

A LETTER FROM THE PRESIDENT AND GENERAL MANAGER

Dear NEDAK Investor: As I write to you, I'm looking back at a most remarkable five years, with the most recent filled with the first production from your ethanol plant. Many times during those five years we—your Board of Directors and I—wondered if we would ever reach this point; but today we are pleased to be able to report that we can now look back on some periods of positive results.

You need to know that we are completely past the development phase in which we formed the company and then experienced significant construction delays and financial losses accumulating to more than \$16,000,000, in total since inception. Days of construction delays are gone and we have entered into a new time of challenge and promise. Looking ahead with a sense of hope and expectation, we renew our attention to the original vision and mission with which we began this project.

The challenges and possibilities of the days to come are different from the past. The final settlement with the construction contractor is done and we now have complete control of our production process and equipment. Ahead, the word “improvement” dominates our thinking—process improvement, equipment improvement and upgrade, training and skill improvement, improvement of feedstock, improvement of steady throughput, and in all of these, improvement of quality. We like to say that we have set our foot on the road of “Continuous Quality Improvement.”

This Annual Report containing our fiscal 2009 financial statements includes discussion of many challenges in the past two years. My message to you in this letter seeks to look forward with lessons learned and our plans and expectations for the future in light of those lessons. Overall, I have two main goals:

- Increase Unit holder value by continuous improvement of efficiencies while controlling expenses and maximizing revenues.
- Continue to review opportunities to increase revenues through product research and development.

Also, we continue with three initiatives which are of great value to NEDAK:

- We will continue to develop relationships with other ethanol plants to share spare parts, share knowledge of plant performance improvements, and keep the discussions about the ethanol environment open.
- Directors and Management will work closely with governmental officials in an effort to maintain a healthy political climate.
- We are also working through the initial development of standard operating procedures intended to bring production to steady, consistent output of high quality ethanol and distiller's grains.

Our Vision and Mission Statements are provided below in this Annual Report, but first a word about recent experiences. The past year has been difficult to endure for many reasons, but difficulties breed confidence and improve capabilities. We believe we have developed better strategies to improve crush margins, breakeven point operations and profit objectives.

One of the most important facets of this industry is risk management, focused on maintaining balance in the sale of ethanol and the purchase of corn. We must use the commodity forward-contract marketing tool to maintain smooth operations in the operation of an ethanol plant. Throughout the last 16 months, it has been difficult to acquire forward sales contracts for ethanol beyond six or eight weeks out. But, on the other side, it is necessary to forward contract the acquisition of corn in significant quantities into the future. There are risks in this relationship as seen by the financial troubles of many ethanol plants in 2009. When corn is forward-contracted and ethanol cannot be sold to balance, we face the risk that corn prices will fall, followed by ethanol, leaving the plant with excessive expenses in corn purchases, pushing the cost of ethanol above the market price. Even if the decision is made to shut down the plant, rather than operate at a loss, the purchase and resale of that corn will also result in a loss.

For the purpose of balancing these two largest line items of our income statement, we need to hedge the unbalanced side of this equation in the derivative markets to the extent we are able. As we have previously reported, our ability to hedge has been limited because of our working capital and liquidity, which were inhibited primarily by construction delays (which lead to increased costs and decreased production). We have been unable to exercise the scope of hedging needed to maintain balance to take advantage of favorable conditions in corn or ethanol markets. Without adequate reserves of cash and working capital, the potential margin calls in these derivative markets have forced us to forego profit taking when the opportunities have been present. In recent months, cash received in our settlement with the construction contractor has allowed us to engage in limited risk management and marketing efforts. Furthermore, we are awaiting the decision from the USDA on our application for a Business and Industries Guaranteed Loan for working capital of \$5,000,000. This application was made by our lender on our behalf on February 16, 2010 and if received, its impact on our capital structure will be heavily influenced by the lender. We anticipate a decision from the USDA by early April, 2010.

We have improved our understanding of the distiller's grains market. We missed some opportunities throughout the summer and fall of 2009 when the cattle feeder demand for this product was lowest in the annual cycle because the animals were on pasture graze. With steady production this winter and in the foreseeable future, we are actively marketing this product by contract which seeks to

provide distribution through the summer with some level of price support in return for discounted product through the winter. While certainly not guaranteed, we believe it is possible that this marketing strategy can improve 2010 financial performance by more than \$2,000,000 over 2009.

In February 2010, the company retained the consulting services of a man who has over 15 years experience operating Delta-T ethanol manufacturing facilities. He is working closely with our operations management to improve, stabilize and develop our Standard Operating Procedures (SOPs). This expertise has already provided great value to us.

The need to continue to refine and develop the SOPs is linked tightly with the education and training of our operations staff. As you can read in the following vision and mission statements, the key to our success is in our people. We have made the commitment and now must follow through to develop the culture in our workplace that allows our people to take ownership and initiative in their jobs, to be proactive and innovative in problem solving, and to focus on the need to strive for Continuous Quality Improvement in all aspects of their activity.

Another significant initiative in recent months and into the future is in the tremendous benefits to be gained with strategic capital investment in equipment. It is obvious that in a company with inadequate working capital, the opportunity to invest in new, upgraded or modified equipment is limited. Nevertheless, the Directors and Management are actively pursuing any capital project that can bring immediate process or productivity improvements with cash flow and payback in the short term.

Finally, in the past year, the significant weaknesses of the community utility infrastructure appeared. In the summer, restricted gas supply was a problem when the surrounding farm irrigation activities drew so much natural gas from the pipeline that we were at times unable to operate the dryer and occasionally lost the process boilers due to inadequate gas pressures. Then, in the winter, the bad weather caused significant losses because of power failures. Most notably, when the power is lost suddenly and we are unable to operate the chillers and keep the temperature down in the fermentation process, the yeast will die, ending the production of ethanol—a significant loss to the company. The loss of corn with limited or no recovery of alcohol is the most significant financial loss we face, because the cost of corn sometimes exceeds 80% the market value of the ethanol. We have worked with our suppliers of both electricity and natural gas to minimize—if not stop altogether—such occurrences, and we are hopeful that 2010 will be much improved over 2009 in this regard.

Looking forward, your Management is confident that we better understand the relationships in the marketplaces in which we operate. We are ready to capture the upside potential of our commodity markets when the opportunities arise and our capital resources allow. As we all know, today's environment is much different than when we were organized. However, we intend to continue in our efforts to develop our business into a valuable and productive enterprise that will provide returns to you in the future.



Jerome Fagerland,
President and General Manager