

Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview, Status and Recent Developments

The Company was formed in 2003 to construct and operate an ethanol plant near Atkinson, Nebraska. We began producing ethanol and distiller's grains at the plant in December 2008. Our ethanol plant is consuming approximately 17 million bushels of locally grown corn annually, and producing approximately 44 million gallons of denatured fuel-grade ethanol on an annual basis. We also are selling approximately 360,000 tons of wet distiller's grains on an annual basis to nearby cattle feeders and have the capability to dry all or portions of that production.

During the third quarter of 2009, we have had a fairly steady run of production. This was the first full quarter of production without the construction contractor, Delta-T Corporation ("Delta-T") on site, and follows two years of construction complications and difficulties with start-up related to the repair and rebuilding of tanks, difficulties of the start-up of the dryer and problems respecting the compliance of certain equipment with environmental regulations. On September 1, 2009 a settlement respecting the Engineering, Procurement and Construction Services Fixed Price Contract with Delta-T ("EPC Contract") was signed, and we entered the last phase of our relationship with Delta-T, in which Delta-T agreed to provide clear title, free of all potential liens on the plant and equipment, final compliance with all environmental emissions requirements of the plant and a full equipment warranty until June 30, 2010.

The following table summarizes our production for the year and shows the improved operations of the plant.

Production Quantities	First Six Months 2009	Quarter Ended September 30, 2009	First Nine Months 2009
Ethanol (gallons)	13,652,127	10,736,034	24,388,161
Distiller's Grain (tons)	98,234	72,659	170,893
Corn (bushels ground)	5,211,072	3,867,730	9,078,802
Yield (Undenatured gal/BU)	2.62	2.775	2.69

In the third quarter 2009, our operations employees had complete control of the plant. During this time, our employees learned of existing warranty issues in some mechanical weaknesses in the equipment and processes in the plant and management had ample opportunity to measure the capabilities, strengths and weaknesses of these employees. A number of down-time incidents arose from mechanical failures, predominantly with the conveyor systems. A number of construction faults have been identified and Delta-T has agreed to correct them as warranty repairs.

In the first half of October 2009, we have experienced some significant subsequent events. Process problems, warranty issues and mechanical failures combined to cause lost production of approximately 330,000 gallons of ethanol. Over five days, our first experience with fermentation infections reduced production with high acetic and lactic acid concentrations in three fermenters. The infection was corrected with antibiotics and cleaning processes. Looking to the future, we have done additional training on proper cleaning procedures. A conveyor chain, which is a warranty item, caused almost a day of lost production for repairs on two separate occasions. A replacement chain is scheduled to be onsite in time for installation during the scheduled semi-annual shutdown the last week of October. Mechanical failures in a molecular sieve valve and a boiler control actuator caused nearly one day of lost production. Additional spare parts are being ordered to reduce the impact of these types of failures in the future. The semi-annual shutdown for equipment cleaning and completion of several maintenance and repair items in preparation for the winter months is scheduled for October 26 – 28. At least three days of lost production for this event is expected to reduce revenues in November. These productivity losses amount to an estimated loss of production of 10% of nameplate in each of the months of October and November, 2009.

In July 2009, production was 83.7% of nameplate capacity, with 3,261,924 gallons of ethanol produced and both dry and wet distiller's grains (3,183 tons and 18,380 tons, respectively). We lost 121 hours of production in July due to conveyor failures, a failure in the beer column and start up problems with the CO2 scrubber and natural gas supply.

In August 2009, production was 100.5% of nameplate capacity with 3,916,946 gallons of ethanol produced and both dry and wet distiller's grains (5,310 tons and 21,345 tons, respectively). We lost 31 hours of production in August because the CO2 scrubber had plugged, stopping production, and subsequent inspection for damage that might have been caused by the plugging.

In September 2009, production was 91.3% of nameplate capacity with 3,557,164 gallons of ethanol produced and both dry and wet distiller's grains (2,869 tons and 21,572 tons, respectively). We lost 52 hours of production in September because of failures in the conveyor systems.

The recurring problems with the conveyors are being permanently corrected during the planned shutdown for annual steam cleaning and winterization of the plant at the end of October 2009.

On September 16 and 17, 2009, we performed compliance testing with the Nebraska Department of Environmental Quality ("NDEQ"). Our CO2 scrubber performance passed with good margins. However, mechanical failure in the dryer Regenerative Thermal Oxidizer ("RTO") caused rescheduling of compliance testing for that emissions equipment. We are working with Delta-T and the dryer manufacturer to resolve these problems. On October 7 and 8, 2009, after some modifications to the RTO, the NDEQ again was on site to observe a second compliance test. The tests failed at 100% production, but emissions levels were inside limits at 80-85% production. Again, Delta-T is engineering modifications to bring this equipment up to compliance at 100% production. There is no schedule, yet, for another round of testing.

We are focused on maximizing our production yield for ethanol beyond the guaranteed 2.68 gallons of ethanol per bushel of corn while producing at 100% of nameplate production or better. The calculated yield year to date from plant operations at full production is an average of 2.69 gallons per bushel. In August, we accomplished undenatured yield of 2.76 and in September, 2.79 gallons per bushel. In October, with corn harvest beginning after a cool, wet growing season, we are concerned about the quality of corn from the new crop as it will affect yield. There are some industry accepted discounts for sub-standard corn, but these variables will not be measurable until we begin to receive the new crop corn at the plant.

Although there have been some improvements in the ethanol and distiller's grains economics, in our third quarter of 2009, the difficulties in the U.S. and the world economies continued to depress the crush margins and economics of distiller's grains and ethanol markets to the point that we have accumulated a net loss of \$11,286,202 for the nine months ended September 30, 2009. As in our second quarter of 2009, there remained in the third quarter two fundamental causes of our continued losses: distress in the local distiller's grain market and depressed consumption of unleaded gasoline.

As we discussed previously, the summer of 2009 was a difficult time for the distiller's grains business, and our plant and process design is such that we are unable to operate the plant if we are unable to remove the distiller's grains in a timely way. 2008 brought a dramatic increase of supply of distiller's grains and in spite of shutdowns from bankruptcy and other reductions of capacity at many plants, a large distiller's grain supply met a dramatic reduction of demand from cattle and swine feeders in the summer of 2009. Annual movement of cattle from feedlot to pasture and range grass feeding is an ordinary activity that brings expected downswings in the price for distiller's grains. However, the world economic distress of the last year caused significant reduction of cattle feedlot numbers and the downswing in demand in this period became more dramatic than past experience.

This historic reduction of demand for distiller's grains and the slowdown of the U.S. economy have driven the market prices of unleaded gasoline below the cost of ethanol for extended periods and resulted in significant ethanol product losses.

However, in our third quarter, there were improvements. In the last days of September, we saw a jump in ethanol prices driving an improvement in the crush margins better than at any time in 2009. Management believes that this improvement is caused by increased demand relative to a drop in blender inventories and slow restart of plant

capacities that have been off line for many months. Additionally, there is reason to think that the U.S. Environmental Protection Agency (“EPA”) may increase the blender’s limits from 10% to 13% or even 15%, though nothing has yet been announced by the EPA. Even with such an increase, management does not believe that there will be an immediate substantive benefit to the economics of the ethanol industry. However, we believe this change would have dramatic effects in the medium and long run and could resolve the problems discussed in recent years in terms of the “Blender’s Wall.” Without such an increase, and in the absence of dramatic increase of consumption of ethanol into the E85 product, the U.S. infrastructure has been inadequate to consume the full capacity of the newly-constructed (2007/2008) ethanol capacities. Generally, the price of oil directly affects the price of unleaded gasoline prices. While the price of oil has been low in recent months, there has been a significant economic benefit to blenders to use ethanol. It is the Company’s belief that the physical pipeline capacity to use ethanol is constrained if they are limited to 10%. If the EPA allows the blenders to increase the 10% blend to 13% or 15%, then this constraint will be removed and we believe that the price of ethanol will improve relative to the cost of corn, but as long as supply capacity exceeds demand, that cannot happen.

We remain subject to serious working capital shortages, again made worse by the above mentioned losses in the third quarter of 2009. However, there has been some relief from receipt of \$2,000,000 of cash released by our lender to operations from the settlement with Delta-T. Our shortage of working capital causes serious difficulties in operations and management of cash disbursements. The terms of acquisition for our main raw ingredient, corn, as previously reported, are affected by the availability of cash. We utilize the services of an agent in procuring the majority of corn for our plant, in addition to purchasing directly from farmers. Local elevators continue to demand more stringent payment terms than we have been able to procure from local farmers and our ability to negotiate the most favorable prices on corn procurement continues to be hampered by our unfavorable levels of working capital. The new cash has improved our ability to acquire institutional corn, and that has reduced the urgency of our need for adequate quantities of corn. We expect to acquire adequate working capital through four sources: (i) cash to be received pursuant to settlement with Delta-T as described below, (ii) positive cash flow from operations, (iii) the recommencement of a private offering of preferred units as discussed below, and (iv) a grant and additional term financing. However, no assurance can be given that such working capital can be obtained.

In July 2009, we received notice from both of our lenders of long term debt of defaults. On July 6, 2009, Arbor Bank (“TIF Lender”), notified us that the debt service reserve fund (“Fund”) required under our tax increment financing loan was deficient, constituting a default. As of September 19, 2009, the Fund was deficient by approximately \$485,000. On July 24, 2009, AgCountry Farm Credit Services, FLCA (“Lender”) who provided the construction loan for the plant, declared us in default, due to delinquent payment of fees, deficiency in the raising of equity or subordinated debt, and the failure to achieve nameplate production by May 1, 2009. As of September 19, 2009, fees were delinquent by \$100,000. Because of the defaults under our loan agreements, we were required to classify most of our debt to current liabilities pursuant to accounting principles generally accepted in the United States if America (“GAAP”). The primary reason for such defaults are the extended delays and losses associated with startup of the plant as described above. With the Delta-T dispute now settled, we are concentrating on amending our loan agreements to cure such defaults and we have received indications from Lender that we will be able to restructure our debt in a fashion which allows us to operate in this economic environment. However, if the negotiations with Lender fail, we will likely need to liquidate our assets and wind up our affairs.

As discussed further below, on September 1, 2009, we reached a settlement with Delta-T which provided for cash payment from a Delta-T letter of credit of \$3,995,000. The first cash released by the Lender was paid directly to our corn procurement agent, and by the end of October \$2,000,000 had been received. The remaining \$1,995,000 remains on deposit with Lender pending agreement on terms and conversion of the construction loan to operating debt. We are discussing the release of this additional cash with the Lender to be used to acquire corn at greatly increased basis (reducing cost) during the 2009 corn harvest.

In July 2009, we delivered a comprehensive business plan to Lender which we believe demonstrated our ability to continue as a going concern. That plan was significantly revised in August in anticipation of the Delta-T settlement. Negotiations continue with the Lender to finalize the business plan which would, among other things (i) provide for partial refinancing of the construction debt with a USDA Business and Industries Guaranteed Loan (“B&I Loan”), which would provide us with additional working capital, and (ii) modify the loan covenants and cure existing defaults. If we are successful in these negotiations with our lender, we will be able to again present the majority of our debt as long term in our financial statements and enhance our ability to continue as a going concern.

Results of Operation

By the end of September 2009, we had produced over 24 million gallons of ethanol. Production audits have proven starch conversion above the plant guarantees and an average yield from inception of 2.69 gallons per bushel. The operational strategy is to emphasize increasing yield before increasing throughput. The cost of corn is almost 7.5 times the next largest expense item (natural gas) in the income statement, and is nearly 66% of total revenues. Thus, maximizing the yield has significantly more financial benefit than increasing throughput.

Throughout the quarter ended September 30, 2009, we have been in complete operational control of the plant. The following table provides summary information about the first half of 2009 compared to the third quarter in operations. Because we did not begin operations of our plant until late December 2008, we do not have comparable data from 2008. The information below has not been audited. Comparing these periods, it is apparent that it is not efficient or financially effective to operate the plant at less than full production levels.

Income Statement Items	First Six Months 2009	Percentage First Half 2009	Quarter Ended September 30, 2009	First Nine Months 2009	Percentage First Nine Months 2009
Revenues	\$25,285,079	100%	\$20,326,786	\$45,611,865	100%
Cost of Goods Sold	30,709,680	121%	21,477,426	52,187,106	114%
Gross Loss	(5,424,601)	-21%	(1,150,640)	(6,575,241)	-14%
General & Admin. Expenses	1,242,819	5%	966,774	2,209,593	5%
Operating Loss	(6,667,420)	-26%	(2,117,414)	(8,784,834)	-19%
Other Expense, net	1,599,244	7%	902,124	2,501,368	6%
Net Loss	\$(8,266,664)	-33%	\$(3,019,538)	\$(11,286,202)	-25%

Revenues

Revenues from operations come from two primary sources: sales of ethanol and distiller's grains. For the nine months ended September 30, 2009, we received approximately 88% of our revenue from the sale of ethanol and approximately 12% of our revenue from the sale of distiller's grains. We sold approximately 13.2 million and 10.7 million gallons of ethanol for the first half ended June 30, 2009, and the quarter ended September 30, 2009, respectively. We sold approximately 94,000 and 61,000 tons of wet distiller's grains and 3.3 and 11.3 tons of dried distiller's grains for the first half ended June 30, 2009, and the quarter ended September 30, 2009, respectively.

As reported last quarter, there are two price/cost relationships that must improve for the Company to become profitable. By far, the largest numbers in our statement of operations in descending order are (i) ethanol sales, (ii) corn purchases, and (iii) distiller's grains revenue.

We expect the price of ethanol, relative to corn costs (the "Crush Margin") to rise. For the nine months ended September 30, 2009, our revenue from sales of ethanol was only 129% of the cost of our corn. As mentioned above, this small margin is caused by depressed unleaded gasoline prices and low demand for ethanol relative to supply. Our forecast for this ratio in 2010 is 139%, which we believe will be driven higher by three factors: (i) improvement in the U.S. economy, (ii) continued political support for ethanol and the renewable fuel standard, and (iii) improvement our ability to negotiate favorable corn costs and contract terms with increased working capital, increased liquidity and steady operations.

The timing for startup of the plant caused additional upward pressure on the high cost of corn in the first nine months of 2009. With construction delays beginning early in 2007 and disruption into September of 2009, we were unable to enter into any forward contracts for corn during the 2008 harvest, when the most favorable corn costs throughout the year are available. Then, during the times when the corn supply was at the lowest part of the annual

cycle, we were forced to buy corn from every source possible in order to provide for an extended period of commissioning and startup of the plant.

Finally, we expect the price of distiller's grains to improve. For the nine months ended September 30, 2009, sales of distiller's grains only accounted for 12% of sales, when both ethanol and distiller's grains revenues were depressed. Our forecast for 2010 brings distiller's grains revenue up to 18% of total sales, even with increasing ethanol sales revenues. The absolute value of that revenue increase is expected to be in excess of \$5,000,000 for distiller's grains alone.

Cost of Goods Sold

Our cost of goods sold as a percentage of revenues was 114% for the nine months ended September 30, 2009, versus 121% for the first half ended June 30, 2009. Our two primary costs of producing ethanol and distiller's grains are corn and natural gas costs. As of September 30, 2009, we have forward purchase contracts for delivery 1,271,000 bushels of corn through December 2010, for a total commitment of approximately \$4,191,000. We expect continued volatility in the price of corn, which could significantly impact our cost of goods sold. The following chart provides more detail on our cost of goods sold, and a comparison between the periods.

Cost of Goods Sold Items	First Half 2009	Percentage First Half 2009	Quarter Ended September 30, 2009	YTD First Nine Months 2009	Percentage First Nine Months 2009
Revenues	\$25,285,079	100%	\$20,326,786	\$45,611,865	100%
Corn	17,472,787	69%	13,185,923	30,658,710	67%
Denaturant & Chemicals	1,850,871	7%	1,208,639	3,059,510	7%
Ethanol Freight Costs	3,410,372	13%	2,333,298	5,743,670	13%
Natural Gas and Electricity	3,006,839	12%	2,322,154	5,328,993	12%
Production Labor	1,062,178	4%	577,578	1,639,756	4%
Supplies and Maintenance	522,383	2%	300,834	823,217	2%
Property Tax	330,000	1%	314,332	644,332	1%
Depreciation	3,054,250	12%	1,234,668	4,288,918	12%
Total Cost of Goods Sold	\$30,709,680	121%	\$21,477,426	\$52,187,106	114%

General and Administrative Expenses

Our general and administrative expense as a percentage of revenues for the three and nine months ended September 30, 2009 was 5%. We expect our general and administrative expenses to remain steady throughout the remainder of the 2009 fiscal year. General and administrative expenses include salaries and benefits of administrative employees, insurance, professional fees and other general administrative costs. The following chart provides more detail on our general and administrative expenses, and a comparison between the periods.

General and Administrative Expense Items	First Half 2009	Percentage First Half 2009	Quarter Ended September 30, 2009	First Nine Months 2009	Percentage First Nine Months 2009
Revenues	\$25,285,079	100%	\$20,326,786	\$45,611,865	100%
Administrative People Costs	461,981	2%	221,893	683,874	2%
Professional Fees	450,818	2%	420,445	871,263	2%
Insurance	169,921	1%	94,874	264,795	1%
Other	160,099	1%	229,562	389,661	1%

Total General and Admin Expenses	\$1,242,819	5%	\$966,774	\$2,209,593	5%
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Construction Contract

We entered into the EPC Contract with Delta-T in August, 2006, which was amended by several supplements, amendments and change orders. The EPC Contract provided, among other things: (i) a guarantee of Delta-T's performance by Delta-T's parent, Bateman Litwin NV, (ii) the provision by Delta-T of letters of credit in the amounts of \$4,000,000 and \$5,500,000 for the benefit of our lender and us, respectively, and (iii) a promissory note in the amount of \$5,000,000 made by us in favor of Delta-T. Disputes between the parties respecting the letters of credit and other matters resulted in the filing by Delta-T of an action in the District Court of Douglas County, Nebraska, in which the court temporarily restrained us and Lender from making a draw on one of the letters of credit. The dispute was settled and the parties amended the EPC Contract on September 1, 2009 (the "Amendment"). The Amendment resolved asserted claims by both parties and provided the following, among other things: (i) Delta-T will repair certain plant emissions equipment, (ii) Delta-T will extend the \$5,500,000 letter of credit to June 30, 2010 with conditions added to draw on such letter of credit, (iii) Delta-T was relieved of previously agreed upon punch list responsibility with certain exceptions, (iv) Delta-T relinquished all rights to the \$3,995,000 of proceeds held by Lender from the June draw against the \$4,000,000 letter of credit, (v) the \$5,000,000 promissory note in Delta-T's favor was extinguished, (vi) Delta-T dismissed its legal action and dissolved the temporary restraining order, and (vii) except as provided above, no further payments or transfer of funds shall be made to or from Delta-T and us.

As of September 30, 2009, there were two significant liens against our property for a total value of approximately \$700,000. As of the filing of this document, all liens have been released, and Delta-T is required to resolve any future liens if they appear. Finally, significant warranty issues are being resolved (most significantly with conveyor equipment correcting design weaknesses), and the final emission control compliance issues are being engineered by Delta-T. Compliance tests will be scheduled when modifications have been completed.

Liquidity and Capital Resources

We had expected that our original equity offerings and debt financing would have been sufficient to cover all costs associated with the initial stage of production. However, as of September 30, 2009, we had working capital of \$131,000, prior to classification of our debt as current maturities of long term debt. We may continue operating at negative margins, depending on commodity prices. If we are unable to generate sufficient cash flows from operations or obtain additional debt or equity, our ability to continue operations may be materially hindered. To the extent we do not raise the entire amount sought under the private offering discussed below, we will be less able to enter into derivative positions, and we may be forced to purchase our corn and market our ethanol at spot prices, which would further expose us to market volatility and associated risks.

Unit Offerings

In March, 2009, in an effort to raise additional working capital to be used primarily to engage in hedging activities, we commenced a private offering of up to 1,200 preferred membership units ("Preferred Units") at a price of \$10,000 per Preferred Unit (the "Private Offering"), under which we issued 185.4 Preferred Units. The Preferred Units entitle the holders to: (i) subject to (A) any existing debt-related restrictions we may have, (B) after estimated tax distributions, and (C) upon declaration by the Board of Directors, receive preferred cumulative distributions of 10% ("Preferred Return") before holders of common Membership Units receive distributions, (ii) then share in their proportionate share of any remaining amounts available for distribution, (iii) first receive a distribution of the issuance price of the Preferred Units, plus any unpaid Preferred Return, upon a liquidation event, and (iv) the right to vote as a class for purposes of determining whether a liquidation event has occurred. Following the third anniversary of the issuance of any Preferred Units, we have the ability to redeem Preferred Units for the original issuance price plus any accrued but unpaid distributions. Depending on market conditions, we intend to recommence the Private Offering.

Credit Facility

We have entered into the following agreements with Lender regarding our senior secured credit facility (“Facility”) for the provision of construction and permanent debt financing for our ethanol plant: a Master Credit Agreement dated February 14, 2007 (the “Master Agreement”), a First Supplement to Master Credit Agreement dated February 14, 2007 (the “First Supplement”), a Second Supplement to Master Credit Agreement dated February 14, 2007 (the “Second Supplement”), a Third Supplement and Forbearance Agreement to Master Credit Agreement dated April 11, 2008 (the “Third Supplement”), a Fourth Supplement and Forbearance Agreement to Master Credit Agreement dated March 27, 2009 (the “Fourth Supplement”), and a Fifth Supplement and Forbearance Agreement to the Master Credit Agreement dated September 30, 2009 (“Fifth Supplement,” together with the Fourth Supplement, Third Supplement, Second Supplement, First Supplement and the Master Agreement, the “Loan Agreements”). As of September 1, 2009, we have borrowed \$42,500,000 under the Facility. The Facility consists of a multiple advance construction loan during the construction period; and at construction completion, conversion to a permanent ten year term loan facility, a portion of which can be further converted to a \$10 million revolving term loan, subject to certain conditions.

Under the Loan Agreements, we made certain customary representations and are subject to customary affirmative and negative covenants, including restrictions on our ability to incur debt, create liens, dispose of assets, pay distributions and to make capital expenditures, and customary events of default (including payment defaults, covenant defaults, cross defaults, construction-related defaults and bankruptcy defaults). We have also agreed to the following with the Lender under the Loan Documents:

- Achievement of 100% of our name plate production capacity by May 1, 2009, which we did achieve, and on June 11, 2009, we completed the performance test which meets the Loan Documents’ performance testing requirements.
- We provided a business plan (“Plan”) to Lender in April 2009, which discussed our ability to return to compliance with the financial covenants under the Loan Agreements. The Plan was updated in July reflecting new forecasts for financial performance and demonstrating compliance with all financial loan covenants for five years. The Plan was significantly revised in August 2009 in anticipation of the Delta-T settlement.
- Beginning September 30, 2009, we must obtain Lender’s consent to make any capital expenditures in excess of \$500,000.
- Beginning December 31, 2009, we must make annual payments to Lender of 40% of our Net Available Cash (as defined in the Loan Documents).
- In connection with a \$5,000,000 note made payable to Delta-T (now extinguished), we agreed to raise \$2,000,000 of additional equity to fund the first \$2,000,000 payment on that note. Our directors personally guaranteed the acquisition of such equity and purchased 101.4 of the Preferred Units in the Private Offering pursuant to those guarantees.

The following table shows the chief financial covenants we must comply with under the Loan Agreements, when we must comply with them, and our status under them at September 30, 2009. Capitalized terms not defined in the table have the meanings provided under the Loan Agreements. As can be seen in the table, our status as of September 30, 2009 is significantly below the expected compliance targets of the majority of these covenants.

Covenant Type	Description of Covenant	When Covenant Applies	Status as of September 30, 2009	Shortfall
Fixed Charge Ratio	Before the Company pays any distributions (which require Lender’s prior approval, the Company must maintain a 1.25:1.00 Fixed Charge Ratio, which is the ratio (i) the Company’s earnings before interest, taxes, depreciation and amortization bears to (ii) the Company’s Fixed Charges (the Company’s interest expense, plus principal payments, any tax distributions, Restricted Payments, and the lesser of \$500,000 of maintenance Capital Expenditures or actual maintenance Capital Expenditures). Additionally, the Company must maintain a 1.00:1.00 Fixed Charge Ratio after paying any such distribution.	October 1, 2009	(1.06):1.00	Losses of \$8,526,800
Working Capital	The Company must maintain at least \$5,000,000 in working capital.	October 1, 2009	\$130,910*	\$4,869,090*

Working Capital	The Company must maintain at least \$6,000,000 in working capital.	December 31, 2009	\$130,910*	\$5,869,090*
Net Worth	The Company must maintain a “Tangible Net Worth” of \$41 million. Tangible Net Worth is the Company’s total assets less the sum of (i) the Company’s debt, (ii) the amount of appraisal surplus or any write-up in the book value of any assets resulting from a revaluation or any write-up in excess of the cost of such assets acquired reflected on the Company’s consolidated balance sheet, and (iii) the net book amount of all of the Company’s assets.	October 1, 2009	\$33,568,137	\$7,431,863
Equity Ratio	The Company must maintain an owner’s equity ratio of 50%. The owner’s equity ratio is the percentage that the Company’s equity is of the Company’s outstanding debt.	October 1, 2009	59%	None
Current Ratio	The Company must maintain a ratio of current assets to current liabilities of 1.20:1.00.	October 1, 2009	1.01:1.00	Current Assets of \$1,863,805

*Not including current liabilities for term debt previously classified as long term.

We will seek to comply with the above financial covenants through the following: (i) recommending the Private Offering as discussed above, (ii) the receipt by us (with Lender’s cooperation) of USDA approval of our pre-application for the B&I Loan, and (iii) the receipt of a USDA working capital grant of \$300,000. If we are unable to obtain these additional funds and/or modify the covenants under the Loan Documents, we cannot be certain of our ability to continue as a going concern.

On September 30, 2009, we executed the Fifth Supplement with the Lender, which (i) extended the payment dates of our restructuring fees, (ii) extended the first principal payment until April 1, 2010, (iii) provided Lender will release \$2,000,000 of restricted cash for the purchase of corn, and (iv) requires us to fund a loan reserve account with \$2,000,000 of cash if we receive the B&I Loan.

We are actively conducting further discussions with Lender to modify the net worth, equity ratio and assets to liabilities ratio requirements discussed above. We cannot predict whether the Lender will agree to modify any of those covenants. To the extent we are unable to modify those covenants, it may not be possible to meet them unless the commodities markets we operate in move in favorable directions. Until we are able to comply with the covenants under the Loan Documents, the Lender may take a variety of actions, including immediately accelerating the repayment of all outstanding debt under the Loan Documents. Such acceleration could entitle the Lender to liquidate all of our assets, and would likely lead to our bankruptcy, reorganization or winding up of our affairs.

TIF Note

In June 2007, the City of Atkinson, Nebraska (“City”) issued a tax increment financing Note (the “TIF Note”), the net proceeds of which in the amount of \$4,939,925 were paid to us to reimburse us for certain infrastructure improvements relating to our plant. The TIF Note is an obligation of the City, not of us, and is expected to be retired from property tax payments we will make to the City, which in turn are based on the value of our land and buildings. The TIF Note serves as collateral for a loan with an outstanding balance of \$6,725,000 (the “Loan”) as of September 30, 2009. We received the net proceeds of the Loan in the amount of \$4,939,925 pursuant to a Loan Agreement we entered into with the lead lending agent, Arbor Bank (“TIF Lender”), under which we have loaned such proceeds to the City in exchange for the TIF Note. The first principal payment was paid on June 1, 2009 from the debt reserve account established with a portion of the original loan funds, and the next required payment comes due on December 1, 2009.

The repayment of the TIF Note was originally expected to be paid from reimbursement of incremental tax revenue that derived from the property improvement with construction of the plant. Construction delays caused delay of the assessment and the payment of taxes, and therefore has affected the schedule of the loan repayment. Furthermore, the economic condition in the ethanol industry has resulted in a number of plants being sold at auction, establishing a market price for ethanol facilities that at times has been far lower than the cost of construction. Generally, the cost of construction for an ethanol facility is approximately \$2.00 per gallon. Our cost of construction has been slightly

higher, primarily because we had to construct extensions to both the rail lines and the natural gas lines. The assessed value of the real property portion of our plant is significantly less than anticipated as a result of the sale-at-auction transactions of other plants establishing a market value for ethanol facilities at approximately \$0.60 per gallon, suggesting a maximum market value for our plant at less than \$30,000,000.

The Holt County Tax Assessor has established an initial assessment of \$14,000,000 for real property (85% complete as of the date of assessment in 2008), and slightly more than \$30,000,000 for personal property. The 2008 levy was approximately \$2.13 per \$100. This assessment suggests an annual property tax cost to us of \$937,200.

Without notice to us, TIF Lender sent a formal letter of protest to the Holt County Tax Assessor's office, trying to increase our real property assessment from \$14,000,000 to \$51,000,000. That would amount to an increase in tax cost of approximately \$788,000 per year. Such tax payments, resulting from the increased tax assessments, would be refunded by the taxing authorities directly to the TIF Lender, which would reduce other cash requirements on the Company by direct satisfaction of interest, principal and debt service reserve fund payment obligations. Any excess would be applied as a prepayment of the Loan. If the tax assessments are not increased, the TIF Lender may require the Company to prepay significant Loan principal amounts in order to satisfy a 1.20:1.00 debt service coverage ratio requirement.

In negotiation and cooperation with TIF Lender, we appealed to the Holt County Board of Supervisors requesting a transfer of \$16,000,000 personal property assessed values to real property causing a net change to tax liability of zero, but increasing the portion of tax payments that would be refunded to TIF Lender in payment of interest and principal. These changes were granted and will be in effect for the tax year 2009, payable in 2010.

Plan of Operations for the Next 12 Months

We expect to spend at least the next 12 months focused on plant operations, including three primary functions: (i) management of cost effective purchasing of inputs for our production process, (ii) optimizing the production process in such a way as to minimize manufacturing costs, and (iii) monitoring and evaluating the performance of our marketing agents to ensure effective marketing of our ethanol and distiller's grains.

Market Risk

We are exposed to the impact of market fluctuations associated with commodity prices. We anticipate the use of derivative financial instruments as part of an overall strategy to manage market risk, assuming we have sufficient working capital and liquidity to manage such a strategy. We intend, when able, to use cash, futures and option contracts to hedge changes to the commodity prices of corn, natural gas and gasoline. We will not enter into these derivative financial instruments for trading or speculative purposes, nor will we designate these contracts as cash flow or fair value hedges for accounting.

Commodity Price Risk

We are exposed to market risk with respect to the price of ethanol, our principal product, and the price and availability of corn, the principal commodity to be used by us to produce ethanol. Our other primary product is distiller's grains, and we are also subject to market risk with respect to the price for distiller's grains. In general, rising ethanol and distiller's grains prices should result in higher profit margins, and therefore represent favorable market conditions. Ethanol and distiller's grains prices are, however, influenced by various factors beyond the control of our management, including the supply and demand for gasoline, the availability of substitutes and the effects of laws and regulations.

Ethanol revenues are controlled in the market place. Our risk management team meets weekly and assesses the balance of forward purchases of corn with forward sales of ethanol and the risks associated with the trends in the marketplace. In recent months, the price for ethanol has closely followed the market prices of corn. The price of unleaded gasoline is also a primary concern in that if the price of ethanol rises above the Reformulated Gasoline Blend stock for Oxygen Blending ("RBOB") price, then the economies do not allow favorable margins for the discretionary blenders and demand for ethanol falls.

Distiller's grains are primarily marketed into the local cattle feed market. Historically, the summer months bring the lowest seasonal demand for this product. Further complicating our marketing position, we have experienced an extraordinarily long period of startup irregularities and our ability to market distiller's grains has been affected by these complications, as well as a deeper seasonal reduction than is normally experienced. Consistent production volumes and quality are required to maximize the pricing advantage potential of our favorable geography relative to large numbers of cattle feeders. Now that we have control of the plant and production, we anticipate being able to establish reputation and relationships with those cattle feeders that will help mitigate the seasonal variability in future years, though ultimately demand for distiller's grains is not in our control.

Ethanol, corn and energy markets have demonstrated a complex relationship in the past 24 months. Generally speaking, the Company believes that the price of energy provides a ceiling value for ethanol, particularly in the price of crude oil as driven into the price of unleaded gasoline, otherwise known in the markets as RBOB. However, except when affected by that upward limit, we believe that the price of ethanol follows the price of corn with a high degree of correlation, with the Crush Margin dictated by the market relationships of supply and demand. As discussed above, that Crush Margin has been squeezed in recent months by the oversupply of ethanol capacity, but can be significantly affected by any of several factors, including the relationship of distribution infrastructure and its limits to handle the volume of ethanol that could be produced by the existing capacity while limited by the EPA to 10% blends for regular unleaded gasoline. Also affecting the Crush Margin is the price of oil. In mid 2008, when oil was at levels up to and above \$140 a barrel, the cost of RBOB allowed profitable blending of ethanol, even when corn costs were above \$6 and \$7. At that time, the Crush Margin was high even though the cost of corn was at record levels.

The availability and price of corn is subject to wide fluctuations due to various unpredictable factors which are beyond our control, including weather conditions, farmer planting decisions, governmental policies with respect to agriculture and local, regional, national and international trade, demand and supply. At the end of September, 2009, year-to-date corn cost as a percent of ethanol sales was 85%, and of gross sales as 66%. However, this ratio had improved for the month of September 2009 alone to 76% and 62% respectively. We expect to continue to improve this relationship for the remainder of 2009 and forecast the year-end ratios to be 74% and 62%. Forecasts for future years assume that this relationship will be between 73-76% of ethanol revenues and 59-62% of gross revenues.

We expect the annual impact on our results of operations due to a \$0.30 per bushel fluctuation in market prices for corn to be approximately \$4,890,000, or \$0.11 per gallon, assuming our plant continues to operate at 100% name plate capacity (production of 44,000,000 gallons of ethanol annually). We also expect a \$0.20 per gallon fluctuation in ethanol market prices to impact annual net income by approximately \$8,800,000, a \$0.20 per gallon fluctuation in denaturant market prices to impact annual net income by approximately \$180,000, and a \$0.50 per btu fluctuation in natural gas market prices to impact annual net income by approximately \$630,000.

We seek to minimize the risks from fluctuations in the prices of corn and ethanol through the use of derivative instruments, provided we have sufficient working capital to enter into such instruments and cover any margin requirements necessary to maintain such positions. In practice, as markets move, we will seek to actively manage our risk and adjust hedging strategies as appropriate, provided we have sufficient working capital for such strategies. Although we believe our hedge positions accomplish an economic hedge against our future purchases, they are not designated as such for hedge accounting purposes, which would match the gain or loss on our hedge positions to the specific commodity purchase being hedged. We mark to market our hedge positions, which means as the current market price of our hedge positions changes, the gains and losses are immediately recognized in our cost of goods sold. The immediate recognition of hedging gains and losses can cause net income to be volatile from quarter to quarter due to the timing of the change in the value of the derivative instruments relative to the cost and use of the commodity being hedged. We have recorded gains on derivative instruments of approximately \$1,000 and \$0 for the nine months ended September 30, 2009 and 2008, respectively. We do not have any open positions as of September 30, 2009.

In the event we do not have sufficient working capital to enter into hedging strategies to manage our risks, we may be forced to purchase our corn and market our ethanol at spot prices and as a result, we could be further exposed to market volatility and risk.

Application of Critical Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. The Company uses estimates and assumptions in accounting for the following significant matters, among others: the allowance for doubtful accounts, useful lives of property and equipment, the valuation of inventory, and inventory purchase commitments, long-lived asset impairments including the assumptions used to estimate future cash flows, the ability to raise capital, and the ability to comply with certain provisions within the Company's Loan Agreements. Actual results may differ from previously estimated amounts, and such differences may be material to our financial statements. The Company periodically reviews estimates and assumptions, and the effects of revisions are reflected in the period in which the revision is made.

Whether the carrying value of the Company's plant assets should be discounted for impaired value has been considered, and management has determined that there should be no adjustments to carrying value as of September 30, 2009 for the following three reasons. First, the Company's short time in operation under distress from construction delays, equipment failures and startup complications, provides inadequate cost history to assess with reasonable levels of certainty what the cost structure will be going forward. Second, the economic structure of the distiller's grain markets has been excessively volatile throughout initial plant operations. The cash flow to be generated from sales of distiller's grains is a critical requirement for the Company to generate future profitability. Third, the economic recession in the U. S. during the entire startup and operations of the plant further complicates the measurement of the Company's ability to generate future cash flows that are required to document material impairment to the carrying value of the Company's plant assets. In the Business Plan provided to the Lender, the Company has assumed 1) future distiller's grain revenue will be 18% of gross revenue (forecast for year-end 2009 is 15%), 2) future corn costs will be 72-76% of ethanol revenue (forecast for year-end 2009 is 81%), and 3) these relationships drive future net profitability estimates of 1-3% of gross revenues (forecast for year-end 2009 is a net loss of 17%). If the Company fails to realize these economic improvements, it is likely, in the future, that asset values will need to be adjusted to reflect impaired value by reason that the Company will be unable to forecast future cash flows sufficient to carry those values.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonable likely to have a current or future material effect on our consolidation financial condition, results of operations or liquidity.

Item 4(T). Controls and Procedures.

Our management, including our President (our principal executive officer), Jerome Fagerland, along with our Treasurer (our principal financial officer), Timothy Borer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 15d-15 under the Exchange Act of 1934), as of September 30, 2009. Based upon this review and evaluation, these officers believe that our disclosure controls and procedures are presently effective in ensuring that material information related to us is recorded, processed, summarized and reported within the time periods required by the forms and rules of the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

Management of the Company has evaluated, with the participation of the President of the Company, any change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934) that occurred during the period covered by this Quarterly Report on Form 10-Q. There was no change in the Company's internal control over financial reporting identified in that evaluation that occurred during the fiscal period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Forward Looking Statements

This report by NEDAK Ethanol, LLC (the “Company,” “we” or “us”) contains forward-looking statements that involve future events, our future performance and our expected future operations and actions. In some cases you can identify forward-looking statements by the use of words such as “may,” “should,” “anticipate,” “believe,” “expect,” “plan,” “future,” “intend,” “could,” “estimate,” “predict,” “hope,” “potential,” “continue,” or the negative of these terms or other similar expressions. These forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties. Our actual results or actions may differ materially from these forward-looking statements for many reasons, including the following factors:

- Overcapacity in the ethanol industry;
- Fluctuations in the price and market for ethanol and distillers grains;
- Availability and costs of products and raw materials, particularly corn and natural gas;
- Our ability to obtain the debt and equity financing necessary to operate our plant;
- Changes in our business strategy, capital improvements or development plans;
- Construction delays and technical difficulties in completion of the plant;
- Changes in the environmental regulations that apply to our plant site and operations;
- Our ability to hire and retain key employees for the operation of the plant;
- Changes in general economic conditions or the occurrence of certain events causing an economic impact in the agricultural, oil or automobile industries;
- Changes in the weather and economic conditions impacting the availability and price of corn and natural gas;
- Changes in federal and/or state laws (including the elimination of any federal and/or state ethanol tax incentives);
- Changes and advances in ethanol production technology; and competition from alternative fuel additives;
- Lack of transport, storage and blending infrastructure preventing ethanol from reaching high demand markets;
- Our ability to generate free cash flow to invest in our business and service our debt;
- Our ability to renegotiate the terms of our master credit facility and/or obtain waivers from our lender to avoid their ability to exercise their default remedies on agreements of which we are currently in default.
- Volatile commodity and financial markets;
- Changes in interest rates and lending conditions; and
- Results of our hedging strategies.

Our actual results or actions could and likely will differ materially from those anticipated in the forward-looking statements for many reasons, including the reasons described in this report. We are not under any duty to update the forward-looking statements contained in this report. We cannot guarantee future results, levels of activity, performance or achievements. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. You should read this report and the documents that we reference in this report and have filed as exhibits completely and with the understanding that our actual future results may be materially different from what we currently expect. We qualify all of our forward-looking statements by these cautionary statements.