<b>EBIT</b>	<b>4,468</b>	<b>\$ 0.16</b>	<b>15,381</b>	<b>\$ 0.58</b>	<b>10,913</b>	<b>\$ 0.42</b>
<b>Interest Costs</b>	<b>2,729</b>	<b>\$ 0.10</b>	<b>1,775</b>	<b>\$ 0.07</b>	<b>953</b>	<b>\$ ( 0.03)</b>
<b>Net Income</b>	<b>1,739</b>	<b>\$ 0.06</b>	<b>13,605</b>	<b>\$ 0.52</b>	<b>11,867</b>	<b>\$ 0.45</b>
<b>EBITDA</b>	<b>7,502</b>	<b>\$ 0.27</b>	<b>18,412</b>	<b>\$ 0.70</b>	<b>10,911</b>	<b>\$ 0.42</b>
<b>EBITDA - Debt Service</b>	<b>4,531</b>	<b>\$ 0.17</b>	<b>16,366</b>	<b>\$ 0.62</b>	<b>11,835</b>	<b>\$ 0.46</b>

Est Gallons	Act Gallons
27,281	26,321

**Revenue Analytics**  
 ('000's)

	YE 2009	YE 2010	Q3 2010	Q3 2011
Revenue	204,319.13	235,194.67	60,261.49	94,601.95
Gross Profit	28,729.83	39,712.03	10,752.30	20,985.64
Net Profit	( 4,726.33 )	7,626.87	2,996.03	13,605.49
EBITDA	18,576.00	29,434.15	8,387.65	18,412.16
EBITDA - Debt Service	6,523.19	18,580.87	5,745.70	16,366.04
Senior Debt / Gallon	\$ 0.87	\$ 0.85	\$ 0.86	\$ 0.74

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

	YE 2009	YE 2010	Q3 2010	Q3 2011
Senior Debt	94,484.33	93,515.26	93,757.52	78,127.94
Current Maturities of Senior Debt	969.07	969.07	969.07	3,491.39

**Cash Flow Statement**  
('000's)

<b>Beg Cash 1/1/2011</b>	34,724.16
<b>End Cash 9/30/2011</b>	32,565.49

Net Income	19,485
Depreciation	8,013

*Changes in Working Capital*

DSR	0
Margin Account	0
Accounts Receivable	1,688
Inventory	(5,699)
Prepaid & Commodity	(3,628)
Other Assets	(524)
Accounts Payable	(6,618)
Notes Payable	(11)
Revolver	(2,000)
CMLTD - Sr. Debt	2,522
<b>Total</b>	<b>(14,270)</b>

Operating Activities 13,229

*Investing Activities*

Acquisition of Assets	0
Sale of Assets	0

Investing Activities 0

*Financing Activities*

Proceeds from Long Term Debt	0
Debt Repayment	(15,387)
Dividend	0

Financing Activities (15,387)

Net Change in Cash (2,159)

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

**For the Nine Months Ended  
9/30/2011**

	<u>2011</u>	<u>2010</u>
Notes Payable	29.86	44.35
Revolver	6,500	8,500
Senior Debt	<u>81,619.33</u>	<u>94,726.59</u>
Total Long-Term Debt	<u>88,149.19</u>	<u>103,270.94</u>

**Debt Terms**

- Revolver: \$6,500,000 at LIBOR + 7%
- Senior Debt: \$81,619 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):**

<b>Years Ended</b>	
<b>December 31,</b>	<b>Amount</b>
2012	3,741
2013	3,741
2014	3,741
2015	3,741
2016	3,741
Thereafter	57,265
Total	<u>75,969</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  
9/30/2011**

**Per Unit Information**

Total Units Outstanding:  
EBITDA  
Debt  
Cash

	<b>2011</b>	<b>2010</b>	<b>Change</b>
Total Units Outstanding:	35,390	35,390	-
EBITDA	\$ 520.26	\$ 237.01	283
Debt	\$ 2,306.28	\$ 2,676.65	( 370 )
Cash	\$ 920.19	\$ 820.83	99

**Per Gallon Information**

Total Gallons Sold (000's):  
EBITDA  
Debt  
Cash

	<b>2011</b>	<b>2010</b>	<b>Change</b>
Total Gallons Sold (000's):	26,321	28,388	( 2,067 )
EBITDA	\$ 699.53	\$ 295.46	404
Debt	\$ 0.74	\$ 0.86	( 0 )
Cash	\$ 1,237.25	\$ 1,023.29	214



## Key Production Indicators

\*baesd on sales data

	<b>For the Nine Months Ended Sept 30,</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
Gallons sold (in thousands)	26,320.93	28,388.02	( 2,067.09 )
Average sales price per gallon (net)	\$ 2.79	\$ 1.80	\$ 0.99
Corn cost per bushel	\$ 7.10	\$ 4.08	\$ 3.02
Crush margin	\$ 0.24	\$ 0.36	\$ ( 0.12 )
Denatured yield (2.25% denaturant added)	2.78	2.82	( 0.04 )
Distiller's grain as a % of the delivered cost of corn	25%	21%	4%