



FISCAL YEAR 2010 ANNUAL REPORT

MARCH 31, 2011

A LETTER FROM THE PRESIDENT AND GENERAL MANAGER

Dear NEDAK Investor: This is my second annual report to you as President of an operating company, and as I write to you, I'm looking back at the most remarkable of a remarkable six years. This second year of operations has brought us to a steady level of production that we only hoped to achieve a year ago. Our expectations include continued improvements that should bring production levels up to the maximum amount allowed under our environmental permits.

Last year, I told you that "the challenges and possibilities of the days to come are different from the past", and this statement is even more true today. 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."

One of the most challenging aspects of business at NEDAK this year has been the weakened financial condition that remained after the volatile experiences of the 5 year development and start-up phases. This, combined with volatile commodities markets, corn and natural gas procurement under negative working capital conditions, and a very slow start to recovery in the larger economy across the world were the main challenges in 2010. We continue to explore options to remedy our negative working capital and improve our lending arrangements. Those options may include obtaining additional equity capital, as well as changing our marketing and procurement arrangements in a way that reduces the levels of risk and reward in our business.

Our goals are to protect as much of the value of this successfully operating production facility for the benefit of the existing membership and to keep control of the company. Although the market values for ethanol plants sold during the last 12-24 months spanned a wide range, non-operating ethanol plants have generally sold at a significant discount. Therefore, considering our existing debt load and the value others have received in the sale of ethanol plants in recent months, we believe the best way to add member value is to maintain a continually operated facility into what we hope is a more prosperous future in the industry.

On a brighter note, we have experienced improvement in the local wet distillers grains market, which fueled a profitable fourth quarter in 2010 and we have continued to see a stable demand for this product in our area.

This Annual Report containing our fiscal 2010 financial statements includes discussion of many challenges in the past two years. My message to you in this letter continues to look forward with our plans and expectations for the future grounded in our prior experience. Overall, I have three main goals:

- Protect Unit holder value in our efforts to recapitalize the company, seeking additional resources and strategic changes in marketing and operation partners.
- Continue to stabilize 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.

Another significant initiative we've started in recent months and plan to pursue into the future is targeted capital investments in equipment to improve even more our production efficiencies. Investments in new, upgraded or modified equipment is critical to establish us as a low-cost producer. As additional working capital becomes available, the Directors and Management will actively pursue any capital project that can bring immediate process or productivity improvements with cash flow and payback in the short term.

Looking forward, 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