

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

LAKE AREA CORN PROCESSORS LLC

CIK: **1156174** | IRS No.: **460460790** | State of Incorporation: **SD** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-50254** | Film No.: **091006502**
SIC: **2860** Industrial organic chemicals

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended June 30, 2009.

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from _____ to _____.

Commission File Number: 000-50254

LAKE AREA CORN PROCESSORS, LLC

(Exact name of registrant as specified in its charter)

South Dakota

(State or other jurisdiction of
incorporation or organization)

46-0460790

(I.R.S. Employer Identification No.)

46269 SD Highway 34

P.O. Box 100

Wentworth, South Dakota 57075

(Address of principal executive offices)

(605) 483-2679

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer’s classes of common equity as of the latest practicable date: As of August 12, 2009, there were 29,620,000 units outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

LAKE AREA CORN PROCESSORS, LLC
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008*</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 322,588	\$ 488,517
Accounts receivable	4,266,639	2,769,458
Other receivables	83,333	166,667
Inventory	6,742,647	6,526,977
Due from broker	435,473	60
Derivative financial instruments	433,534	373,313
Prepaid expenses	140,042	289,444
	<u>12,424,256</u>	<u>10,614,436</u>
PROPERTY AND EQUIPMENT		
Land	676,097	676,097
Land improvements	2,665,358	2,665,358
Buildings	8,088,853	8,088,853
Equipment	40,768,265	38,882,582
Construction in progress	-	1,256,194
	<u>52,198,573</u>	<u>51,569,084</u>
Less accumulated depreciation	<u>(18,387,144)</u>	<u>(17,037,417)</u>
	<u>33,811,429</u>	<u>34,531,667</u>
OTHER ASSETS		
Goodwill	10,395,766	10,395,766
Investments	2,221,334	2,507,074
Guarantee premium	116,843	141,263
Other	9,825	16,242
	<u>12,743,768</u>	<u>13,060,345</u>
	<u>\$ 58,979,453</u>	<u>\$ 58,206,448</u>

* Derived from audited financial statements

See Notes to Unaudited Consolidated Financial Statements

	June 30, 2009	December 31, 2008*
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Outstanding checks in excess of bank balance	\$ 1,426,223	\$ 400,918
Accounts payable	3,493,719	7,858,935
Accrued liabilities	1,115,228	3,199,234
Derivative financial instruments	892,912	97,912
Short-term notes payable	1,745,991	-
Current portion of guarantee payable	74,814	60,678
Current portion of notes payable	2,373,487	2,065,357
Total current liabilities	11,122,374	13,683,034
LONG-TERM LIABILITIES		
Notes payable, net of current maturities	9,560,480	5,201,498
Guarantee payable, net of current portion	200,278	200,278
Other	304,550	262,500
Total long-term liabilities	10,065,308	5,664,276
COMMITMENTS AND CONTINGENCIES		
MEMBERS' EQUITY		
Capital units, \$0.50 stated value, 29,620,000 units issued and outstanding	14,810,000	14,810,000
Additional paid-in capital	96,400	96,400
Retained earnings	22,885,371	23,952,738
Total members' equity	37,791,771	38,859,138
	\$ 58,979,453	\$ 58,206,448

* Derived from audited financial statements

See Notes to Unaudited Consolidated Financial Statements

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LAKE AREA CORN PROCESSORS, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
----------------------------------------	----------------------------------------	--------------------------------------	--------------------------------------

REVENUES	\$ 22,487,000	\$ 29,916,456	\$ 43,462,005	\$ 56,394,467
COST OF REVENUES	21,456,600	18,273,259	42,393,017	32,701,421
GROSS PROFIT	1,030,400	11,643,197	1,068,988	23,693,046
OPERATING EXPENSES	747,143	988,648	1,449,604	2,089,706
INCOME (LOSS) FROM OPERATIONS	283,257	10,654,549	(380,616)	21,603,340
OTHER INCOME (EXPENSE)				
Interest and other income	11,929	16,039	16,496	24,554
Equity in net income(loss) of investment	101,662	-	(285,741)	-
Interest and other expense	(214,195)	(168,267)	(417,506)	(389,075)
Total other income (expense)	(100,604)	(152,228)	(686,751)	(364,521)
NET INCOME (LOSS)	\$ 182,653	\$ 10,502,321	\$ (1,067,367)	\$ 21,238,819
BASIC AND DILUTED EARNINGS (LOSS) PER UNIT	\$ 0.01	\$ 0.35	\$ (0.04)	\$ 0.72
WEIGHTED AVERAGE UNITS OUTSTANDING FOR THE CALCULATION OF BASIC AND DILUTED EARNINGS (LOSS) PER UNIT	29,620,000	29,620,000	29,620,000	29,620,000
DISTRIBUTIONS DECLARED PER UNIT	\$ -	\$ 0.05	\$ -	\$ 0.05

See Notes to Unaudited Consolidated Financial Statements

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LAKE AREA CORN PROCESSORS, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Net income (loss)	\$ (1,067,367)	\$ 21,238,819
Changes to income not affecting cash		
Depreciation and amortization	1,380,566	1,395,125
Equity in net (income) loss of investments	285,741	-
Unrealized loss on purchase commitments	614,744	-
Lower of cost or market adjustment on inventory	412,357	-
(Increase) decrease in		
Receivables	(1,413,847)	(809,574)
Inventory	(628,027)	(2,468,219)

Prepaid expenses	149,401	146,223
Derivative financial instruments and due from broker	299,365	(14,731,992)
Increase (decrease) in		
Accounts payable	(3,961,375)	(2,352,690)
Accrued liabilities	(2,656,700)	(37,794)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(6,585,142)	2,379,898
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,033,330)	(612,588)
Purchase of investment	–	(135,556)
NET CASH (USED IN) INVESTING ACTIVITIES	(1,033,330)	(748,144)
FINANCING ACTIVITIES		
Increase in outstanding checks in excess of bank balance	1,025,305	–
Short-term notes payable issued	4,745,991	1,686,000
Long-term notes payable issued	2,639,000	–
Principal payments on long-term notes payable	(957,753)	(847,166)
Distributions paid to LACP members	–	(1,481,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	7,452,543	(642,166)
NET INCREASE (DECREASE) IN CASH	(165,929)	989,588
CASH AT BEGINNING OF PERIOD	488,517	361,122
CASH AT END OF PERIOD	\$ 322,588	\$ 1,350,710
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for interest	\$ 325,179	\$ 390,821

See Notes to Unaudited Consolidated Financial Statements

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LAKE AREA CORN PROCESSORS, LLC
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2009 AND 2008

NOTE 1 - NATURE OF OPERATIONS

Principal Business Activity

Lake Area Corn Processors, LLC (the Company) is a South Dakota limited liability company located in Wentworth, South Dakota. The Company was organized by investors to provide a portion of the corn supply for a 40 million-gallon (annual capacity) ethanol plant, owned by Dakota Ethanol, LLC (Dakota Ethanol). On September 4, 2001, the ethanol plant commenced its principal operations. The Company sells ethanol and related products to customers located in North America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited financial statements contained herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included in the accompanying financial statements. The results of operations for the six and three months ended June 30, 2009 and 2008 are not necessarily indicative of the results to be expected for a full year.

These financial statements should be read in conjunction with the financial statements and notes included in the Company's financial statements for the year ended December 31, 2008, contained in the annual report on Form 10-K for 2008.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of its subsidiary, Dakota Ethanol. All significant inter-company transactions and balances have been eliminated in consolidation.

Revenue Recognition

Revenue from the production of ethanol and related products is recorded when title transfers to customers, net of allowances for estimated returns. Generally, ethanol and related products are shipped FOB shipping point, based on written contract terms between Dakota Ethanol and its customers. Collectibility of revenue is reasonably assured based on historical evidence of collectibility between Dakota Ethanol and its customers. Interest income is recognized as earned.

Cost of Revenues

The primary components of cost of revenues from the production of ethanol and related co-product are corn expense, energy expense (natural gas and electricity), raw materials expense (chemicals and denaturant), and direct labor costs.

Shipping costs incurred in the sale of distiller's grains are classified in net revenues. Shipping costs on distiller's grains were approximately \$482,000 and \$221,000 for the six and three months ended June 30, 2009, respectively. Shipping costs on distiller's grains were approximately \$978,000 and \$539,000 for the six and three months ended June 30, 2008, respectively.

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LAKE AREA CORN PROCESSORS, LLC

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2009 AND 2008

Inventory Valuation

Ethanol and related products are stated at net realizable value. Raw materials, work-in-process, and parts inventory are valued using methods which approximate the lower of cost (first-in, first-out) or market. In the valuation of inventories and purchase and sale commitments, market is based on current replacement values except that it does not exceed net realizable values and is not less than net realizable values reduced by allowances for approximate normal profit margin.

Investment in commodities contracts, derivative instruments and hedging activities

SFAS No. 133 requires a company to evaluate its contracts to determine whether the contracts are derivatives. On January 1, 2009, we adopted the provisions of SFAS No. 161, which requires entities to provide greater transparency in interim and annual financial statements about how and why the entity uses derivative instruments, how the instruments and related hedged items are accounted for under SFAS No. 133, and how the instruments and related hedged items affect the financial position, results of operations, and cash flows of the entity

We are exposed to certain risks related to our ongoing business operations. The primary risks that we manage by using forward or derivative instruments are price risk on anticipated purchases of corn, natural gas and the sale of ethanol.

We are subject to market risk with respect to the price and availability of corn, the principal raw material we use to produce ethanol and ethanol by-products. In general, rising corn prices result in lower profit margins and, therefore, represent unfavorable market conditions. This is especially true when market conditions do not allow us to pass along increased corn costs to our customers. The availability and price of corn is subject to wide fluctuations due to unpredictable factors such as weather conditions, farmer planting decisions, governmental policies with respect to agriculture and international trade and global demand and supply.

Certain contracts that literally meet the definition of a derivative may be exempted from SFAS No. 133 as normal purchases or normal sales. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that meet the requirements of normal purchases or sales are documented as normal and exempted from the accounting and reporting requirements of SFAS No. 133. Effective January 1, 2008, we apply the normal purchase and sales exemption under SFAS No. 133 for forward purchases of corn and sales of distiller's grains. Transactions initiated prior to January 1, 2008 are not exempted from the accounting and reporting requirements of SFAS No. 133. As of June 30, 2009, we are committed to purchasing 4.1 million bushels of corn on a forward contract basis with an average price of \$4.33 per bushel, of which 1.4 million bushels are subject to SFAS No. 133 and 2.7 million bushels are accounted for as normal purchases under SFAS 133, and accordingly, are not marked to market and are accounted for using lower of cost or market accounting.

We sometimes enter into firm-price purchase commitments with some of our natural gas suppliers under which we agree to buy natural gas at a price set in advance of the actual delivery of that natural gas to us. Under these arrangements, we assume the risk of a price decrease in the market price of natural gas between the time this price is fixed and the time the natural gas is delivered. At June 30, 2009, we are committed to purchasing 240,000 MMBtu's of natural gas in advance at prices other than at market. We account for these transactions as normal purchases under SFAS 133, and accordingly, do not mark these transactions to market.

We enter into short-term forward, option and futures contracts as a means of securing corn and natural gas for the ethanol plant and managing exposure to changes in commodity and energy prices. We enter into short-term forward, option and futures contracts for sales of ethanol to manage exposure to changes in energy prices. All of our derivatives are designated as non-hedge derivatives, and accordingly are recorded at fair value with changes in fair value recognized in net income. Although the contracts are considered economic hedges of specified risks, they are not designated as and accounted for as hedging instruments.

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LAKE AREA CORN PROCESSORS, LLC
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2009 AND 2008

As part of our trading activity, we use futures and option contracts offered through regulated commodity exchanges to reduce risk and we are exposed to risk of loss in the market value of inventories. To reduce that risk, we generally take positions using forward and futures contracts and options.

Derivatives not designated as hedging instruments under SFAS 133 at June 30, 2009 and December 31, 2008 were as follows:

	Balance Sheet Classification	June 30, 2009	December 31, 2008
Futures and options contracts	Current Assets	\$ 433,534	\$ 373,313
Forward contracts	(Current Liabilities)	\$ (892,912)	\$ (97,912)

Realized and unrealized gains and losses related to derivative contracts related to corn and natural gas purchases are included as a component of cost of revenues and derivative contracts related to ethanol sales are included as a component of revenues in the accompanying financial statements.

	Statement of Operations Classification	Three Months Ended June 30,	
		2009	2008
Net realized and unrealized gains (losses) related to purchase contracts:			
Futures and options contracts	Cost of Revenues	\$ 538,876	\$ 1,456,904
Forward contracts	Cost of Revenues	\$ (761,883)	\$ 3,334,959

	Statement of Operations Classification	Six Months Ended June 30,	
		2009	2008
Net realized and unrealized gains (losses) related to purchase contracts:			
Futures and options contracts	Cost of Revenues	\$ 480,460	\$ 1,430,463
Forward contracts	Cost of Revenues	\$ (770,625)	\$ 9,630,554

Investments

Dakota Ethanol has a less than 20% investment interest in three unlisted companies in related industries. These investments are being accounted for by the equity method of accounting under which the Company's share of net income is recognized as income in the Company's income statement and added to the investment account. Distributions or dividends received from the investments are treated as a reduction of the investment account. The Company consistently follows the practice of recognizing the net income based on the most recent reliable data.

Dakota Ethanol has a less than 20% investment interest in the company's ethanol marketer, Renewable Products Marketing Group, LLC (RPMG). The net income which is reported in the Company's income statement for RPMG is based on RPMG's March 31, 2009 unaudited results. The carrying amount of the Company's investment was approximately \$1,227,000 and \$1,513,000 as of June 30, 2009 and December 31, 2008, respectively.

LAKE AREA CORN PROCESSORS, LLC
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2009 AND 2008

Dakota Ethanol has a less than 20% investment interest in Prairie Gold Venture Partnership, LLC (PGVP), a venture capital fund investing in cellulosic ethanol production. The net income which is reported in the Company's income statement for PGVP is based on PGVP's March 31, 2009 unaudited results. The carrying amount of the Company's investment was approximately \$994,000 as of June 30, 2009 and December 31, 2008.

Dakota Ethanol has a less than 20% investment interest in Corn Oil Bio-Solutions, LLC (COBS), a developmental stage bio-diesel refinery. During the quarter ended December 31, 2008, the project was idled due to credit conditions, as such, the company reduced its investment to zero.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Environmental Liabilities

Dakota Ethanol's operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdiction in which it operates. These laws require Dakota Ethanol to investigate and remediate the effects of the release or disposal of materials at its locations. Accordingly, Dakota Ethanol has adopted policies, practices and procedures in the areas of pollution control, occupational health and the production, handling, storage and use of hazardous materials to prevent material environmental or other damage, and to limit the financial liability which could result from such events. Environmental liabilities are recorded when Dakota Ethanol's liability is probable and the costs can be reasonably estimated.

Risks and Uncertainties

The current U.S. recession has reduced the nation's demand for energy. The recent bankruptcy filing of one of the industry's major producers has resulted in great economic uncertainty about the viability of ethanol. The ethanol boom of recent years has spurred overcapacity in the industry and production capacity is currently exceeding the RFS mandates. The average national ethanol spot market price has plunged over 30% since May 2008. The drop in crude oil prices from a record \$150 a barrel to its recent price of less than \$70 a barrel has resulted in the price of reformulated gasoline blendstock for oxygen blending (RBOB) dropping below \$1 per gallon in December 2008. With ethanol spot prices exceeding RBOB prices the economic incentives for blenders to continue using ethanol has become less advantageous. This could result in a significant reduction in the demand for ethanol. As such, the Company may need to evaluate whether crush margins will be sufficient to operate the plant and generate enough debt service. In the event crush margins become negative for an extended period of time, the Company may be required to reduce capacity or shut down the plant. The Company will continue to evaluate crush margins on a regular basis and may reduce capacity or shut down depending on the economic conditions at the time.

Recent Accounting Pronouncements

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1 and APB 28-1"). FSP FAS 107-1 and APB 28-1 require disclosures about fair value of financial instruments in interim and annual financial statements. FSP FAS 107-1 and APB 28-1 is effective for periods ending after June 15, 2009. The Company adopted FSP FAS 107-1 and APB 28-1 effective for the quarter ending June 30, 2009. The adoption did not have an impact on the Company's financial position or results of operations.

In May 2009, the FASB issued FASB Statement No. 165, "Subsequent Events" ("SFAS No. 165"). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The Company adopted this statement for the quarter ending June 30, 2009.

LAKE AREA CORN PROCESSORS, LLC**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)****JUNE 30, 2009 AND 2008**

In June 2009, the FASB issued Statement No. 168, “*The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162.*” Under the Statement, The FASB Accounting Standards Codification (Codification) will become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this Statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. In the FASB’s view, the issuance of this Statement and the Codification will not change GAAP, except for those nonpublic nongovernmental entities that must now apply the American Institute of Certified Public Accountants Technical Inquiry Service Section 5100, “Revenue Recognition,” paragraphs 38–76. The Company does not expect that the adoption of this Statement will have a material impact on the Company’s financial statements.

NOTE 3 - INVENTORY

Inventory consisted of the following as of June 30, 2009 and December 31, 2008:

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008*</u>
Raw materials	\$ 3,931,012	\$ 3,937,873
Finished goods	1,110,976	825,878
Work in process	526,601	591,870
Parts inventory	1,174,058	1,171,356
	<u>\$ 6,742,647</u>	<u>\$ 6,526,977</u>

* Derived from audited financial statements

Included in inventory is a lower of cost or market adjustment of approximately \$412,000 and \$1,139,000 at June 30, 2009 and December 31, 2008 respectively.

NOTE 4 - SHORT-TERM NOTES PAYABLE

On June 18, 2009, Dakota Ethanol renewed a revolving promissory note from First National Bank of Omaha in the amount of \$4,000,000. The note expires on May 17, 2010 and the amount available is subject to certain restrictive covenants establishing minimum reporting requirements, ratios, working capital, net worth and borrowing base requirements. Interest on the outstanding principal balances will accrue at adjustable basis points above the lender’s base rate (5.25 percent at June 30, 2009). There is a commitment fee of 3/8 percent on the unused portion of the \$4,000,000 availability. The note is collateralized by the ethanol plant, its accounts receivable and inventories. On June 30, 2009, Dakota Ethanol had approximately \$1,746,000 outstanding and \$2,254,000 available to be drawn on the revolving promissory note. On December 31, 2008, Dakota Ethanol had \$0 outstanding and \$3,000,000 available to be drawn on the revolving promissory note.

NOTE 5 - LONG-TERM NOTES PAYABLE

On January 16, 2009, we entered into an amendment to our credit agreements with FNBO. The primary purposes of these amendments were to increase our revolving line of credit with FNBO from \$3,000,000 to \$5,000,000 and to make changes to the covenants applicable to our credit agreements. We agreed to provide FNBO more information regarding our hedging transactions and to make adjustments to our hedging

strategies. We also agreed to raise an additional \$2,000,000 in subordinated debt by March 31, 2009 and to secure alternate financing for our corn oil

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LAKE AREA CORN PROCESSORS, LLC
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2009 AND 2008

extraction equipment by April 30, 2009. In addition, we agreed not to make any distributions to our members without FNBO's prior approval.

In order to comply with the conditions FNBO imposed regarding raising additional subordinated debt financing, we conducted a private placement offering of subordinated unsecured debt securities which closed on May 30, 2009. The securities mature two years from the date of issuance. Interest on the outstanding balances will accrue at a fixed rate of 9 percent. Interest will be paid annually on January 30th of each year beginning on January 30, 2010. As of June 30, 2009, we have raised \$1,439,000 in subordinated debt through this offering.

On May 22, 2009, Dakota Ethanol entered into two loan agreements for alternative financing for our corn oil extraction equipment as we had agreed with FNBO; one loan with Rural Electric Economic Development, Inc (REED) and the other loan with First District Development Company (FDDC).

The note to REED for \$1 million has a fixed interest rate of 4.7%. The note requires monthly installments of principal and interest and matures on May 25, 2014. The note is secured by the oil extraction equipment.

The note to FDDC for \$200,000 has a fixed interest rate of 5.5%. The note requires monthly installments of principal and interest and matures on May 22, 2014. The note is secured by the oil extraction equipment.

FNBO has agreed that the \$1.2 million in additional financing we have secured for the corn oil extraction equipment is sufficient to satisfy the requirement in our amended credit agreements.

As of June 30, 2009, we have raised \$1,439,000 in subordinated debt through this offering and had secured an additional \$700,000 which closed on July 24, 2009. FNBO has agreed that the \$2.1 million in additional subordinated financing we have secured is sufficient to satisfy the requirement in our amended credit agreements.

We are in compliance with our financial covenants as of June 30, 2009.

The balances of the notes payable are as follows:

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008*</u>
Note payable to First National Bank of Omaha		
Term Note 2	\$ 3,862,165	\$ 4,816,855
Term Note 5	5,000,000	2,000,000
Note payable - Land	450,000	450,000
Note payable - Subordinated notes	1,439,000	-
Note payable - REED	985,705	-
Note payable - FDDC	197,097	-

	11,933,967	7,266,855
Less current portion	(2,373,487)	(2,065,357)
	<u>\$ 9,560,480</u>	<u>\$ 5,201,498</u>

* Derived from audited financial statements

The interest rate on the outstanding principal balances of term note 5 was 5.0 percent at June 30, 2009.

Minimum principal payments for the next five years are estimated as follows:

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LAKE AREA CORN PROCESSORS, LLC
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2009 AND 2008

<u>Twelve Months Ending June 30,</u>	<u>Amount</u>
2010	\$ 2,373,487
2011	3,600,012
2012	5,352,877
2013	364,757
2014	242,834

NOTE 6 - FAIR VALUE MEASUREMENTS

Effective January 1, 2009, the Company completely adopted SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosure for those assets and liabilities carried on the balance sheet on a fair value basis.

The Company's balance sheet contains derivative financial instruments that are recorded at fair value on a recurring basis. SFAS No. 157 requires that assets and liabilities carried at fair value be classified and disclosed according to the process for determining fair value. There are three levels of determining fair value.

Level 1 uses quoted market prices in active markets for identical assets or liabilities.

Level 2 uses observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 uses unobservable inputs that are not corroborated by market data.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's financial assets and financial liabilities carried at fair value effective January 1, 2008.

Derivative financial instruments. Commodity futures and options contracts are reported at fair value utilizing Level 1 inputs. For these contracts, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes and live trading levels from the CBOT and NYMEX markets. Over-the-counter commodity

options contracts are reported at fair value utilizing Level 2 inputs. For these contracts, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes and live trading levels from the over-the-counter markets. Forward purchase contracts are reported at fair value utilizing Level 2 inputs. For these contracts, the Company obtains fair value measurements from local grain terminal bid values. The fair value measurements consider observable data that may include live trading bids from local elevators and processing plants which are based off the CBOT markets.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Total	Level 1	Level 2	Level 3
Assets:				
Derivative financial instruments	\$ 433,534	\$ 433,534	\$ -	\$ -
Liabilities:				
Derivative financial instruments	892,912	-	892,912	-

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LAKE AREA CORN PROCESSORS, LLC

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2009 AND 2008

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets and financial liabilities measured at fair value on a non-recurring basis were not significant at June 30, 2009.

SFAS No. 107, Disclosures about Fair Value of Financial Instruments, requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non recurring basis are discussed above. The methodologies for other financial assets and financial liabilities are discussed below.

The Company believes the carrying amount of cash, cash equivalents, accounts receivable, due from broker, derivative instruments, and accounts payable approximates fair value due to the short maturity of these instruments.

The carrying amount of long-term obligations at June 30, 2009 of \$12,194,923 had an estimated fair value of approximately \$12,309,137 based on estimated interest rates for comparable debt. The carrying amount and fair value were \$7,527,811 and \$7,700,926 respectively at December 31, 2008.

The Company believes the carrying amount of the short-term note payable at June 30, 2009 approximates fair value due to the short maturity of the instrument.

NOTE 7 - COMMITMENTS, CONTINGENCIES AND AGREEMENTS

Environmental – During the year ended December 31, 2002, management became aware that the ethanol plant may have exceeded certain emission levels allowed by their operating permit. The Company has disclosed the situation to the appropriate state regulatory agency and has taken steps to reduce the emissions to acceptable levels. Management has not accrued a liability for environmental remediation costs since the costs, if any, cannot be estimated.

NOTE 8 - RELATED PARTY TRANSACTIONS

Dakota Ethanol owns a 9% interest in RPMG, in which Dakota Ethanol has entered into an ethanol marketing agreement for the exclusive rights to market, sell and distribute the entire ethanol inventory produced by Dakota Ethanol. The marketing fees are included in net revenues.

On August 1, 2008, Dakota Ethanol entered into a dried distiller's grains marketing agreement with RPMG for the exclusive rights to market, sell and distribute the entire dried distiller's grains inventory produced by Dakota Ethanol.

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LAKE AREA CORN PROCESSORS, LLC**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)****JUNE 30, 2009 AND 2008**

Sales and marketing fees related to the agreements are as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Sales ethanol	\$ 18,381,116	\$ 26,167,626	\$ 35,053,846	\$ 50,319,836
Sales distiller's grains	1,322,406	-	2,437,293	-
Marketing fees ethanol	53,525	44,132	105,795	90,371
Marketing fees distillers grains	26,218	-	43,496	-

	<u>June 30,</u>	<u>December 31,</u>
	<u>2009</u>	<u>2008</u>
Amounts due included in accounts receivable	\$ 3,585,325	\$ 2,049,739

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 12, 2009. Through that date, the events requiring disclosure are as follows:

Subordinated Debt - On July 24th, we issued an additional \$700,000 in subordinated secured debt to Guardian Eagle Investments, LLC. The note has a fixed interest rate of 9.0%. The note requires monthly installments of principal and interest and matures in April 2012.

Corn Oil Agreement - On August 11, 2009, we executed a corn oil marketing agreement with RPMG, Inc. Pursuant to the agreement, RPMG agreed to market all of the corn oil we expect to produce. The initial term of the agreement is for one year. The agreement automatically renews for additional one year terms unless either party gives 180 days notice that the agreement will not be renewed. We agreed to pay RPMG a commission based on each pound of our corn oil that is sold by RPMG.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We prepared the following discussion and analysis to help you better understand our financial condition, changes in our financial condition, and results of operations for the three and six month periods ended June 30, 2009, compared to the same periods of the prior fiscal year. This discussion should be read in conjunction with the consolidated financial statements and the Management's Discussion and Analysis section for the fiscal year ended December 31, 2008, included in the Company's Annual Report on Form 10-K.

Disclosure Regarding Forward-Looking Statements

This report contains historical information, as well as forward-looking statements that involve known and unknown risks and relate to future events, our future financial performance, or our expected future operations and actions. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "future," "intend," "could," "hope," "predict," "target," "potential," "continue" or the negative of these terms or other similar expressions. These forward-looking statements are only our predictions based on current information 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 reasons described in this report. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include:

- Availability and costs of products and raw materials, particularly corn and natural gas;
- Changes in the price and market for ethanol and distiller's grains;
- Decreases in the price of gasoline or decreased gasoline demand;
- Our ability to secure the financing we require to maintain liquidity and operate our business;
- Changes in the availability and cost of credit;
- Changes and advances in ethanol production technology;
- The effectiveness of our hedging strategy to offset increases in the price of our raw materials and decreases in the prices of our products;
- Projected growth or overcapacity within the ethanol industry causing supply to exceed demand;
- Our ability to market and our reliance on third parties to market our products;
- The decrease or elimination of governmental incentives which support the ethanol industry;
- Changes in the weather or general economic conditions impacting the availability and price of corn;
- Our ability to generate free cash flow to invest in our business and service our debt;
- Changes in plant production capacity or technical difficulties in operating the plant;
- Changes in our business strategy, capital improvements or development plans;
- Our ability to retain key employees and maintain labor relations;
- Our liability resulting from litigation;
- Competition from alternative fuels and alternative fuel additives; and

- Other factors described elsewhere in this report.

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The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no duty to update these forward-looking statements, even though our situation may change in the future. Furthermore, we cannot guarantee future results, events, 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.

Overview

Lake Area Corn Processors, LLC is a South Dakota limited liability company that owns and manages its wholly-owned subsidiary, Dakota Ethanol, LLC. Dakota Ethanol, LLC owns and operates an ethanol plant located near Wentworth, South Dakota that has a nameplate production capacity of 40 million gallons of ethanol per year. Lake Area Corn Processors, LLC is referred to in this report as “LACP,” the “company,” “we,” or “us.” Dakota Ethanol, LLC is referred to in this report as “Dakota Ethanol” “we” “us” or the “ethanol plant.”

Our revenues are derived from the sale and distribution of our ethanol, distillers grains and corn oil. The ethanol plant currently operates in excess of its nameplate capacity, producing approximately 47 million gallons of ethanol per year. Corn is supplied to us primarily from our members who are local agricultural producers and from purchases of corn on the open market.

As of the end of our 2008 fiscal year and the end of the first quarter of our 2009 fiscal year, we were not in compliance with all of the covenants contained in our credit agreements with First National Bank of Omaha (FNBO), our primary lender. As a result, we entered into two amendments to our credit agreements with FNBO and took various steps required by FNBO to address these covenant non-compliance issues. As of June 30, 2009, we were in compliance with all of the covenants contained in our credit agreements and we have satisfied all of FNBO’s requirements as a result of our previous non-compliance. The steps that we took to comply with FNBO’s requirements are described in more detail below in “**Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness.**”

We recently completed installation of corn oil extraction equipment which allows us to remove some of the corn oil contained in our distiller’s grains. This allows us to sell the corn oil separately from the distiller’s grains that we produce. We used cash from our revolving lines of credit to finance the corn oil extraction equipment. We recently secured \$1.2 million in subordinated financing to offset the cost of installing the corn oil extraction equipment.

On August 11, 2009, we executed a corn oil marketing agreement with RPMG, Inc., which is the same entity that markets our ethanol and distiller’s grains. Pursuant to the agreement, RPMG agreed to market all of the corn oil we expect to produce. The initial term of the agreement is for one year. The agreement automatically renews for additional one year terms unless either party gives 180 days notice that the agreement will not be renewed. We agreed to pay RPMG a commission based on each pound of our corn oil that is sold by RPMG.

The production of corn oil presents a new source of revenue for us. We are continuing to improve the efficiency of our corn oil extraction equipment in order to maximize this additional revenue.

Results of Operations for the Three Months Ended June 30, 2009 and 2008

The following table shows the results of our operations and the percentage of revenues, cost of revenues, operating expenses and other items in relation to total revenues in our consolidated statements of operations for the three months ended June 30, 2009 and 2008:

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Income Statement Data	June 30, 2009		June 30, 2008	
	Amount	%	Amount	%
Revenues	\$ 22,487,000	100.0	\$ 29,916,456	100.0
Cost of Revenues	\$ 21,456,600	95.4	\$ 18,273,259	61.1
Gross Profit	\$ 1,030,400	4.6	\$ 11,643,197	38.9
Operating Expenses	\$ 747,143	3.3	\$ 988,648	3.3
Income from Operations	\$ 283,257	1.3	\$ 10,654,549	35.6
Other Expense	\$ (100,604)	(0.5)	\$ (152,228)	(0.5)
Net Income	\$ 182,653	0.8	\$ 10,502,321	35.1

Revenues. Our total revenues for the three months ended June 30, 2009 decreased by approximately 25% compared to the same period of 2008. Our ethanol revenue decreased by approximately 30% during the three month period ended June 30, 2009 compared to the same period of 2008, which in real terms equaled a decrease of approximately \$7,787,000. However, our total distiller's grains revenue increased by approximately 5% for the three month period ended June 30, 2009 compared to the same period of 2008. In real terms, this equaled an approximately \$166,000 increase in total distiller's grains revenue. We also experienced an increase in our other revenues, including our corn oil sales, of approximately \$191,000 for the three month period ended June 30, 2009 compared to the same period of 2008.

Our decreased ethanol revenue was primarily the result of a significant decrease in the average price at which we sold our ethanol during the three month period ended June 30, 2009 compared to the same period of 2008. We attribute this decrease in our average ethanol sales price with decreases in commodity prices generally, including decreased energy prices. We anticipate that the average price we receive for our ethanol is comparable to what is received by other producers in our industry. The average price we received for our ethanol during the three month period ended June 30, 2009 was approximately \$1.55 per gallon, compared to approximately \$2.37 per gallon during the same period of 2008, an approximately 35% decrease. This decrease mirrors the decrease experienced in gasoline prices during the same time period. However, ethanol prices have recently been increasing after decreasing through June and the beginning of July 2009. We anticipate that ethanol prices will remain lower in the near future, with an anticipated increase in ethanol prices should the world economy continue to recover. Management believes that soft world demand for gasoline has a negative impact on demand for ethanol, since ethanol is primarily blended with conventional gasoline. However, we anticipate that during the summer months, when gasoline demand typically increases, we will experience more favorable ethanol demand which may include increases in ethanol prices.

Management believes that the ethanol industry must continue to grow demand for ethanol in order to maintain profitability in the industry. Management believes that there is currently excess ethanol supply capacity which has resulted in lower ethanol prices. This has caused some ethanol producers to reduce production or cease production altogether. Further, ethanol demand may be capped due to what is commonly referred to as the "blending wall." Currently, ethanol is blended with conventional gasoline for use in standard (non-flex fuel) vehicles to create a blend which is 10% ethanol and 90% conventional gasoline. Estimates indicate that approximately 135 billion gallons of gasoline are sold in the United States each year. Assuming that all gasoline in the United States is blended at a rate of 10% ethanol and 90% gasoline, the maximum demand for ethanol is 13.5 billion gallons. This is commonly referred to as the "blending wall," which represents a theoretical limit where more ethanol cannot be blended into the national gasoline pool. Many believe that the ethanol industry will reach this blending wall in 2009 or 2010. Without an expansion of the percentage of ethanol that is blended for use in conventional automobiles, or increased demand for higher ethanol blends such as E85, demand for ethanol may not exceed this 13.5 billion gallon limit.

We somewhat offset the decrease in ethanol revenue related to our decreased average ethanol sales prices with an increase in the total number of gallons of ethanol we sold during our second quarter of 2009. We sold

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approximately 11,894,000 gallons of ethanol during the three month period ended June 30, 2009 compared to approximately 11,033,000 gallons of ethanol during the comparable period of 2008, an increase of approximately 8%. We attribute the lower ethanol sales during the three month period ended June 30, 2008 with equipment problems we experienced during that time period which reduced our ethanol production. We have since rectified these equipment issues and the ethanol plant is currently operating at its full capacity.

Our total distiller' s grains sales increased to approximately 33,016 dry-equivalent tons of distiller' s grains during the three month period ended June 30, 2009 compared to approximately 30,016 dry-equivalent tons of distiller' s grains we sold during the three month period ended June 30, 2008, an increase of approximately 10%. We attribute this increase in distiller' s grains sales with increased ethanol and distiller' s grains production during 2009.

During the three month period ended June 30, 2009, the average price we received for our dried distiller' s grains was approximately \$120 per dry-equivalent ton and the average price we received for our modified/wet distiller' s grains was approximately \$111 per dry-equivalent ton. By comparison, during the three month period ended June 30, 2008, the average price we received for our dried distiller' s grains was approximately \$82 per dry-equivalent ton and the average price we received for our modified/wet distiller' s grains was approximately \$133 per dry-equivalent ton. We experienced comparatively lower distiller' s grains pricing during the three month period ended June 30, 2008 as a result of long-term distiller' s grains sales contracts that we had in place in 2008 which were lower than the market price at that time. However, we have experienced decreasing distiller' s grains prices during 2009 as a result of falling corn and soybean meal prices. This trend is continuing and has negatively impacted our recent distiller' s grains sales prices. We anticipate that distiller' s grains sales prices will continue to change in relation to changes in corn and soybean meal prices.

During the three month period ended June 30, 2009, we sold approximately 33% of our total distiller' s grains in the dried form and approximately 67% in the modified/wet form. Comparatively, during the three month period ended June 30, 2008, we sold approximately 26% of our total distiller' s grains in the dried form compared to approximately 74% in the modified/wet form. We attribute this increase in our dried distiller' s grains sales during the three month period ended June 30, 2009 compared to the same period of 2008 with softer demand for modified/wet distiller' s grains in our local market. If we are unable to sell our distiller' s grains locally in the modified/wet form, we must sell more distiller' s grains in the dried form outside of our local market. We make determinations with respect to what form of distiller' s grains we will sell based on market conditions and the relationship between natural gas costs and the relative market price of dried distiller' s grains versus modified/wet distiller' s grains. However, due to current low natural gas costs, dried distiller' s grains are relatively less expensive to produce than they have been in previous years.

During the three month period ended June 30, 2009, we were engaged in the sale of corn oil which was extracted from our distiller' s grains. The addition of corn oil sales provided revenue of approximately \$152,000 for the three month period ended June 30, 2009. We did not have any corn oil sales during the comparable period of 2008.

Cost of Revenues. We experienced a significant increase in our total cost of revenues for the three month period ended June 30, 2009 compared to the same period of 2008. Our two primary costs of producing ethanol and distiller' s grains are corn costs and natural gas costs. During the three month period ended June 30, 2009, our total corn costs were approximately 54% higher than the comparable period of 2008. In real terms, our total corn costs were approximately \$5,833,000 higher for the second quarter of 2009 compared to the same period of 2008. However, our total natural gas costs decreased by approximately 51%, or a total of approximately \$1,666,000, for the second quarter of 2009 compared to the same period of 2008.

We attribute the increase in our total corn costs for the three month period ended June 30, 2009 compared to the same period of 2008 with a combination of increased corn costs per bushel during 2009 along with an increase in corn consumption during 2009. We experienced an increase in our total cost per bushel of corn during the three month period ended June 30, 2009 of approximately 37% or \$1.07 per bushel.

We attribute the increase in corn costs per bushel for the three month period ended June 30, 2009 with favorable risk management positions that we had in place during 2008 which reduced our corn costs per bushel during that period of time. Further, corn prices peaked during June of 2008. In response to increasing corn prices at that time, we entered into a significant amount of fixed price forward purchase contracts, some of which were delivered during the three month period ended June

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30, 2009, which were for prices higher than the current market price of corn. This resulted in us using corn during our second fiscal quarter of 2009 which was more expensive than the spot market prices. In addition, we increased our corn consumption during the three month period ended June 30, 2009 by approximately 12% or 446,000 bushels. We attribute this increase in corn consumption with increased production of ethanol and distiller' s grains by the ethanol plant during the three month period ended June 30, 2009 compared to the same period of 2008.

As energy prices in general have decreased, we have experienced a significant decrease in our natural gas costs. Natural gas prices tend to change in relation to energy prices generally. However, management believes that in addition to decreased energy demand as a result of the continuing worldwide economic slowdown, new natural gas reserves have been brought into production which have increased the supply of natural gas in the market. This has significantly increased natural gas reserves. Management believes that these two factors have combined to create the current low natural gas prices. Our total natural gas costs for the three month period ended June 30, 2009 decreased significantly compared to the same period of 2008 as a result of a significant decrease in natural gas prices, partially offset by a smaller increase in natural gas consumption. Our average cost per MMBTU of natural gas decreased by approximately 52% or \$5.51 for the three month period ended June 30, 2009 compared to the same period of 2008. As a result of our increased ethanol and distiller' s grains production, our natural gas consumption increased by approximately 2% or approximately 7,000 MMBTU for the three month period ended June 30, 2009 compared to the same period of 2008. Management believes that for the remaining quarters of our 2009 fiscal year, natural gas prices will be flat or slightly increasing. Management anticipates that we will experience the typical premium natural gas pricing during the winter months as a result of increased natural gas demand for home heating needs. In addition, natural gas prices can be volatile as a result of hurricane activity in the Gulf Coast region of the United States. If a significant amount of natural gas production is damaged or shuttered as a result of hurricane activity during the late summer and early fall, we may experience a significant increase in natural gas prices. These supply disruptions due to hurricane activity are difficult to predict.

As of June 30, 2009, we recorded an impairment of approximately \$614,000 related to our future corn purchase contracts and our corn inventory. This was a lower of cost or market adjustment that we made based on estimates of the value of our future corn contracts and corn inventory related to the projected selling price of ethanol. This adjustment increased our corn costs and therefore had a negative impact on our cost of revenues.

Operating Expenses. Our operating expenses decreased significantly for the three month period ended June 30, 2009 compared to the same period of 2008. This decrease in operating expenses is primarily the result of decreased wages and bonuses we paid to our employees as well as decreased environmental compliance costs and public relations fees. Our bonus payments are tied to the financial results of our operations. Due to current conditions in the ethanol industry, we have experienced decreased net income which has decreased the bonuses we pay to our employees.

Other Expense. Our total other expense for the three month period ended June 30, 2009 was less than our other expense for the comparable period of 2008. We experienced increased interest expenses during the three month period ended June 30, 2009 compared to the same period of 2008 as a result of having increased borrowing on our loans. This increase in interest expense was offset by an increase in our equity interest in the net income of our investments. This increase in our equity interest in the net income of our investments was primarily related to our investment in RPMG, our ethanol, distiller' s grains and corn oil marketer. We also had less interest income during the three month period ended June 30, 2009 compared to the same period of 2008 due to having less cash on hand and lower interest rates during 2009.

Results of Operations for the Six Months Ended June 30, 2009 and 2008

The following table shows the results of our operations and the percentage of revenues, cost of revenues, operating expenses and other items in relation to total revenues in our consolidated statements of operations for the six months ended June 30, 2009 and 2008:

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Income Statement Data	June 30, 2009		June 30, 2008	
	Amount	%	Amount	%
Revenues	\$ 43,462,005	100.0	\$ 56,394,467	100.0
Cost of Revenues	\$ 42,393,017	97.5	\$ 32,701,421	58.0
Gross Profit	\$ 1,068,988	2.5	\$ 23,693,046	42.0
Operating Expenses	\$ 1,449,604	3.3	\$ 2,089,706	3.7
Income (Loss) from Operations	\$ (380,616)	(0.9)	\$ 21,603,340	38.3
Other Expense	\$ (686,751)	(1.6)	\$ (364,521)	(0.6)
Net Income (Loss)	\$ (1,067,367)	(2.5)	\$ 21,238,819	37.7

Revenues. Our total revenues for the six months ended June 30, 2009 decreased by approximately 23% compared to the same period of 2008. Our ethanol revenue decreased by approximately 30% during the six month period ended June 30, 2009 compared to the same period of 2008. In real terms, we experienced an approximately \$15,266,000 decrease in ethanol revenue for the six months ended June 30, 2009 compared to the same period of 2008. However, our total distiller's grains revenue increased by approximately 36% for the six month period ended June 30, 2009 compared to the same period of 2008. In real terms, this equaled an approximately \$2,068,000 increase in distiller's grains revenue. We also experienced an increase in other revenue for the six month period ended June 30, 2009 of approximately \$265,000 compared to the same period of 2008.

We experienced a decrease in our average ethanol sales price of approximately 33%, or approximately \$0.74 per gallon for the six month period ended June 30, 2009 compared to the same period of 2008. We attribute this decrease in ethanol sales prices with decreased commodity prices generally and decreases in energy prices as a result of the current global economic climate. We increased the total number of gallons of ethanol sold for the six month period ended June 30, 2009 by approximately 4%, or approximately 917,000 gallons, compared to the same period of 2008.

The average prices we received for our dried distiller's grains increased by approximately 45%, or approximately \$40 per dry-equivalent ton, for the first six months of our 2009 fiscal year compared to the same period of 2008. In addition, the average price we received for our modified/wet distiller's grains increased by approximately 18%, or approximately \$18 per dry-equivalent ton, for the first six months of our 2009 fiscal year compared to the same period of 2008. We increased the total tons of distiller's grains sold during the six month period ended June 30, 2009 by approximately 8%, or approximately 5,000 dry-equivalent tons.

We had corn oil revenue of approximately \$199,000 for the six month period ended June 30, 2009. We did not have any corn oil revenue for the comparable period of 2008.

Cost of Revenues. Our total corn costs increased by approximately 72% for the six month period ended June 30, 2009 compared to the same period of 2008. In real terms, this was an increase of approximately \$13,487,000. Our average cost per bushel of corn increased by

approximately 60% and our corn consumption increased by approximately 8% for the first six months of 2009 compared to the same period of 2008. Our total natural gas costs for the six month period ended June 30, 2009 decreased by approximately 33%, or approximately \$2,085,000, compared to the six months ended June 30, 2008. Our cost per MMBTU of natural gas decreased by approximately 32% and our natural gas consumption decreased by approximately 1% for the six month period ended June 30, 2009 compared to the same period of 2008.

We experienced significantly larger gains on our derivative instrument positions for the six month period ended June 30, 2008 compared to the same period of 2009. These derivative instrument gains reduce our cost of revenues. We experienced an approximately \$11,061,000 gain on our derivative instruments for the six month period ended June 30, 2008 compared to a gain of approximately \$2,431,000 for the comparable period of 2009.

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General and Administrative Expense. Our general and administrative expenses decreased significantly for the six month period ended June 30, 2009 compared to the same period of 2008. We attribute this significant decrease to decreased wages and bonuses we paid to our employees as well as decreased environmental compliance costs and business promotions for the first six months of 2009 compared to the same period of 2008.

Other Expense. Our total other expense for the six month period ended June 30, 2009 increased significantly compared to the same period of 2008, primarily as a result of a reduction in the value of our investment in RPMG, our ethanol, distiller's grains and corn oil marketer, which we recorded during the first fiscal quarter of 2009. We also experienced increased interest expenses due to increased borrowing on our line of credit as well as reduced interest income related to our decreased cash on hand for the six month period ended June 30, 2009 compared to the same period of 2008.

Changes in Financial Condition for the Six Months Ended June 30, 2009

We experienced an increase in our current assets at June 30, 2009 compared to December 31, 2008. We experienced a significant increase in accounts receivable at June 30, 2009 compared to December 31, 2008 due to the timing of payments we received from our ethanol, distiller's grains and corn oil marketer. We had an other receivable at June 30, 2009 of approximately \$83,000 compared to an other receivable at December 31, 2008 of approximately \$167,000. These other receivables are related to subsidy payments we receive periodically from the State of South Dakota.

The value of our inventory was higher at June 30, 2009 compared to December 31, 2008, primarily as a result of an increase in the value of our finished goods inventory. The value of our raw materials inventory was lower at June 30, 2009 compared to December 31, 2008, primarily as a result of lower corn prices at June 30, 2009 compared to December 31, 2008. We had a comparable quantity of corn in inventory at both June 30, 2009 and December 31, 2008. The amount we had due from our commodities broker was higher at June 30, 2009 compared to December 31, 2008 as a result of our commodities broker holding more cash in our margin account related to the futures and options positions we had on June 30, 2009. At December 31, 2008, we predominantly had options that did not require us to maintain a significant amount of cash in our margin account. Further, the value of our derivative financial instruments was higher at June 30, 2009 compared to December 31, 2008 due to the greater number and value of the derivative instruments that we held at June 30, 2009.

The net value of our property and equipment was slightly lower at June 30, 2009 compared to December 31, 2008 as the result of the net effect of increases in the value of our property and equipment, offset by our accumulated depreciation. We completed installation of our corn oil extraction equipment during our first fiscal quarter of 2009 which resulted in an increase in the value of our equipment.

Our other assets were lower at June 30, 2009 compared to December 31, 2008, primarily due to a reduction in the value of our investment in RPMG, our ethanol marketer in the amount of approximately \$286,000.

We experienced a decrease in our total current liabilities on June 30, 2009 compared to December 31, 2008. We experienced a significant increase in our checks which were outstanding in excess of our bank balance at June 30, 2009 compared to December 31, 2008 as a

result of deferred corn payments at the end of our fiscal year. This increased the value of our accounts payable and therefore decreased the amount of payments that we had outstanding in excess of our bank balance on December 31, 2008. Amounts drawn on checks in excess of our bank balance are paid from our revolving lines of credit. We experienced a decrease in our accounts payable of approximately \$4,365,000 at June 30, 2009 compared to December 31, 2008. We had higher than usual accounts payable as of December 31, 2008 due to our corn suppliers seeking to defer corn payments until after the end of their taxable years. As of June 30, 2009, our accounts payable is more in line with what we typically have outstanding. We also experienced a significant decrease in our accrued liabilities primarily as a result of a decrease in the lower of cost or market impairment which we recorded at June 30, 2009. The amount of our lower of cost or market adjustment related to our corn future purchases and corn inventory decreased from approximately \$2.7 million on December 31, 2008 to approximately \$614,000 at June 30, 2009. We experienced a significant increase in our liability related to derivative financial instruments as a result of the impact decreasing corn costs had on our future corn purchase contracts. Further, as of June 30, 2009, we had approximately \$1,746,000 outstanding on our short-term revolving line of credit. As of December 31, 2008, we had not drawn any funds on our short-term

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revolving line of credit. In addition, our current liabilities were higher on June 30, 2009 compared to December 31, 2008 as a result of increased principal payments on our debt financing.

We experienced a significant increase in our long-term liabilities as of June 30, 2009 compared to December 31, 2008, primarily as a result of increases in our long-term notes payable. At June 30, 2009, we had approximately \$9,560,000 outstanding in the form of long-term loans, compared to approximately \$5,201,000 at December 31, 2008. This increase is attributed to cash we utilized from our long-term revolving loan for our continuing operations. We also had approximately \$1,439,000 outstanding in subordinated debt securities as of June 30, 2009 which are included in our long-term liabilities. We experienced an increase in our other long-term liabilities related to accrued damage to our leased railcars. We anticipate being required to repair damage to certain railcars that we are leasing when the leases expire in 2010. We are including this anticipated cost as a long-term liability on our balance sheet.

Liquidity and Capital Resources

During the end of our 2008 fiscal year and the beginning of our current fiscal year, we worked to solidify our liquidity as a result of the extremely difficult conditions we have been experiencing in the ethanol industry. During the end of 2008 and the early part of 2009, the ethanol industry was experiencing very tight operating margins and in some cases negative operating margins. Currently, we are enjoying a more favorable spread between the market prices of corn and ethanol which has allowed us to maintain positive operating margins throughout our second fiscal quarter. Following the end of our second fiscal quarter, ethanol prices have increased and corn prices have continued to fall which has positively impacted our operating margins. However, we anticipate that ethanol and corn prices will continue to be volatile and we anticipate continually working to maintain our profitability and our liquidity. As a result of certain forward corn purchase contracts that we executed for delivery in the fourth quarter of our 2009 fiscal year which are currently in excess of the market price of corn, our financial projections predict that we will experience net losses during the fourth fiscal quarter of 2009. We anticipate that most of our above market corn forward purchase contracts will be satisfied by the end of our 2009 fiscal year.

We do not anticipate making any significant capital expenditures during the next 12 months.

Based on current financial forecasts performed by management, we anticipate that we will have sufficient cash from our current credit facilities, our current subordinated debt, our corn oil equipment financing, and cash from our operations to continue to operate the ethanol plant for the next 12 months. We do not anticipate seeking additional equity or debt financing during the next 12 months.

We have recently adjusted our risk management strategy in order to more closely match our raw material costs with current market ethanol prices. To the extent we can, we try to price most of our raw material purchases closely in time to when these raw materials will be delivered. We believe that ethanol prices follow commodity prices generally, including corn and natural gas prices. Therefore, we anticipate that if we price our raw materials, including corn and natural gas, closely in time to our ethanol sales, we will be able to maintain a positive operating margin and maintain our liquidity. However, should ethanol prices cease moving in relation to corn and natural gas prices, we could

again experience negative operating margins, especially if the price of corn increases at a time when ethanol prices are falling. This could cause us to operate unprofitably and negatively impact our liquidity.

The following table shows cash flows for the six months ended June 30, 2009 and 2008:

	Six months Ended June 30,	
	2009	2008
Net cash provided by (used in) operating activities	\$ (6,585,142)	\$ 2,379,898
Net cash used in investing activities	\$ (1,033,330)	\$ (748,144)
Net cash provided by (used in) financing activities	\$ 7,452,543	\$ (642,166)

Cash Flow From Operations. The decrease in net cash flow from operating activities between the six month periods ended June 30, 2009 and 2008 was primarily due to a significant decrease in our net income for the six months ended June 30, 2009. We experienced significant decreases in our accounts payable and accrued liabilities during the six month period ended June 30, 2009 which had a negative impact on our net cash from our

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operating activities. Further, we used cash to make payments to our creditors which decreased our accounts payable and had a negative impact on the cash provided by our operating activities. These decreases were greater during the six month period ended June 30, 2009 compared to the same period of 2008. However, we did not experience the same degree of change in our net cash from operating activities related to our derivative financial instruments for the six month period ended June 30, 2009 as compared to the same period of 2008. We attribute this to the fact that we changed our risk management strategy in a way that limits its effect on our net income. Going forward we anticipate taking fewer long hedge positions and not entering into as many fixed cost long-term raw material purchase contracts.

Cash Flow From Investing Activities. We used more cash for investing activities during the six month period ended June 30, 2009 compared to the same period of 2008, primarily as a result of our corn oil extraction equipment project. During the six month period ended June 30, 2008, we used cash for payments we made for our grain bin construction project which was completed near the end of our 2007 fiscal year. We also used cash for investing activities for the six month period ended June 30, 2008 related to capital contribution payments we made to RPMG, our ethanol, distiller's grains and corn oil marketer. When we became an owner of RPMG, we elected to contribute a portion of our ethanol sales revenue as our capital contribution to RPMG. We did not make any capital contribution payments to RPMG during the six month period ended June 30, 2009.

Cash Flow From Financing Activities. We experienced a significant increase in our net cash provided by our financing activities during the six month period ended June 30, 2009 compared to the same period of 2008. The significant increase in cash provided by financing activities was primarily the result of increased borrowing on our short and long-term debt sources during the six month period ended June 30, 2009 as well as a significant increase in the checks we had outstanding in excess of our bank balance as of June 30, 2009. Conversely, during the six month period ended June 30, 2008, we drew significantly less funds from our credit facilities. Further, we paid a distribution of \$1,481,000 for the six month period ended June 30, 2008 while we paid no distributions during the comparable period of 2009.

Indebtedness

First National Bank of Omaha (FNBO) is our primary lender. We recently executed a First Amended and Restated Construction Loan Agreement with FNBO. The purpose of this First Amended and Restated Construction Loan Agreement was not to change any terms of our loans with FNBO, but instead to consolidate the terms of various amendments to our loan agreements with FNBO that we have executed over the years. We have three loans outstanding with FNBO, a short-term revolving loan, a long-term revolving loan, and a term loan which was used to finance the construction of our ethanol plant. In addition, we entered into subordinated unsecured debt financing with various individuals following the end of our 2008 fiscal year for additional working capital. We also secured two loans to offset the cost of our corn

oil extraction equipment which total \$1.2 million. Finally, we have a long-term loan related to a piece of property that we purchased adjacent to our ethanol plant. The specifics of each credit facility we have outstanding are discussed below.

Short-Term Debt Sources

We have a short-term revolving promissory note with FNBO. We can borrow up to \$4,000,000 pursuant to this revolving promissory note. The maturity date of the revolving promissory note is May 17, 2010. We agreed to pay a variable interest rate on the revolving promissory note at an annual rate 2% higher than FNBO's base rate. FNBO's base rate on June 30, 2009 was 3.25%. The revolving promissory note is subject to a minimum interest rate of 5% per year. Interest on the revolving promissory note is paid quarterly. We are required to pay a quarterly fee of fifty basis points on the unused portion of the revolving promissory note. The revolving promissory note is collateralized by the ethanol plant, its accounts receivable and inventories. As of June 30, 2009, we had approximately \$1,746,000 outstanding on our revolving promissory note and \$2,254,000 available to be drawn on our revolving promissory note.

Long-Term Debt Sources

We have one long-term note that was used for the permanent financing of the ethanol plant. We are subject to certain restrictive covenants establishing minimum reporting requirements, ratios, working capital and net worth

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requirements pursuant to the loan agreement. The term note is secured by the ethanol plant. The note is subject to prepayment penalties based on the cost incurred by FNBO to break its fixed interest rate commitment.

The balance of the term note requires quarterly payments which commenced on October 1, 2002. The balance is due September 1, 2011. Interest on the outstanding principal balance accrues at a fixed rate of 9% annually. The principal balance due pursuant to the note as of June 30, 2009 was approximately \$3,862,000.

We have a long-term revolving loan pursuant to which we may elect to borrow up to \$5,000,000 through September 1, 2011 known as Term Note 5. The available amount of funds we can borrow pursuant to Term Note 5 reduces each year by 75% of certain excess cash flow we have at the end of each of our fiscal years. Therefore, the funds available for us to draw on Term Note 5 may decrease each year. If in any year we have a principal balance outstanding on Term Note 5 in excess of the new credit limit, we must make a payment to FNBO such that the amount outstanding on Term Note 5 does not exceed the new credit limit.

Interest accrues on Term Note 5 at a variable interest rate of 0.5% above FNBO's base rate. This interest rate is subject to reductions based on ratios of our total indebtedness to our net worth. Term Note 5 is subject to a minimum interest rate of 5% per year. We are required to pay a quarterly fee of thirty-seven basis points on the unused portion of Term Note 5. On June 30, 2009, we had \$5,000,000 outstanding and \$0 available to be drawn on this loan.

We also have a long-term debt obligation related to our purchase of an additional 135 acres of land pursuant to a land purchase contract. The total cost of this additional land was \$550,000. As of June 30, 2009, we had \$450,000 remaining to be paid pursuant to this land purchase contract.

We have a long-term debt obligation on a portion of a tax increment revenue bond series issued by Lake County, South Dakota of which we were the recipient of the proceeds. The portion for which we are obligated is currently estimated at \$359,000. Taxes levied on our property are used for paying the debt service on the bonds. We are obligated to pay any shortfall in debt service on the bonds should the property taxes collected not be sufficient to pay the entire debt service. The interest rate on the bonds is 7.75% annually. The bonds require semi-annual payments of interest on December 1 and June 1, in addition to a payment of principal on December 1 of each year. While our obligation under the guarantee is expected to continue until maturity in 2018, such obligation may cease at some point in time if the property

on which the plant is located appreciates in value to the extent that Lake County is able to collect a sufficient amount in taxes to cover the principal and interest payments on the taxable bonds. The principal balance outstanding was \$1,033,000 as of June 30, 2009.

Subordinated Debt

We recently completed a private placement offering of subordinated unsecured debt securities. The debt securities that we offered were not registered with the Securities and Exchange Commission and were offered pursuant to claimed exemptions from registration under state and federal securities laws. We raised a total of \$1,439,000 in subordinated debt through this offering. Interest on the subordinated notes accrues at a fixed interest rate of 9% per year, which is the same rate we incur on our term loan with FNBO. These subordinated debt securities have a two-year maturity from the date they were issued, with interest being paid on January 30th of each year and at maturity.

In addition, on July 24, 2009, we entered into a \$700,000 subordinated secured loan with Guardian Eagle Investments, LLC. The note accrues interest at a fixed rate of 9% and requires monthly installments of principal and interest. This loan matures in April 2012. This loan, together with the \$1,439,000 in subordinated unsecured debt securities discussed above were sufficient to meet FNBO's requirement that we raise an additional \$2,000,000 in subordinated debt.

We raised a total of \$1.2 million in subordinated loans to help offset the cost of our corn oil extraction equipment from two different parties. We secured \$1 million in financing for the corn oil extraction equipment from the Rural Electric Economic Development, Inc. (REED) and \$200,000 from the First District Development Company (FDDC). We closed on these loans on May 22, 2009. FNBO agreed that the \$1.2 million in additional financing we secured for our corn oil extraction equipment was sufficient to satisfy its requirement that we secure subordinated debt financing to offset the cost of our corn oil extraction equipment. We agreed to

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pay 4.70% interest on the \$1 million loan from REED and 5.5% interest on the \$200,000 FDDC loan. Both loans are amortized over a period of five years and both loans require monthly payments.

Covenants

As of June 30, 2009, we were in compliance with all of our loan covenants. However, we have recently had difficulty satisfying our loan covenants due to the unfavorable operating conditions in the ethanol industry. If these unfavorable operating conditions persist or get worse, we may not be able to continue to meet our loan covenants or other terms and conditions of our credit agreements. If we fail to comply with the terms of our credit agreements with FNBO, and FNBO refuses to waive the non-compliance, FNBO may require us to immediately repay all amounts outstanding on our loans. We do not anticipate having sufficient cash to immediately repay these loans in the near future. This may result in FNBO seeking to foreclose on our ethanol plant.

Application of Critical Accounting Policies

Management uses estimates and assumptions in preparing our consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Of the significant accounting policies described in the notes to our consolidated financial statements, we believe that the following are the most critical:

Derivative Instruments

We enter into short-term cash grain, option and futures contracts as a means of securing corn and natural gas for the ethanol plant and managing exposure to changes in commodity and energy prices. We enter into short-term forward, option and futures contracts for sales of ethanol to manage exposure to changes in energy prices. All of our derivatives are designated as non-hedge derivatives, and accordingly are

recorded at fair value with changes in fair value recognized in net income. Although the contracts are considered economic hedges of specified risks, they are not designated as and accounted for as hedging instruments.

As part of our trading activity, we use futures and option contracts offered through regulated commodity exchanges to reduce our risk. We are exposed to risk of loss in the market value of inventories. To reduce that risk, we generally take positions using cash and futures contracts and options.

Unrealized gains and losses related to derivative contracts for corn and natural gas purchases are included as a component of cost of revenues and derivative contracts related to ethanol sales are included as a component of revenues in the accompanying financial statements. The fair values of derivative contracts are presented on the accompanying balance sheet as derivative financial instruments.

Lower of cost or market accounting for inventory and forward purchase contracts

With the significant change in the prices of our main inputs and outputs, the lower of cost or market analysis of inventories and purchase commitments can have a significant impact on our financial performance. The impact of market activity related to pricing of corn and ethanol will require us to continuously evaluate the pricing of our inventory and purchase commitments under a lower of cost or market analysis.

We recorded a lower of cost or market impairment adjustment related to our inventory as of June 30, 2009. The lower of cost or market adjustment represented a reduction to assets of approximately \$412,000. We recorded a lower of cost or market impairment adjustment related to our future corn purchase contracts as of June 30, 2009. The lower of cost or market adjustment represented a liability of approximately \$614,000.

Off-Balance Sheet Arrangements.

We currently have no off-balance sheet arrangements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to the impact of market fluctuations associated with interest rates and commodity prices as discussed below. We have no exposure to foreign currency risk as all of our business is conducted in U.S. Dollars. We use derivative financial instruments as part of an overall strategy to manage market risk. We use cash, futures and option contracts to hedge changes to the commodity prices of corn and natural gas. We do not enter into these derivative financial instruments for trading or speculative purposes, nor do we designate these contracts as hedges for accounting purposes pursuant to the requirements of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*.

Interest Rate Risk

We are exposed to market risk from changes in interest rates. Exposure to interest rate risk results primarily from holding a revolving line of credit and long-term line of credit which bear variable interest rates. As of June 30, 2009, we had \$6,746,000 outstanding in variable interest rate loans. The specifics of these loans are discussed in greater detail in “**Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness.**”

Commodity Price Risk

We are exposed to market risk from changes in commodity prices. Exposure to commodity price risk results from our dependence on corn and natural gas in the ethanol production process. We seek to minimize the risks from fluctuations in the prices of corn and natural gas through the use of hedging instruments. In practice, as markets move, we actively manage our risk and adjust hedging strategies as

appropriate. 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 are marking 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 revenues.

We have recently adjusted our hedging strategy in order to avoid significant long-term fixed price contracts for our corn and natural gas. Further, our primary lender, has required us to provide periodic reports regarding our hedging activities along with changes to our risk management strategy.

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 value of the derivative instruments relative to the cost and use of the commodity being hedged. We recorded a decrease to our cost of revenues of approximately \$472,000 related to derivative instruments for the quarter ended June 30, 2009. We recorded a decrease to cost of revenue of approximately \$4,718,000 related to derivative instruments for the quarter ended June 30, 2008. There are several variables that could affect the extent to which our derivative instruments are impacted by price fluctuations in the cost of corn or natural gas. However, it is likely that commodity cash prices will have the greatest impact on the derivatives instruments with delivery dates nearest the current cash price.

As of June 30, 2009, we had price protection for approximately 3% of our expected corn usage for the next twelve months using CBOT futures and options and over-the-counter option contracts. As corn prices move in reaction to market trends and information, our income statement will be affected depending on the impact such market movements have on the value of our derivative instruments. Depending on market movements, crop prospects and weather, these price protection positions may cause immediate adverse effects to our financial results, but are designed to produce long-term positive growth for us.

As of June 30, 2009, we are committed to purchasing approximately 240,000 MMBTU' s of natural gas during our 2009 fiscal year, valued at approximately \$1,332,000.

A sensitivity analysis has been prepared to estimate our exposure to corn and natural gas price risk. The following table presents the fair value of our derivative instruments as of June 30, 2009 and December 31, 2008 and the potential loss in fair value resulting from a hypothetical 10% adverse change in such prices. The fair value of the

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positions is a summation of the fair values calculated by valuing each net position at quoted market prices as of the applicable date. The results of this analysis, which may differ from actual results, are as follows:

	Fair Value		Effect of Hypothetical Adverse Change– Market Risk	
June 30, 2009	\$	13,244,118	\$	1,324,412
December 31, 2008	\$	21,607,078	\$	2,160,708

ITEM 4. CONTROLS AND PROCEDURES.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’ s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures.

Our management, including our Chief Executive Officer (the principal executive officer), Scott Mundt, along with our Chief Financial Officer (the principal financial officer), Robbi Buchholtz, have reviewed and evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2009. Based on this review and evaluation, these officers believe that our disclosure controls and procedures are 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.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13(a)-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control – Integrated Framework. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2008.

For the fiscal quarter ended June 30, 2009, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

No material developments have occurred in the three month period ended June 30, 2009.

ITEM 1A. RISK FACTORS.

The following Risk Factors are provided due to material changes from the Risk Factors previously disclosed in our Annual Report on Form 10-K. The Risk Factors set forth below should be read in conjunction with the Risk Factors section and the Management’s Discussion and Analysis section for the fiscal year ended December 31, 2008, included in our Annual Report on Form 10-K.

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We may violate the terms of our credit agreements and financial covenants which could result in our lender demanding immediate repayment of our loans which may result in our liquidation. During the fourth quarter of 2008 and the first quarter of 2009, we experienced difficulty complying with the covenants contained in our credit agreements with First National Bank of Omaha (FNBO). This was the result of difficult financial conditions in the ethanol industry. We were not in compliance with various covenants as of December 31, 2008 and March 31, 2009. However, we worked with FNBO to address these loan covenant issues and have secured amendments to our credit agreements and waivers of the non-compliance. To date, we have taken all of the steps required by FNBO in exchange for these covenant waivers and were in compliance with our loan covenants as of June 30, 2009. However, the ethanol industry continues to experience difficult operating conditions and tight margins. These difficult operating conditions may lead to future non-compliance with our loan covenants. If we fail to comply with the terms of our loans, FNBO could deem us in default of our loans and require us to immediately repay the entire outstanding balance of our loans. If we do not have the funds available to repay the loans or we cannot find another source of financing, we may have to liquidate or reorganize under Chapter 11 bankruptcy protection which could decrease or eliminate the value of our units.

The spread between ethanol and corn prices can vary significantly which could prevent us from operating the ethanol plant profitably. Corn costs significantly impact our cost of goods sold. The spread between the price of ethanol and the price we pay per bushel of corn has fluctuated significantly in the past and may continue to fluctuate significantly in the future. We have recently experienced losses due to our raw material costs being higher than our revenues related to relatively higher corn costs compared to the price we receive for our ethanol. The spread between the price of ethanol and price of corn may continue to be volatile and may lead to volatility in our net income and could lead to negative operating margins in the future. Any reduction in the spread between ethanol and corn prices, whether as a result of

an increase in corn prices or a reduction in ethanol prices, could prevent us from operating the ethanol plant profitably. Our inability to operate the ethanol plant profitably for an extended period of time may reduce or eliminate the value of our units.

Demand for ethanol may not continue to grow unless ethanol can be blended into gasoline in higher percentage blends for conventional automobiles which could impact our ability to operate profitably. Currently, ethanol is blended with conventional gasoline for use in standard (non-flex fuel) vehicles to create a blend which is 10% ethanol and 90% conventional gasoline. Estimates indicate that approximately 135 billion gallons of gasoline are sold in the United States each year. Assuming that all gasoline in the United States is blended at a rate of 10% ethanol and 90% gasoline, the maximum demand for ethanol is 13.5 billion gallons. This is commonly referred to as the “blending wall” which represents a theoretical limit where more ethanol cannot be blended into the national gasoline pool. Many believe that the ethanol industry will reach this blending wall in 2009 or 2010. However, the Renewable Fuels Standard (RFS) requires that 36 billion gallons of renewable fuels must be blended in the United States by 2022. In order to meet the RFS and expand demand for ethanol, higher blends of ethanol must be utilized in conventional automobiles. Such higher blends of ethanol have recently become a contentious issue. Automobile manufacturers and environmental groups have fought against higher ethanol blends. Currently, state and federal regulations prohibit the use of higher ethanol blends in conventional automobiles and automobile manufacturers have stated that using higher percentage blends of ethanol in conventional automobiles would void the manufacturer’s warranty. Without increases in the allowable percentage blends of ethanol, demand for ethanol may not continue to increase which could decrease the selling price of ethanol and could result in our inability to operate the ethanol plant profitably.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

We held our annual members meeting on June 2, 2009 for the purpose of electing two managers to our board of managers. We had two nominees for the two vacant manager positions. Votes were solicited in person and by mail ballot.

Election of Managers

The following persons were nominated and the two nominees receiving the greatest number of votes were elected to serve on our board of directors until the 2012 annual members meeting and until their successors are duly elected and qualified:

	Votes	
	Votes For	Withheld/Abstain
Randy Hansen	140	6
Ron Alverson	141	5

Incumbents Randy Hansen and Ron Alverson were reelected to the board of managers for three year terms. The other managers whose terms of office continued after the meeting are Dale Thompson, Todd Brown, Brian Woldt, Rick Kaspersen and Douglas Van Duyn.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The following exhibits are filed as part of this report.

<u>Exhibit No.</u>	<u>Exhibit</u>	<u>Filed Herewith</u>	<u>Incorporated by Reference</u>
10.1	First Amended and Restated Construction Loan Agreement dated June 18, 2009 between First National Bank of Omaha and Dakota Ethanol, LLC	X	
10.2	Corn Oil Marketing Agreement dated August 11, 2009 between RPMG, Inc. and Dakota Ethanol, LLC +	X	
31.1	Certificate Pursuant to 17 CFR 240.13a-14(a)	X	
31.2	Certificate Pursuant to 17 CFR 240.13a-14(a)	X	
32.1	Certificate Pursuant to 18 U.S.C. Section 1350	X	
32.2	Certificate Pursuant to 18 U.S.C. Section 1350	X	

+ Confidential treatment requested.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAKE AREA CORN PROCESSORS, LLC

Date: August 12, 2009

/s/ Scott Mundt

Scott Mundt
Chief Executive Officer

Date: August 12, 2009

/s/ Robbi Buchholtz

Robbi Buchholtz
Chief Financial Officer

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FIRST AMENDED AND RESTATED CONSTRUCTION LOAN AGREEMENT

This FIRST AMENDED AND RESTATED CONSTRUCTION LOAN AGREEMENT (the "AGREEMENT") is dated as of the 18th day of June, 2009, and is by and between **DAKOTA ETHANOL, L.L.C.**, a South Dakota limited liability company ("BORROWER") and **FIRST NATIONAL BANK OF OMAHA** ("BANK"), a national banking association established at Omaha, Nebraska.

WHEREAS, the BORROWER requested the BANK to lend to BORROWER up to the sum of Twenty Six Million, Six Hundred Thousand (\$26,600,000.00) Dollars (the "CONSTRUCTION LOAN"), for the purpose of partially funding the cost of construction for an ethanol plant (the "PROJECT") on premises owned by BORROWER, and described on Exhibit "A" attached hereto and by this reference made a part hereof (the "PROPERTY") and providing permanent financing for the PROJECT. BANK and BORROWER entered into a Construction Loan Agreement dated as of September 25, 2000, as well as numerous amendments thereto (the "ORIGINAL CREDIT FACILITIES"). The parties now desire to renew, restate and amend such ORIGINAL CREDIT FACILITIES in their entirety.

WHEREAS, pursuant to the terms of this AGREEMENT, the parties desire that (i), the ORIGINAL CREDIT FACILITIES shall be replaced by credit facilities as described in Section II of this AGREEMENT; (ii) all loans and other obligations of BORROWER outstanding as of this date under the ORIGINAL CREDIT FACILITIES shall be deemed to be loans and obligations outstanding under this AGREEMENT, and (iii) all other provisions of this AGREEMENT not in effect, shall become effective;

WHEREAS, the parties agree as follows:

SECTION 1 Definitions.

1.1 "ASSIGNMENT OF CONSTRUCTION CONTRACT" means the assignment of the agreement between the BORROWER and Broin and Associates, Inc. (the "GENERAL CONTRACTOR") for design and construction of the PROJECT (the "DESIGN/BUILD CONTRACT") in accordance with PLANS therein described, by which the BORROWER assigns, as additional security for repayment of the OBLIGATIONS, the BORROWER's interest in the DESIGN/BUILD CONTRACT in a form acceptable to the BANK.

1.2 "ASSIGNMENT OF RENTS" means the assignment of rents and leases as to the PROPERTY between BORROWER as assignor and the BANK as assignee as security for payment of the CONSTRUCTION NOTE in a form acceptable to the BANK.

1.3 "BANKING DAY" means a day on which the BANK is open for substantially all of its business.

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1.4 "CLOSING" shall mean the date on which the BANK receives this AGREEMENT, executed by the BORROWER, together with the NOTES of BORROWER.

1.5 intentionally left blank

1.6 intentionally left blank

1.7 "CONSTRUCTION NOTE" means the promissory note of the BORROWER which evidenced borrowings under the CONSTRUCTION LOAN of up to a maximum amount of Twenty Six Million Six Hundred Thousand (\$26,600,000.00) Dollars.

1.8 "DEBT SERVICE" means the sum of a) interest expense attributable to all BORROWER's loans and b) scheduled principal payments on all INDEBTEDNESS due within one year.

- 1.9 “DRAW REQUEST” means forms acceptable to the BANK to be submitted to the BANK when a disbursement is requested under the CONSTRUCTION NOTE.
- 1.10 “EVENT OF DEFAULT” has the meaning provided for in Section 7 of this AGREEMENT.
- 1.11 “EXCESS CASH FLOW” means net income plus interest expense, extraordinary loss, depreciation and amortization, less scheduled payments on the OBLIGATIONS and approved INDEBTEDNESS other than the OBLIGATIONS, capital expenditures, and any extraordinary gain.
- 1.12 “GAAP” means generally accepted accounting principles, applied on a basis consistent with the accounting principles applied in the preparation of the annual financial statements of the BORROWER referred to in the Financial Condition Section of this AGREEMENT. All accounting terms not otherwise defined in this AGREEMENT have the meaning assigned to them in accordance with GAAP.
- 1.13 “INDEBTEDNESS” means all indebtedness for borrowed money including long term debt, and capital leases.
- 1.14 “INDEPENDENT INSPECTOR” means the firm which will was retained by BANK, at BORROWER’ s cost, to conduct on site inspections of the work-in-progress on the PROJECT, and to issue periodic reports to BANK as to the progress of construction and adherence to the PLANS.
- 1.15 “LOAN DOCUMENTS” means this AGREEMENT, any amendments to this AGREEMENT, any NOTES, and each document referred to in Section 4 of this AGREEMENT.
- 1.16 “LOAN TERMINATION DATE” means the earliest to occur of the following: (i) as to TERM NOTE 2 and TERM NOTE 5, September 1, 2011; as to the REVOLVING NOTE, May 17, 2010 (ii) the date the OBLIGATIONS are accelerated pursuant to this AGREEMENT, and (iii) the date BANK receives (a) notice in writing from BORROWER of BORROWER’ s election to terminate this AGREEMENT and (b) indefeasible payment in full of the OBLIGATIONS.

- 1.17 intentionally left blank xxx
- 1.18 “MARKETING CONTRACT” means that written contract between BORROWER and RPMG, Inc. by which the latter agreed to provide marketing services as to BORROWER’ s products.
- 1.19 “MORTGAGE” means the Mortgage between the BORROWER as mortgagor and the BANK as mortgagee, creating a first lien on the PROPERTY and a security interest in all of the personal property located thereon as security for payment of the OBLIGATIONS in a form acceptable to the BANK.
- 1.20 “NET WORTH” means total assets less total liabilities and less the following types of assets: (1) leasehold improvements; (2) receivables and other investments in or amounts due from any member, employee or other person or entity related to or affiliated with the BORROWER; (3) goodwill, patents, copyrights, mailing lists, trade names, trademarks, servicing rights, organizational and franchise costs, bond underwriting costs and other like assets properly classified as intangible, and (4) treasury stock or treasury membership units.
- 1.21 “OBLIGATIONS” means the obligation of the BORROWER:
- (A) To pay the principal of, and interest on, the CONSTRUCTION NOTE together with each other NOTE in favor of BANK, all in accordance with the terms thereof and to satisfy all of its other liabilities to the BANK, whether hereunder or otherwise, whether now existing or hereafter incurred, matured or unmatured, direct or contingent, joint or several, including any extensions, modifications, renewals thereof, and substitutions therefor and including, but not limited to, any obligations under letter of credit agreements;

(B) To repay to the BANK all amounts advanced by the BANK hereunder or otherwise on behalf of the BORROWER, including, but without limitation, advances for principal or interest payments to prior secured parties, mortgagees, or licensors, or taxes, levies, insurance, rent, or repairs to, or maintenance or storage of, any of the real or personal property securing BORROWER' s payment and performance of this AGREEMENT; and

(C) To reimburse the BANK, on demand, for all of the BANK' s expenses and costs, including the reasonable fees and expenses of its counsel, in connection with the preparation, administration, amendment, modification, or enforcement of this AGREEMENT and the documents required hereunder, including, without limitation, any proceeding brought or threatened, to enforce payment of any of the OBLIGATIONS referred to in the foregoing Paragraphs (A) and (B).

1.22 "OPERATING CASH FLOW" means operating revenue (excluding extra-ordinary revenues or income not derived from the ordinary course of business) less all direct operating expenses other than interest expense (other than interest on accounts payable), depreciation and other similar non-cash charges, interest, and income taxes.

1.23 "PERMIT" or "PERMITS" means any permit, and all permits, required under any environmental law or regulation required to construct and operate the facility on the PROPERTY after completion of the PROJECT at its operational capacity, including without limitation the following:

(a) an Air Emissions Permit, which PERMIT will allow the BORROWER to operate the facility on the PROPERTY after construction of the PROJECT at maximum capacity.

(b) All permits required in connection with the construction and operation of all above ground storage tanks included in the PLANS for the facility on the PROPERTY after construction of the PROJECT.

(c) A National Pollution Discharge Elimination System Construction Permit for any storm water that is discharged from the facility on the PROPERTY during construction and after construction of the PROJECT.

1.24 "PLANS" means the plans and specifications prepared by the GENERAL CONTRACTOR for the PROJECT and identified to this AGREEMENT by the GENERAL CONTRACTOR, the BORROWER and the BANK.

1.25 "PROJECT" means the design and construction of an ethanol plant, together with all necessary and appropriate fixtures, equipment, attachments, and accessories, as described in the PLANS, to be constructed on the PROPERTY.

1.26 "SECURITY AGREEMENT" means the SECURITY AGREEMENT between the BORROWER and the BANK, creating a first security interest in all BORROWER' s assets, including all personal property and General Intangibles, securing the OBLIGATIONS in a form acceptable to the BANK.

1.27 "SUBCONTRACTOR" means any person who agrees with the GENERAL CONTRACTOR to perform any work or supply any of the materials or equipment necessary to complete the PROJECT.

1.28 "WORKING CAPITAL" means current assets (less investments in or other amounts due from any member, employee or any person or entity related to or affiliated with the BORROWER and prepayments) less current liabilities (less any portion of such current liabilities that constitute debt that is expressly subordinated to the BANK in a writing acceptable to the BANK) plus the amount available to BORROWER for drawing under TERM NOTE 5.

1.29 "REVOLVING NOTE" means that promissory note of BORROWER to BANK evidencing the revolving credit facility described in Section 2.2 of this AGREEMENT, its renewals, modifications and extensions.

1.30 "BORROWING BASE" means the lesser of:

- A. \$4,000,000.00, less the amount of any Letters of Credit issued and outstanding on BORROWER' s account, or
- B. The aggregate of (i) 75% of BORROWER' s Inventory of corn or milo, at current value on the date reported, plus (ii) 75% of BORROWER' s Finished Goods - Distiller' s Grains Inventory, at current value on the date reported, plus (iii) 75% of BORROWER' s Finished Goods-Ethanol Inventory, valued at the lower of cost or market on the date reported, plus (iv) 75% of the amount of BORROWER' s Ethanol or Distiller' s Grains Accounts aged thirty days or less, and (v) 75% of the amount of BORROWER' s current State or Federal Incentives Accounts Receivable aged less than 120 days, excluding any Accounts reasonably deemed ineligible by BANK.

SECTION 2 Amount and Terms of the LOANS.

2.1 TERM NOTES. The BORROWER has previously delivered to BANK two term promissory notes, referred to herein as TERM NOTE 2, and TERM NOTE 5 (collectively called "TERM NOTES"). Interest shall accrue as set forth in the TERM NOTES. Payment of principal and interest on TERM NOTE 2 shall be as specified in TERM NOTE 2. On the first day of each calendar quarter, commencing July 1, 2009, BORROWER shall pay interest to BANK on TERM NOTE 5,. All unpaid principal and accrued interest shall be due and payable on LOAN TERMINATION DATE, if not sooner paid.

2.2 REVOLVING LOAN. BANK agrees to lend \$4,000,000.00 to BORROWER pursuant to this facility. BANK will credit proceeds of this revolving loan ("REVOLVING LOAN") to BORROWER' s deposit account with the BANK, bearing number 22673981.

2.2.1 Subject to the terms hereof, the BANK will lend the BORROWER, from time to time until the LOAN TERMINATION DATE such sums in integral multiples of \$10,000.00 as the BORROWER may request by reasonable same day notice to the BANK, received by the BANK not later than 11:00 A.M. of such day, but which shall not exceed in the aggregate principal amount at any one time outstanding, \$4,000,000.00 (the "LOAN COMMITMENT"). The BORROWER may borrow, repay without penalty or premium and reborrow hereunder, from the date of this AGREEMENT until the LOAN TERMINATION DATE, either the full amount of the LOAN COMMITMENT or any lesser sum which is \$10,000.00 or an integral multiple thereof. It is the intention of the parties that the outstanding balance of the REVOLVING LOAN shall not exceed the BORROWING BASE, and if at any time said balance exceeds the BORROWING BASE, BORROWER shall forthwith pay BANK sufficient funds to reduce the balance of the REVOLVING LOAN until it is in compliance with this requirement.

2.3 THE REVOLVING NOTE. The LOAN COMMITMENT shall be evidenced by a REVOLVING NOTE. Principal and interest shall be payable according to the repayment schedule

and interest rate accrual as described in the REVOLVING NOTE. The balance will be due and payable on LOAN TERMINATION DATE.

2.4 Payments. All principal, interest and fees due under this AGREEMENT, the REVOLVING NOTE, the TERM NOTES and the LOAN DOCUMENTS shall be paid in immediately available funds and no later than the payment due date set forth in the monthly statement mailed to the BORROWER by the BANK. Should a payment come due on a day other than a BANKING DAY, then the payment shall be made no later than the next BANKING DAY and interest shall continue to accrue during the extended period.

2.5 Fees. BORROWER agrees to pay BANK unused commitment fees equal to 50 basis points of the unused portion of the REVOLVING LOAN, and equal to 50 basis points of the unused portion of TERM LOAN 5, with such fees payable quarterly in arrears.

2.6 Incentive Pricing. The interest rates applicable to TERM NOTE 5 and the REVOLVING LOAN are subject to adjustment as set forth in the NOTES.

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SECTION 4 Conditions of Lending.

4.1 Conditions Precedent to the Initial Disbursement. BORROWER previously provided the following documents to BANK:

4.1.1 The CONSTRUCTION NOTE, duly executed on behalf of the BORROWER.

4.1.2 The MORTGAGE duly executed on behalf of the BORROWER.

4.1.3 The ASSIGNMENT OF RENTS, duly executed on behalf of the BORROWER.

4.1.4 The SECURITY AGREEMENT, duly executed on behalf of the BORROWER.

4.1.5 A financing statement or statements sufficient when filed to perfect the security interests granted under the MORTGAGE, the ASSIGNMENT OF RENTS, the SECURITY AGREEMENT, and the ASSIGNMENT OF CONSTRUCTION CONTRACT, to the extent such security interests are capable of being perfected by filing.

4.1.6 A copy of the PLANS, certified by the GENERAL CONTRACTOR and the BORROWER.

4.1.7 The Assignment of the DESIGN/BUILD CONTRACT, duly executed by the BORROWER and consented to by the GENERAL CONTRACTOR and a copy of the DESIGN/BUILD CONTRACT.

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4.1.8 A Total Project Cost Statement on the PROJECT duly executed by the BORROWER and the GENERAL CONTRACTOR, setting forth the anticipated total cost of the PROJECT' s completion.

4.1.9 An **ALTA (American Land Title Association) Survey** of the PROPERTY, prepared at the BORROWER' s expense, currently certified by a licensed, registered surveyor and incorporating the legal description of the PROPERTY, showing the location of all points and lines referred to in the legal description, the location of any existing improvements, the proposed location of the PROJECT (including parking) as being within the exterior boundaries of the PROPERTY and in compliance with all applicable building set-back requirements, and the location of all utilities and the location of all easements and encroachments onto or from the PROPERTY that are visible on the PROPERTY, known to the surveyor preparing the survey or of record, identifying easements of record by recording data, and currently certified by the surveyor that there are no such easements or encroachments upon the PROPERTY except as shown on the survey.

4.1.14 An as built appraisal to the BANK based upon the PLANS to be performed by Herman Natwick & Co., which shows the as-completed value of the PROPERTY and PROJECT acceptable to BANK.

4.1.15 A title binder, issued by Dakota Homestead Title Insurance Corporation (the "Title Company"), at the BORROWER' s expense, constituting a commitment by the Title Company to issue a mortgagee' s title policy in favor of the BANK as mortgagee under the MORTGAGE, that will be free from all standard exceptions, including mechanics' liens and all other exceptions not previously approved by the BANK and includes a plat endorsement and that will insure the MORTGAGE to be a valid first lien on the PROPERTY.

- 4.1.16 A soil report on the PROPERTY certified by a registered engineer including structural design recommendations in form and substance satisfactory to the BANK.
- 4.1.17 A Phase I Environmental Report of the PROPERTY in form and content satisfactory to the BANK.
- 4.1.18 Copies of all PERMITS from the applicable county or any other state or local agency from whom a construction permit is required and such other licenses and permits, as may be required to construct and operate the facility on the PROPERTY after completion of the PROJECT.
- 4.1.19 Copies of all environmental permits and other PERMITS as may be required to construct and operate the facility on the PROPERTY at maximum capacity after completion of the PROJECT.
- 4.1.20 Copies of documents from the appropriate state, federal, city or county authority having jurisdiction over the PROPERTY and the PROJECT that provide to the reasonable

satisfaction of the BANK that the PROJECT when constructed in accordance with the PLANS will comply in all respects with all applicable ordinances, zoning, subdivision, platting, environmental and land use requirements, without special variance or exception, and such other evidence as the BANK shall reasonably request to establish that the PROJECT and the contemplated use thereof are permitted by and comply with all applicable use or other restrictions and requirements in prior conveyances, zoning ordinances, environmental laws and regulations, water shed district regulations and all other applicable laws or regulations, and governmental authorities having jurisdiction over the PROJECT. BORROWER is not required to obtain advance confirmation from any governmental body that the PROJECT will comply with such ordinances, regulations and requirements.

4.1.22 Copies of the policy of property/casualty insurance and comprehensive general liability insurance and a certificate of the worker's compensation insurance required under Section 6.3 of this AGREEMENT, with all such insurance in full force and effect and approved by the BANK, and naming BANK as additional named insured, together with appropriate flood insurance, if the PROPERTY is in a flood hazard area. BORROWER is not required to obtain worker's compensation insurance until required by South Dakota law.

4.1.23 A signed opinion of counsel for the BORROWER, addressed to the BANK, opining that: 1) the BORROWER is duly organized and in good standing in its state of organization; 2) the BORROWER is qualified in each state in which it does business and is legally required to be qualified; 3) the BORROWER has the power to execute and deliver the LOAN DOCUMENTS and to borrow money and perform in accordance with the terms of the LOAN DOCUMENTS; 4) all actions and consents necessary to the validity of the LOAN DOCUMENTS have been obtained; 5) the LOAN DOCUMENTS have been duly signed and are the valid and binding obligation of the BORROWER and enforceable in accordance with their terms; and 6) to the best of counsel's knowledge, the LOAN DOCUMENTS and the transactions contemplated thereunder do not conflict with any provision of the operating agreement of BORROWER or any agreement binding upon the BORROWER or its properties.

4.1.24 A Certificate of Authority executed by such person or persons authorized by the BORROWER's organizational documents and/or agreements to do so, certifying the incumbency and signatures of the managers or other persons authorized to execute the LOAN DOCUMENTS, and authorizing the execution of the LOAN DOCUMENTS and performance in accordance with their terms.

4.1.25 A recently certified copy of the BORROWER's operating agreement, and any amendments, if applicable.

4.1.26 A recently certified copy of the BORROWER's Articles of Organization and any amendments, if applicable.

4.1.27 A certificate of good standing from the office of the South Dakota Secretary of State on the BORROWER.

4.1.28 A Flood Hazard Determination Form for the PROPERTY, confirming whether or not the parcel is in a flood hazard area and whether or not flood insurance must be obtained.

4.1.29 If requested by the BANK at any time, a copy of the payment and performance bond relating to the performance of any SUBCONTRACTOR on the PROJECT.

4.1.30 Proof of injection of equity capital into BORROWER of no less than \$2,000,000.00 by Broin Enterprises, Inc., and no less than \$14,700,000.00 by Lake Area Corn Processors Cooperative.

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4.1.32 A copy of the MARKETING CONTRACT, together with an assignment in favor of BANK in form satisfactory to BANK.

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SECTION 5 Representations and Warranties.

To induce the BANK to enter into this AGREEMENT, the BORROWER, makes the following representations and warranties and agrees that each request for a disbursement under this AGREEMENT constitutes a reaffirmation of these representations and warranties.

5.1 Existence and Power. The BORROWER is a limited liability company duly formed and in good standing under the laws of the State of South Dakota. The BORROWER has all requisite power and authority to own the PROPERTY and construct the PROJECT, and to execute and deliver, and to perform all of its obligations under the LOAN DOCUMENTS.

5.2 Authorization of Borrowing; No Conflict as to Law or Other Agreements. The execution, delivery and performance by the BORROWER of the LOAN DOCUMENTS and the borrowings from time to time hereunder have been duly authorized by all necessary actions of the BORROWER and do and will not (a) require any consent or approval, or authorization, by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (b) violate any provision of any law, rule or regulation or of any order, writ, injunction or decree presently in effect having applicability to the BORROWER, or of the operating agreement of the BORROWER, (c) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the BORROWER is a party or by which it or its properties may be bound or affected, or (d) result in, or require, the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature

to or with any other creditor of the BORROWER upon or with respect to any of the properties now owned or hereafter acquired by the BORROWER.

5.3 Legal Agreements. The LOAN DOCUMENTS constitute the legal, valid and binding obligations of the BORROWER enforceable against the BORROWER in accordance with their respective terms.

5.4 License and Permits. The BORROWER has all necessary licenses and PERMITS required for construction and operation of the PROJECT.

5.5 Construction of the PROJECT. The PROJECT was constructed strictly in accordance with the PLANS; was constructed entirely on the PROPERTY; and does not encroach upon or overhang any easement or right-of-way on land not constituting part of the PROPERTY, except for the rail spur line which is in part located upon the rail line property owned by the State of South Dakota. The PROJECT, both during construction and at the time of completion, and the contemplated use thereof, did not and will not violate any applicable zoning or use statute, ordinance, building code, rule or regulation, or any covenant or agreement of record. The BORROWER agrees that it will furnish from time to time such satisfactory evidence with respect thereto as may be required by the BANK.

5.6 Title to the PROPERTY. The BORROWER has good and marketable fee simple title to the PROPERTY.

5.7 Financial Condition. The BORROWER has furnished to the BANK the annual financial statement of the BORROWER as of December 31, 2008. This financial statement fairly presents the financial condition of the BORROWER on the date thereof and the results of its operations for the period then ended, and was prepared in accordance with GAAP. There has been no material adverse change in the operations, properties or condition (financial or otherwise) of the BORROWER since the date of the financial statement referred to above and no additional borrowings have been made by the BORROWER other than the borrowing contemplated hereby or approved by the BANK. The above-referenced financial statement or any certificate or statement furnished to the BANK by or on behalf of the BORROWER in connection with the transactions contemplated hereby, and the representations and warranties in this AGREEMENT, do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements contained therein or herein not misleading. To the best of the knowledge of the BORROWER, there is no fact which materially adversely affects or in the future (so far as the BORROWER can now foresee) may materially adversely affect the operation or prospects or condition (financial or other) of the BORROWER or its properties or assets, which has not been set forth herein or in a certificate or statement furnished to the BANK by the BORROWER.

5.8 Litigation. There are no actions, suits or proceedings pending or, to the knowledge of the BORROWER, threatened against or affecting the BORROWER or the properties of the BORROWER before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which, if determined adversely to the BORROWER, would

have a material adverse effect on the financial condition, properties, or operations of the BORROWER.

5.9 Taxes. The BORROWER has paid or caused to be paid to the proper authorities when due all federal, state and local taxes, including taxes on the PROPERTY, required to be paid or withheld by it. The BORROWER has filed all federal, state and local tax returns which to the knowledge of the members of the BORROWER are required to be filed, and the BORROWER has paid or caused to be paid to the respective taxing authorities all taxes as shown on said returns or on any assessment received by it to the extent such taxes have become due.

5.10 No Default. There is no event which is, or with notice or the lapse of time would be, an EVENT OF DEFAULT under this AGREEMENT.

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5.12 ERISA. The BORROWER is in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended, and has received no notice to the contrary from the Internal Revenue Service, the Department of Labor, the Pension Benefit Guaranty Corporation or any other governmental entity or notice of any claims or pending claims under ERISA.

5.13 Environmental Matters. 1) The BORROWER is in compliance in all material respects with all health and environmental laws applicable to the BORROWER and its operations and knows of no conditions or circumstances that could interfere with such compliance in the future; 2) the BORROWER has obtained all PERMITS, environmental permits and approvals required by law for the operation of its business; and 3) the BORROWER has not identified any "recognized environmental conditions," as that term is defined by the American Society for Testing and Materials in its standards for environmental due diligence, which could subject the BORROWER to enforcement action if brought to the attention of appropriate governmental authorities.

5.14 Necessary Utilities, Etc. BORROWER has made suitable arrangements so that the PROJECT has all necessary electrical, gas, water, and sewer facilities in place for the proper construction and operation of its ethanol plant. BORROWER has made adequate provision for all storage facilities, equipment and product supplies, including corn, as specified by its engineers for the maximum output and operation of the plant.

SECTION 6 Additional Covenants of the BORROWER.

6.1 Financial Information and Reporting. Except as otherwise stated in this AGREEMENT, all financial information provided to the BANK shall be compiled using GAAP consistently applied. During the time period that any amounts are outstanding under this AGREEMENT or the LOAN DOCUMENTS, unless the BANK shall otherwise agree in writing:

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6.1.1 Annual Financial Statements. Provide the BANK within 120 days of the BORROWER' s fiscal year end, the BORROWER' s consolidated, annual financial statements. The statements must be audited with an unqualified opinion by a certified public accountant acceptable to the BANK, and must be accompanied by a certificate of such accountants stating whether, in conducting their audit, they have become aware of any event of default under this AGREEMENT, or of any event which would, after the lapse of time or the giving of notice, or both, constitute an event of default under this AGREEMENT, specifying the nature and duration of the default. Such audit statement shall be accompanied by the accountants' calculations of BORROWER' s compliance with the covenants contained in Section 6.2 of this AGREEMENT as of the said fiscal year end.

6.1.2 The BORROWER will furnish to the BANK within thirty-(30) days after the end of each calendar month, consolidated financial statements of the BORROWER for such period and year to date all in reasonable detail, except for the absence of financial footnotes. Such financial statements shall be accompanied by a calculation of BORROWER' s compliance with covenants contained in Section 6.2 of this AGREEMENT, certified by a manager of BORROWER.

6.1.3 For each full calendar quarter, BORROWER will deliver to BANK, within thirty-(30) days of each calendar quarter end, a certificate in a form reasonably acceptable to BANK that has been signed by an officer or manager of BORROWER, which: 1) certifies that the statements required by section 6.1.1 and 6.1.2 have been accurately prepared in accordance with GAAP applied consistently (except for the absence of financial footnotes to the statements furnished under Section 6.1.2); 2) certifies that the officer or manager has no knowledge of any EVENT OF DEFAULT under this AGREEMENT or the LOAN DOCUMENTS, or of any event which would, after the lapse of time or the giving of notice, or both, constitute an event of default under this AGREEMENT or the LOAN DOCUMENTS.

6.1.4 BORROWER shall authorize all federal, state and municipal authorities to furnish reports of examinations, records and other information relating to the condition and affairs of the BORROWER and its ethanol plant, and any information from reports, returns, files and records by such authorities regarding BORROWER upon request to the BANK.

6.1.5 The BORROWER will give the BANK prompt written notice of any violation as to any environmental matter by the BORROWER and, of the commencement of any judicial or administrative proceeding relating to health, safety or environmental matters (i) in which an adverse determination or result could result in the revocation of or have a material adverse effect on any operating permits, air emission permits, water discharge permits, hazardous waste permits or other PERMITS held by the BORROWER which are material to the operations of the BORROWER, and (ii) which will or threatens to impose a material liability on the BORROWER to any person or party or which will require a material expenditure by the BORROWER to cure any alleged problem or violation.

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6.1.6 The BORROWER will give immediate notice to the BANK of (i) any litigation or proceeding in which it is a party if an adverse decision therein would require it to pay more than \$100,000.00 or deliver assets the value of which exceeds such sum (whether or not the claim is considered to be covered by insurance); and (ii) the institution of any other suit or proceeding involving it that might materially and adversely affect its operations, financial condition, property, or business prospects. BORROWER shall immediately notify BANK of the existence of any EVENT OF DEFAULT

6.1.7 The BORROWER will provide the BANK with such other information as it may reasonably request.

6.1.8 BORROWER shall provide weekly borrowing base certificates in a form reasonably acceptable to BANK, calculating advance rates under the REVOLVING LOAN pursuant to the BORROWING BASE.

6.1.9 The BORROWER shall provide to BANK each month its six month future cash flow projections, including a quarterly forward looking debt service coverage projection and operating metrics with anticipated cash flow requirements for such period.

6.1.10 The BORROWER shall provide to BANK hedging statements showing all hedging activity of BORROWER. On request of BANK, BORROWER will also provide sensitivity analysis regarding BORROWER' s financial futures positions.

6.1.11 The BORROWER has developed and delivered to BANK BORROWER' s corn procurement and forward pricing strategy and plan, providing a minimization of BORROWER' s speculative positions in a form acceptable to BANK. Such plan and strategy shall be maintained to BANK' s satisfaction that will maintain sufficient liquidity to manage potential market price volatility. BORROWER will adhere to such plan and strategy, implementing the same in its ongoing business operations.

6.2 Financial Covenants. At all times that any amounts are outstanding under the any NOTE, this AGREEMENT or the LOAN DOCUMENTS, unless the BANK shall otherwise agree in writing, the BORROWER agrees to comply with the financial covenants described below, which shall be calculated using GAAP consistently applied, except as they may be otherwise modified by the capitalized definitions:

6.2.1 The BORROWER shall maintain a DEBT SERVICES COVERAGE RATIO of no less than 1.25 : 1.0, for all periods following COMPLETION DATE. This covenant shall be measured at a quarterly basis each calendar quarter, beginning June 30, 2009, but measured on a trailing four quarters basis at the end of the full calendar year, commencing December 31, 2009 and continuously thereafter. For purposes of this covenant, to determine such ratio, OPERATING CASH FLOW shall be compared to DEBT SERVICE.

6.2.2 The BORROWER shall maintain WORKING CAPITAL of at least \$1,000,000.00 at all times after COMPLETION DATE.

6.2.3 The BORROWER shall maintain a NET WORTH of not less than (i) \$20,000,000.00 at all times.

6.2.4 The BORROWER shall determine, at each fiscal year end, the amount of its EXCESS CASH FLOW for said fiscal year, and within ninety days following such fiscal year end the borrowing availability commitment of TERM NOTE 5 shall be reduced by seventy-five percent (75%) of such sum ("the REDUCTION AMOUNT"). The BORROWER shall pay to BANK such amount as is required to reduce the amount of outstanding principal on TERM NOTE 5 to such reduced commitment amount. After TERM NOTE 5 is repaid, BORROWER shall pay BANK the REDUCTION AMOUNT and BANK shall hold such payments as additional collateral for repayment of TERM NOTE 2. Such annual payment shall not release BORROWER from making any payment of principal or interest otherwise required by this AGREEMENT.

6.2.5 The BORROWER shall maintain a debt ratio measured at the end of each calendar month of no more than 1.50 : 1.0, for all periods following COMPLETION DATE. For purposes of this covenant, to determine such ratio, INDEBTEDNESS shall be compared to NET WORTH.

6.3 Affirmative Covenants. During the time period that any amounts are outstanding under any NOTE or this AGREEMENT or the LOAN DOCUMENTS, unless the BANK shall otherwise agree in writing the BORROWER shall:

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6.3.4 Provide and maintain at all times and, from time to time at the request of the BANK, furnish the BANK with proof of payment of premiums on:

(i) Comprehensive general liability insurance (including operations, contingent liability, operations of subcontractors, complete operations, removal of contaminated soil and other environmental coverage and contractual liability insurance) with limits reasonably acceptable to BANK;

(ii) Worker' s compensation insurance, with statutory coverage.

The policies of insurance required pursuant to clause (i) above shall be in form and content satisfactory to the BANK and shall be placed with financially sound and

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reputable insurers. The policy of insurance referred to in clause (i) above shall contain an agreement of the insurer to give not less than thirty (30) days' advance written notice to the BANK in the event of cancellation of such policy or change affecting the coverage thereunder. Acceptance of insurance policies referred to in clause (i) above shall not bar the BANK from requiring additional insurance which it reasonably deems necessary.

6.3.5 Purchase and maintain hazard insurance (including fire, extended coverage vandalism and malicious mischief) on the PROPERTY and all assets in which BANK has a security interest with limits acceptable to the BANK. BANK shall be named as additional named insured.

6.3.6 Maintain accurate and complete books, accounts and records pertaining to the PROPERTY and the PROJECT and its ongoing and continuing operations in form and substance satisfactory to the BANK. The BORROWER will permit the BANK, acting by and through its officers and employees, to examine upon reasonable notice all books, records, contracts, plans, drawings, PERMITS, bills and statements of account pertaining to the PROJECT and to inspect upon reasonable notice all books and records pertaining to its operations and to make extracts therefrom and copies thereof.

6.3.7 Cause to be paid to the proper authorities when due all federal, state and local taxes, including taxes on the PROPERTY, required to be paid or withheld by it except those which the BORROWER is contesting in good faith and with respect to which adequate reserves have been set aside.

6.3.8 Allow the BANK to conduct such inspections of the PROJECT and BORROWER' s real and personal property subject to the BANK' s security interest as the BANK may deem necessary for the protection of the BANK' s interest. Any such inspections shall be made and any certificates issued are solely for the benefit and protection of the BANK, and the BORROWER shall not be entitled to rely thereon.

6.3.9 Make all repairs, renewals or replacements necessary to keep its plant, properties and equipment in good working condition.

6.3.10 Comply in all material respects with all laws applicable to its form of organization, business, and the ownership of its property.

6.3.11 Maintain and preserve all PERMITS, licenses, rights, privileges, charters and franchises that it now owns.

6.3.12 Observe and comply with all laws, rules, regulations and orders of any government or government agency relating to health, safety, pollution, hazardous materials or other environmental matters to the extent non-compliance could result in a material liability or otherwise have a material adverse effect on the BORROWER.

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6.3.13 On or before July 31, 2009, BORROWER will obtain no less than \$2,000,000.00 of additional capital, either by contributions from existing members of BORROWER or by issuing subordinated debt in form acceptable to BANK.

6.3.14 intentionally left blank

6.3.15 BORROWER will maintain all its banking depository relationships at BANK, including money market accounts.

6.4 Negative Covenants. During the time period that any amounts are outstanding under the any NOTE or this AGREEMENT or the LOAN DOCUMENTS, unless the BANK shall otherwise agree in writing the BORROWER shall not:

6.4.1 Permit any security interest or mortgage or lien on the PROPERTY or PROJECT or other real or personal property BORROWER owns now or in the future, or assign any interest that it may have in any assets or subordinate any rights that it may have in any assets now or in the future, except: (i) liens, assignments, or subordinations in favor of the BANK; (ii) liens, assignments, or subordinations outstanding on the date of this AGREEMENT and disclosed in advance to the BANK in writing and approved by the BANK; (iii) liens for taxes or assessments or other governmental charges not delinquent or which the BORROWER is contesting in good faith; (iv) liens which secure purchase money indebtedness allowed under this AGREEMENT; (v) liens that are imposed by law for obligations for labor or materials not overdue for more than 120 days, such as mechanics' , materialmen' s, carriers' , landlords' , and warehousemen' s liens, or liens, pledges, or deposits under workers' compensation, unemployment insurance, Social Security, or similar legislation.

6.4.2 intentionally left blank

6.4.3 Incorporate in the PROJECT any materials, fixtures or property which are subject to the claims of any other person, whether pursuant to conditional sales contract, security agreement, lease, mortgage or otherwise.

6.4.4 Lease, sell, transfer, convey, assign, or otherwise transfer all or any part of the interest of the BORROWER in its assets out of the ordinary course of business.

6.4.5 Permit or suffer any material change in its management personnel or management structure or any change, direct or indirect, in its capital ownership.

6.4.6 Engage in any line of business materially different from that presently engaged in by the BORROWER.

6.4.7 Change its legal form of organization.

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6.4.8 Make any material changes in its accounting procedures for tax or other purposes.

6.4.9 Incur any indebtedness except: (1) debt arising under this or another agreement with the BANK; (ii) trade credit incurred in the ordinary course of business; and (iii) indebtedness in existence on the date of this AGREEMENT and disclosed in advance to the BANK in writing.

6.4.10 Consolidate, or merge or pool or syndicate or otherwise combine with any other entity, or give any preferential treatment, make any advance, directly or indirectly, by way of loan, gift, bonus, or otherwise, to any company directly or indirectly controlling or affiliated with or controlled by BORROWER, or any other company, or to any partner or employee of BORROWER, or of any such company.

6.4.11 Make, or commit to make, capital expenditures (including the total amount of any capital leases) in an aggregate amount exceeding \$500,000.00 in any single fiscal year.

6.4.12 Make or pay, in any fiscal year, distributions to members or shareholders of the BORROWER except as may be agreed to in writing, in advance, by BANK.

6.4.13 Assume, guarantee, endorse or otherwise becoming contingently liable for any obligations of any other person, except for those guaranties outstanding at the time of execution of this AGREEMENT and disclosed to the BANK in writing.

6.4.14 Make sales to or purchases from any affiliate of the BORROWER or extend credit or make payments for services rendered by any affiliate of the BORROWER, except under the MARKETING CONTRACT, unless such sales or purchases are made or such services are rendered in the ordinary course of business and on terms and conditions at least as favorable to the BORROWER as the terms and conditions which would apply in a similar transaction with a person or party not an affiliate of the BORROWER.

SECTION 7 EVENTS OF DEFAULT, Rights and Remedies.

7.1 EVENTS OF DEFAULT. Each of the following shall be an EVENT OF DEFAULT and give the BANK the right to exercise its remedies under this AGREEMENT:

7.1.1 The BORROWER shall fail to pay when due any OBLIGATIONS or any other installment of principal or interest or fee payable to BANK.

7.1.2 The BORROWER shall fail to observe or perform any other obligation to be observed or performed by it hereunder or under any of the LOAN DOCUMENTS.

7.1.3 The BORROWER shall fail to pay any INDEBTEDNESS due any third persons, and such failure shall continue beyond any applicable grace period, or the BORROWER shall suffer to exist any other default under any agreement binding the BORROWER.

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7.1.4 Any financial statement, representation, warranty, or certificate made or furnished by or with respect to the BORROWER to the BANK in connection with this AGREEMENT, or as an inducement to the BANK to enter into this AGREEMENT, or in any separate statement or document to be delivered to the BANK hereunder, shall be materially false, incorrect, or incomplete when made.

7.1.5 The BORROWER shall admit its inability to pay its debts as they mature or shall make an assignment for the benefit of itself or any of its creditors.

7.1.6 Proceedings in bankruptcy, or for reorganization of the BORROWER, or for the readjustment of debt under the Bankruptcy Code, as amended, or any part thereof, or under any other laws, whether state or federal, for the relief of debtors, now or hereafter

existing, shall be commenced against or by the BORROWER and, except with respect to any such proceedings instituted by the BORROWER, shall not be discharged within thirty (30) days of their commencement.

7.1.7 A receiver or trustee shall be appointed for the BORROWER or for any substantial part of its respective assets, or any proceedings shall be instituted for the dissolution or the full or partial liquidation of the BORROWER, and except with respect to any such appointments requested or instituted by the BORROWER, such receiver or trustee shall not be discharged within thirty (30) days of his appointment, and except with respect to any such proceedings instituted by the BORROWER, such proceedings shall not be discharged within thirty (30) days of their commencement, or the BORROWER shall discontinue business or materially change the nature of its business, or the property securing the OBLIGATIONS becomes, in the reasonable judgment of the BANK, insufficient in value to satisfy the OBLIGATIONS, or the BANK otherwise reasonably finds itself insecure as to the prompt and punctual payment and discharge of the OBLIGATIONS.

7.1.8 The BORROWER shall suffer final judgments for payment of money aggregating in excess of \$100,000.00 which are not covered, without reservation, by insurance or shall not discharge the same within a period of thirty (30) days unless, pending further proceedings, execution has not been commenced or, if commenced, has been effectively stayed.

7.1.9 A judgment creditor of the BORROWER shall obtain possession of any of the BORROWER' s assets by any means, including (without implied limitation) levy, distraint, replevin, or self-help.

7.1.10 intentionally left blank

7.1.11 intentionally left blank

7.1.12 The BORROWER' s ethanol plant is materially damaged or destroyed by fire or other casualty and the loss, in the reasonable judgment of the BANK, is not adequately covered by insurance actually collected or in the process of collection.

7.1.13 intentionally left blank

7.1.14 RPMG, Inc. or its permitted assignee shall cease to be the marketing agent of BORROWER as to sale of its products, and BORROWER has not within thirty (30) days following termination of the MARKETING CONTRACT hired a replacement marketing agent to the BANK' s satisfaction, which BANK approval will not be unreasonably withheld.

7.2 Rights and Remedies. Upon the occurrence of an EVENT OF DEFAULT and at any time thereafter, the BANK may refrain from making any further disbursements hereunder (but the BANK may make disbursements after the occurrence of such an EVENT OF DEFAULT without thereby waiving its rights and remedies hereunder), and upon the occurrence of an EVENT OF DEFAULT or at any time thereafter, the BANK may exercise any or all of the following rights and remedies:

7.2.1 The BANK may declare the all LOANS to be terminated, whereupon the same shall forthwith terminate.

7.2.2 The BANK may declare the entire unpaid principal amount of each NOTE then outstanding, all interest accrued and unpaid thereon, and all other amounts payable under this AGREEMENT to be forthwith due and payable, whereupon each NOTE and all OBLIGATIONS, all accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the BORROWER.

7.2.3 The BANK may exercise and enforce its rights and remedies under any or all of the LOAN DOCUMENTS.

7.2.4 The BANK may enter upon the PROPERTY and take possession thereof.

SECTION 8 Miscellaneous.

8.1 Inspections. BORROWER hereby consents to inspections of BORROWER' s assets at any reasonable time by BANK or its representatives.

8.2 Indemnification by the BORROWER. The BORROWER shall bear all loss, expense (including attorneys' fees) and damage in connection with, and agrees to indemnify and hold harmless the BANK, its agents, servants and employees from, all claims, demands and judgments made or recovered against the BANK, its agents, servants and employees, because of bodily injuries,

including death at any time resulting therefrom, and/or because of damages to property (including loss of use) from any cause whatsoever, arising out of, incidental to, or in connection with the construction of the PROJECT, whether or not due to any act of omission or commission, including negligence of the BORROWER or of its employees, servants or agents, and whether or not due to any act of omission or commission of the BANK, its employees, servants or agents. The BORROWER' s liability hereunder shall not be limited to the extent of insurance carried by or provided by the BORROWER or subject to any exclusions from coverage in any insurance policy. The obligations of the BORROWER under this Section shall survive the payment of the OBLIGATIONS.

8.3 No Waiver; Cumulative Remedies. No failure or delay on the part of the BANK in exercising any right, power or remedy under the LOAN DOCUMENTS shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy under the LOAN DOCUMENTS. The remedies provided in the LOAN DOCUMENTS are cumulative and not exclusive of any remedies provided by law.

8.4 Amendments, Etc. No amendment, modification, termination or waiver of any provision of any of the LOAN DOCUMENTS or consent to any departure by the BORROWER therefrom shall be effective unless the same shall be in writing and signed by the BANK, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the BORROWER in any case shall entitle the BORROWER to any other or further notice or demand in similar or other circumstances.

8.7 Addresses for Notices, Etc. Except as otherwise expressly provided herein, all notices, requests, demands and other communications provided for under the LOAN DOCUMENTS shall be in writing and mailed or delivered to the applicable party at its address indicated below:

If to the BORROWER: DAKOTA ETHANOL, L.L.C.
 c/o Lake Area Corn Processors Cooperative
 P.O. Box 100
 Wentworth, South Dakota 57075
 Attention: Brian Woldt

 with a copy to: Doug Hajek
 Davenport, Evan, Hurwitz & Smith LLP
 206 West 14th Street
 P.O. Box 1030
 Sioux Falls, South Dakota 57101-1030

If to the BANK: First National Bank of Omaha
 One First National Center
 1620 Dodge Street STOP 1050

Omaha, Nebraska 68197-1050
Attention: Andrew Wong

with a copy to:

Richard D. Myers
McGill, Gotsdiner, Workman & Lepp, P.C.
#500, 11404 W. Dodge Rd.
Omaha, Nebraska 68154

or, as to each party, at such other address as shall be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section. All such notices, requests, demands and other communications shall, when mailed, be effective when deposited in the mails, addressed as aforesaid, except that notices or requests to the BANK pursuant to any of the provisions hereunder shall not be effective until received by the BANK.

8.8 Time of Essence. Time is of the essence in the performance of this AGREEMENT.

8.9 Execution in Counterparts. The LOAN DOCUMENTS may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts of each instrument or agreement, taken together, shall constitute but one and the same instrument.

8.10 Binding Effect, Assignment. The LOAN DOCUMENTS shall be binding upon and inure to the benefit of the BORROWER and the BANK and their respective successors and assigns, except that the BORROWER shall not have the right to assign its rights thereunder or any interest therein without the prior written consent of the BANK.

8.11 Governing Law. The LOAN DOCUMENTS shall be governed by, and construed in accordance with, the laws of the State of Nebraska except for the MORTGAGE and ASSIGNMENT OF RENTS which shall be governed by and construed in accordance with the laws of the State of South Dakota.

8.12 Severability of Provisions. Any provision of this AGREEMENT which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

8.13 Headings. Section headings in this AGREEMENT are included herein for convenience of reference only and shall not constitute a part of this AGREEMENT for any other purpose.

8.14 Integration. This AGREEMENT supersedes, replaces and terminates any prior oral offers, negotiations, understandings or agreements and any commitment letters or similar writings relating to any of the matters contemplated herein.

8.15 Participations. Notwithstanding any other provision of this AGREEMENT, the BORROWER understands that the BANK may enter into participation agreements with other lenders whereby the BANK will allocate a certain percentage of the CONSTRUCTION LOAN to them. The BORROWER specifically permits and authorizes the BANK to exchange financial information about the BORROWER with actual or potential participants. The BORROWER acknowledges that, for the convenience of all parties, this AGREEMENT is being entered into with the BANK only and that its obligations under this AGREEMENT are undertaken for the benefit of, and as an inducement to, each of the Participating Lenders as well as the BANK, and the BORROWER hereby grants to each of the Participating Lenders to the extent of its participation in the CONSTRUCTION LOAN, the right to set off deposit accounts maintained by the BORROWER with such BANK. The BORROWER understands that the terms of such participation agreements with any of the participants will limit the BANK's rights to amend,

waive or modify the terms and conditions of this AGREEMENT without the express written consent of all or a designated percentage of such participants.

IN WITNESS WHEREOF, the parties hereto have caused this AGREEMENT to be executed by their respective officers or managers thereunto duly authorized, as of the date first above written.

Dakota Ethanol, L.L.C.

First National Bank of Omaha

By: /s/ Brian Woldt
Brian Woldt
Chairman of the Board of Managers

By: /s/ Andrew Wong
Andrew Wong
Commercial Loan Officer

NOTARY ACKNOWLEDGEMENT

STATE OF SOUTH DAKOTA)
) ss.
COUNTY OF LAKE)

On this 18 day of June, 2009, before me, the undersigned, a Notary Public, personally appeared Brian Woldt, Chairman of the Board of Managers of Dakota Ethanol, L.L.C., who executed the foregoing instrument, and acknowledged that he executed the same as his voluntary act and deed.

/s/ Alan E. May
Notary Public

[Notarial Seal]

NOTARY ACKNOWLEDGEMENT

STATE OF NE)
) ss.
COUNTY OF Douglas)

On this 26 day of June, 2009, before me, the undersigned, a Notary Public, personally appeared Andrew Wong, the Commercial Loan Officer of First National Bank of Omaha, on behalf of said entity, who executed the foregoing instrument, and acknowledged that he executed the same as his voluntary act and deed.

/s/ Jacqueline K. Sims

Notary Public

[Notarial Seal]

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EXHIBIT A

DAKOTA ETHANOL, L.L.C.
Real Estate Description

West Half of the Northeast Quarter (W ½ NE ¼) except Tract A of the Water Tower Addition thereof, and except Railroad Right of Way thereof, Section Twenty-one (21), Township One Hundred Six (106) North, Range Fifty-one (51) West of the Fifth P.M. in Lake County, South Dakota, and except Lot H-1 thereof, and except Lot E-1 thereof.

***Confidential Treatment Requested. Confidential portions of this document have been redacted and have been separately filed with the Commission.

CORN OIL MARKETING AGREEMENT

THIS CORN OIL MARKETING AGREEMENT (the “Agreement”) is made and entered into as of the 11 day of August, 2009 (the “Effective Date”) by and between RPMG, INC., a Minnesota corporation (“RPMG”) and Dakota Ethanol, LLC, a South Dakota company (“Producer”), collectively referred to hereinafter as “Parties” or individually as a “Party”.

RECITALS

- A. RPMG markets CORN OIL (as hereinafter defined).
- B. Producer produces CORN OIL at Producer’s ethanol production facility located at Wentworth, SD (the “Ethanol Facility”).
- C. The Parties do desire that RPMG shall market CORN OIL produced at the Ethanol Facility.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows.

AGREEMENT

1. **Marketing of Corn Oil.** Producer shall sell to RPMG, and RPMG shall purchase and market, all of Producer’s production, **excluding** such production Producer sells directly to the entities set forth on Schedule 1 attached hereto, of corn oil produced at the Ethanol Facility, including any expansion or increase in capacity at the Ethanol Facility. RPMG shall be the exclusive marketer of corn oil and Producer shall not, either itself (except as set forth in the foregoing sentence) or through any affiliate or any third party, market any corn oil during the term of this Agreement. Except as otherwise provided in this Agreement, RPMG shall provide management resources to market and sell corn oil, including the management of logistics and collection.
2. **Payments to Producer; Commissions; Audit Rights**
 - (a) Payments to Producer. Subject to the other terms of this Agreement, RPMG shall pay Producer for its corn oil in accordance with the terms set forth in Exhibit A. RPMG shall use commercially reasonable efforts to make such payments to Producer on an average net ten (10) days.
 - (b) RPMG Commission. Producer shall pay RPMG commissions as follows: \$*** for each pound of corn oil sold to third party end purchasers (each, an “End Customer”). Parties shall from time to time, or upon the reasonable request of RPMG, negotiate in good faith adjustments to the foregoing commissions to reflect prevailing commissions being paid to marketers of corn oil produced by third parties in the United States.
 - (c) Accessorial Charges. As set forth on Exhibit A, RPMG shall be responsible for payment of Accessorial Charges (as defined in Exhibit A) to third parties; provided, however, that Producer agrees (i) to promptly reimburse RPMG for

such Accessorial Charges upon submission to Producer of an invoice itemizing such Accessorial Charges, and (ii) that RPMG may deduct and setoff the Accessorial Charges from and against payments due to Producer by RPMG.

- (d) Late Payments. Overdue amounts not disputed in good faith payable to either Party shall be subject to late payment fees equal to interest accrued on such amounts at the maximum rate permitted by applicable law.
- (e) No Warranty as to Prices. RPMG shall market Producer' s corn oil using commercially reasonable efforts and the same standards it uses to market the corn oil production of third parties for whom RPMG provides corn oil marketing services. RPMG shall endeavor to (i) maximize the corn oil price and minimize freight and other costs relevant to corn oil sales and (ii) achieve the best available return to Producer, subject to relevant market conditions. PRODUCER ACKNOWLEDGES THAT RPMG MAKES NO REPRESENTATIONS, GUARANTEES OR WARRANTIES OF ANY NATURE WHATSOEVER AS TO THE PRICES AT WHICH IT SHALL BE ABLE TO SELL PRODUCER' S CORN OIL TO END CUSTOMERS.
- (f) Waiver of Certain Claims. Producer acknowledges (i) that RPMG shall use its reasonable judgment in making decisions related to the quantity and price of corn oil marketed under this Agreement, in light of varying freight and other costs, and (ii) that RPMG may sell and market corn oil of third parties into the same markets where RPMG sells Producer' s corn oil. Producer waives any claim of conflict of interest against RPMG or for failure by RPMG to maximize the economic benefits of this Agreement for Producer in light of the foregoing.
- (g) Audit Rights. Within ninety (90) days following the end of RPMG' s fiscal year end, Producer shall give written notice to RPMG of its desire to conduct an audit of its corn oil payments to Producer for the preceding year and RPMG shall provide reasonable access to all financial information necessary to complete such audit. The audit shall be conducted by an accounting firm agreeable to both Parties and shall be completed within forty-five (45) days after the completion of RPMG' s annual audit, but no later than one hundred and fifty (150) days following RPMG' s fiscal year end. The cost of the audit shall be the responsibility of Producer unless the auditor determines that RPMG underpaid Producer by more than three percent (3%) for the period audited, in which case RPMG shall pay the cost of the audit. If the auditor determines that RPMG underpaid Producer, RPMG shall promptly pay such underpayment to Producer and if the auditor determines that RPMG overpaid Producer, Producer shall promptly pay the overpayment to RPMG. The determination of the auditor shall be final and binding on both Parties. If Producer fails to exercise its right to audit as provided in this Section 2(g) for any year, it shall be deemed to have waived any rights to dispute payments made to Producer for that year.

3. **Scheduled Production**

- (a) Notice of First Delivery. RPMG may begin to market Producer' s corn oil upon the Effective Date. If Producer is not producing corn oil as of the Effective Date,

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Producer shall, on the Effective Date, provide RPMG with the projected date on which Producer will first deliver corn oil produced at the Ethanol Facility to RPMG (the "Projected Date of First Delivery"). Producer shall notify RPMG as soon as possible of any revisions to the Projected Date of First Delivery.

- (b) Notices of Scheduled Production. Beginning on the Effective Date, and on the 1st and 15th of each month thereafter, Producer shall provide to RPMG a rolling best estimate of production and inventory by corn oil product for that month and each of the following twelve (12) months. Beginning on the Effective Date and each Wednesday thereafter, Producer shall provide to RPMG a best estimate of production and inventory by corn oil product for that day and the next seven days.
- (c) Additional Production Notices. Producer shall notify RPMG of anticipated production downtime or disruption in corn oil availability at least one (1) month in advance of such outage. Producer shall timely inform RPMG of daily inventories, plant shutdowns, daily production projections, and any other information (i) to facilitate RPMG' s performance of the Agreement or (ii) that may have a material adverse effect on RPMG' s ability to perform the Agreement.

- (d) RPMG Entitled to Rely on Producer Estimates and Notices. RPMG, in marketing and selling Producer's corn oil, is entitled to rely upon the production estimates and other notices provided by Producer, including without limitation those described in Sections 3(a), (b), and (c). Producer's failure to provide accurate information to facilitate RPMG's performance of the Agreement may negatively impact RPMG's ability to market and sell corn oil at prevailing prices. Producer's failure to provide accurate information to facilitate RPMG's performance of the Agreement may be deemed by RPMG, in its sole but reasonable discretion, a material breach of the Agreement by Producer.
- (e) Sale Commitments. From time to time during the term of this Agreement and in order to maximize the sales price of corn oil, RPMG may enter sales contracts or other agreements with End Customers for future delivery of corn oil. In the event Producer fails to produce corn oil in accordance with the information provided to RPMG under Sections 3(a), (b), or (c) above for reasons other than Force Majeure (as defined in Section 10 herein), and as a result RPMG is required to purchase corn oil from third parties to meet previous corn oil sale commitments that are based upon such information, RPMG may charge Producer the amount (if any) that the price of such replacement corn oil exceeded the price that RPMG would have paid to Producer for the applicable corn oil under this Agreement.

4. **Logistics and Transportation**

- (a) No Liens, Title and Risk of Loss. Producer warrants that corn oil delivered to RPMG hereunder shall be free and clear of all liens and encumbrances of any nature whatsoever other than liens in favor of RPMG. Title to and risk of loss of each load of corn oil shall pass to RPMG at the time such load passes across the scale into rail cars or trucks at the Ethanol Facility (the "Title Transfer Point"). Until such time, Producer shall be deemed to be in control of and in possession of the corn oil.

***Confidential material redacted and filed separately with the Commission.

- (b) Loading. RPMG shall schedule the loading and shipping of all outbound corn oil purchased hereunder, but all labor and equipment necessary to load trucks and rail cars and other associated costs shall be supplied and borne by Producer without charge to RPMG. Producer shall handle the corn oil in a good and workmanlike manner in accordance with RPMG's written requirements and normal industry practice. Producer shall maintain the truck and rail loading facilities in safe operating condition in accordance with normal industry standards and shall visually inspect all trucks and rail cars to assure (i) cleanliness so as to avoid contamination, and (ii) that such trucks and railcars are in a condition suitable for transporting the corn oil. RPMG and RPMG's agents shall have adequate access to the Ethanol Facility to load Producer's corn oil on an industry standard basis that allows RPMG to economically market Producer's corn oil. RPMG's employees shall follow all reasonable safety rules and procedures promulgated by Producer and provided to RPMG reasonably in advance and in writing. Producer shall supply product description tags, certificates of analysis, bills of lading and/or material safety data sheets that are applicable to all shipments. In the event that Producer fails to provide the labor, equipment and facilities necessary to meet RPMG's loading schedule, Producer shall be responsible for all costs and expenses, including without limitation actual demurrage and wait time, incurred by RPMG resulting from or arising in connection with Producer's failure to do so.
- (c) Transportation and Certain Transportation Costs. RPMG shall perform certain logistics functions for Producer, including the arranging of rail and truck freight, inventory management, contract management, bills of lading, and scheduling pick-up appointments. RPMG shall determine the method of transporting corn oil to End Customers. Notwithstanding any provision to the contrary herein, Producer shall be solely responsible for any damage to any trucks, railcars, equipment, or vessels caused by acts or omissions of Producer and its consignees. All truck freight charges and rail tariff rate charges shall be billed directly to RPMG and, as set forth in Exhibit A, be recouped by RPMG from the proceeds of RPMG's sales of corn oil to End Customers. Notwithstanding the foregoing, rail cars required to transport the corn oil will be leased directly by Producer. If requested in writing by Producer, RPMG will make lease payments for such rail cars on behalf of Producer, and in such event RPMG shall recoup lease payments from the proceeds of RPMG's sales of corn oil to End Customers.

- (d) Weight. The quantity of corn oil delivered to RPMG at the Ethanol Facility shall be established by weight certificates obtained from Producer's scales or from such other scales as the Parties shall mutually agree, which are certified as of the time of weighing and which comply with all applicable laws, rules and regulations. Producer shall provide RPMG with a fax/emailed copy of the outbound weight certificates on a daily basis and, except as otherwise expressly agreed upon, such outbound weight certificates shall be determinative of the quantity of corn oil for which RPMG is obligated to pay Producer pursuant to this Agreement.
- (e) Corn oil Storage at Ethanol Facility. The estimated storage capacity of the Ethanol Facility, is as follows:

Corn Oil: *** gallons

5. Specifications; Quality.

- (a) Corn oil Specifications. Producer covenants that it shall produce corn oil that, upon delivery to RPMG at the Ethanol Facility, meets the respective specifications (“Specifications”) set forth in Exhibit B and such other specifications that may be, from time-to-time, promulgated by the industry for corn oil. RPMG shall have the right to test each shipment of corn oil to ascertain that the Specifications are being met. If the corn oil provided by Producer to RPMG is shown, by independent testing or analysis of a representative sample or samples taken consistent with industry standards, to not meet the Specifications through no fault of RPMG or any third party engaged by RPMG, then RPMG may, in its sole discretion, (i) reject such corn oil and require Producer to promptly replace such non-conforming corn oil with corn oil that complies with the Specifications, or (ii) accept such corn oil for marketing and, if necessary, adjust the price to reflect the inferior quality, as provided in Exhibit A. Payment and acceptance of delivery by RPMG shall not waive RPMG's rights if corn oil does not comply with the terms of this Agreement, including the Specifications.
- (b) Trade Rules. This Agreement shall be governed by the then-current Feed Trade Rules of the National Grain and Feed Association (the “Trade Rules”), unless otherwise specified. In the event the Trade Rules and the terms and conditions of this Agreement conflict, this Agreement shall control.
- (c) Compliance With FDA and Other Standards. Producer warrants that, unless caused by the negligence or intentional misconduct of RPMG or a third party engaged by RPMG, corn oil provided by Producer to RPMG (i) shall not be “adulterated” or “misbranded” within the meaning of the Federal Food, Drug and Cosmetic Act (the “Act”), (ii) may lawfully be introduced into interstate commerce under the Act, and (iii) shall comply with all state and federal laws, rules and regulations (including without limitation the Trade Rules) including those governing quality, naming and labeling of bulk product. If Producer knows or reasonably suspects that any corn oil produced at the Ethanol Facility is adulterated or misbranded, or otherwise not in compliance with the terms of the Agreement, Producer shall immediately so notify RPMG in writing.
- (d) Regulatory Seizure. Should any corn oil provided by Producer to RPMG hereunder be seized or condemned by any federal or state department or agency as a result of its failure to conform to any applicable law, rule or regulation prior to delivery to an End Customer, such seizure or condemnation shall operate as a rejection by RPMG of the goods seized or condemned and RPMG shall not be obligated to offer any defense in connection with such seizure or condemnation. When such rejection occurs, RPMG shall deliver written notice to Producer within a reasonable time of the rejection and identify the deficiency that resulted in such rejection. In addition to other obligations under this Agreement or at law, Producer shall reimburse RPMG for all out-of-pocket costs reasonably incurred by RPMG in storing, transporting, returning and disposing of the rejected goods in accordance with this Agreement.

- (e) Sampling. Producer shall take one representative origin sample (pint size) from each lot of the corn oil before it leaves the Ethanol Facility (each, a “Sample”). RPMG shall be entitled to witness the taking of Sample. Producer shall label Sample to indicate the applicable corn oil lot numbers, date of shipment, and the truck or railcar number. Producer shall send half of Sample to RPMG promptly upon RPMG’s request. Producer may request that RPMG test results be provided to it at any time after the tests are completed. Producer shall retain corn oil Sample for no less than three (3) months or any longer period required by law RPMG knows or reasonably suspects that any corn oil produced by Producer at the Ethanol Facility is not in compliance with the terms of this Agreement, then RPMG may obtain independent laboratory tests of such corn oil, and, if such corn oil is found not to be in compliance with the terms of this Agreement, Producer shall, in addition to its other obligations hereunder, pay all such testing costs.

6. Term and Termination

- (a) Term. This Agreement shall have an initial term of one (1) year, commencing on the Effective Date. This Agreement shall be automatically extended for an additional one (1) year term following the end of the initial term and any renewal term unless either Party gives written notice to the other of non-extension not less than one hundred and eighty (180) days before the termination of the initial term or the then-current renewal term.
- (b) Producer Termination Right. Producer may immediately terminate this Agreement upon written notice to RPMG if RPMG fails on three (3) separate occasions within any 12-month period to purchase corn oil or to market corn oil under circumstances where such breach or failure is not excused by this Agreement.
- (c) RPMG Termination Right. RPMG may immediately terminate this Agreement upon written notice to Producer, if, for reasons other than a Force Majeure (as defined in Section 10 herein) event, during any consecutive three (3) months, Producer’s actual production or inventory of any corn oil product at the Ethanol Facility varies by twenty percent (20%) or more from the monthly production and inventory estimates provided by Producer to RPMG pursuant to Section 3(b) hereunder.
- (d) Termination for Insolvency. Either Party may immediately terminate the Agreement upon written notice to the other Party if the other Party files a voluntary petition in bankruptcy, has filed against it an involuntary petition in bankruptcy, makes an assignment for the benefit of creditors, has a trustee or receiver appointed for any or all of its assets, is insolvent or fails or is generally unable to pay its debts when due, in each case where such petition, appointment or insolvency is not dismissed, discharged or remedied, as applicable, within sixty (60) days.

7. Indemnification; Limitation on Liability

- (a) Producer’s Indemnification Obligation. Producer shall indemnify, defend and hold harmless RPMG and its shareholders, directors, officers, employees, agents and representatives, from and against any and all Damage (as defined in Section 7(c) herein) to the extent arising out of (i) any fraud, negligence or willful misconduct of Producer or any of its directors/governors, officers, employees, agents, representatives or contractors or (ii) any breach of this Agreement by Producer. RPMG shall promptly notify Producer of any suit, proceeding, action or claim for which Producer may have liability pursuant to this Section 7(a).
- (b) RPMG’s Indemnification Obligation. RPMG shall indemnify, defend and hold harmless Producer and its shareholders/members, directors/governors, officers, employees, agents and representatives from and against any and all Damages to the extent arising out of (i) any fraud, negligence or willful misconduct of RPMG or any of its directors, officers, employees,

agents, representatives or contractors or (ii) any breach of this Agreement by RPMG. Producer shall promptly notify RPMG of any suit, proceeding, action or claim for which Producer may have liability pursuant to this Section 7(b).

(c) Definition of Damages. As used in this Agreement, the capitalized term “Damages” means any and all losses, costs, damages, expenses, obligations, injuries, liabilities, insurance deductibles and excesses, claims, proceedings, actions, causes of action, demands, deficiencies, lawsuits, judgments or awards, fines, penalties and interest, including reasonable attorneys’ fees, but excluding any indirect, incidental, special, exemplary, consequential or punitive damages.

(d) Limitation on Liability. NEITHER PARTY MAKES ANY GUARANTEE, WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO ANY PROFIT, OR OF ANY PARTICULAR ECONOMIC RESULTS FROM TRANSACTIONS HEREUNDER. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR PUNITIVE OR EXEMPLARY DAMAGES OR FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES. EXCEPTING FOR A BREACH OF ITS NONDISCLOSURE OBLIGATIONS OR PERFORMANCE OF ITS INDEMNIFICATION OBLIGATIONS HEREUNDER, RPMG’ S AGGREGATE LIABILITY TO PRODUCER SHALL IN NO EVENT EXCEED THE AMOUNT PAID BY PRODUCER TO RPMG UNDER THIS AGREEMENT.

8. Insurance. During the term of this Agreement, each party shall maintain insurance coverage that is standard for a company of its type and size that is engaged in the production and/or selling of corn oil. At a minimum, each party’ s insurance coverage shall include: (i) comprehensive general product and public liability insurance, with liability limits of at least \$5 million in the aggregate; (ii) property and casualty insurance adequately insuring its facilities and its other assets against theft, damage and destruction on a replacement cost basis; and (iii) workers’ compensation insurance to the extent required by law. RPMG, or Producer, as the case may be, shall be added as a loss payee under the comprehensive general product and public liability insurance policy and the property and casualty insurance policy. In relation to insurance requirements on the corn oil leased railcars, (a) the Producer will be responsible for the liability insurance on the

corn oil leased railcars in the form and amount as required by the railcar lessor’ s contract, or at a minimum in the amounts required by this Article 8 and (b) RPMG will carry property/physical damage insurance for the corn oil railcars for loss or destruction, but will not be responsible for the insurance deductible, maintenances (scheduled or otherwise), including normal wear and tear related to such corn oil railcars. The Producer will be listed as a Loss Payee on RPMG’ s Rolling Stock Policy in relation to the corn oil leased railcars. A party shall not change its insurance coverage during the term of this Agreement, except to increase it or enhance it, without the prior written consent of the other Party which consent shall not be unreasonably withheld.

9. Confidentiality

(a) Confidential Information. As used in this Agreement, the capitalized term “Confidential Information” means (i) the terms and conditions of this Agreement and (ii) any information disclosed by one Party to the other, including, without limitation, trade secrets, strategies, marketing and/or development plans, End Customer lists and other End Customer information, prospective End Customer lists and other prospective End Customer information, vendor lists and other vendor information, pricing information, financial information, production or inventory information, and/or other information with respect to the operation of its business and assets, in whatever form or medium provided.

(b) Nondisclosure. Each Party shall maintain all Confidential Information of the other in trust and confidence and shall not without the prior written consent of the other Party:

(i) disclose, disseminate or publish Confidential Information to any person or entity without the prior written consent of the disclosing Party, except to employees of the receiving Party who have a need to know, who have been

informed of the receiving Party's obligations hereunder, and who have agreed not to disclose Confidential Information or to use Confidential Information except as permitted herein, or

- (ii) use Confidential Information for any purpose other than the performance of its obligations under the Agreement.
- (c) Standard of Care. The receiving Party shall protect the Confidential Information of the disclosing Party from inadvertent disclosure with the same level of care (but in no event less than reasonable care) with which the receiving Party protects its own Confidential Information from inadvertent disclosure.
- (d) Exceptions. The receiving Party shall have no obligation under this Agreement to maintain in confidence any information which it can prove:
 - (i) is in the public domain at the time of disclosure or subsequently becomes part of the public domain through no act or failure to act on the part of the receiving Party or persons or entities to whom the receiving Party has disclosed such information;
 - (ii) is in the possession of the receiving Party prior to the time of disclosure by the disclosing Party and is not subject to any duty of confidentiality;

- (iii) the receiving Party obtains from any third party not under any obligation to keep such information confidential; or
- (iv) the receiving Party is compelled to disclose or deliver in response to a law, regulation, or governmental or court order (to the least extent necessary to comply with such order), provided that the receiving Party notifies the disclosing Party promptly after receiving such order to give the disclosing Party sufficient time to contest such order and/or to seek a protective order.
- (e) Ownership of Confidential Information. All Confidential Information shall remain the exclusive property of the disclosing Party.
- (f) Injunctive Relief for Breach. The receiving Party acknowledges that monetary damages may not be a sufficient remedy for unauthorized disclosure or use of Confidential Information, and that the disclosing Party may be entitled, in addition to all other rights or remedies in law and equity, to obtain injunctive or other equitable relief, without the necessity of posting bond in connection therewith.

10. Force Majeure. In the event either Party is unable by Force Majeure (as defined below) to carry out its obligations under this Agreement, it is agreed that on such Party's giving notice in writing, or by telephone and confirmed in writing, to the other Party as soon as possible after the commencement of such Force Majeure event, the obligations of the Party giving such notice, so far as and to the extent they are affected by such Force Majeure, shall be suspended from the commencement of such Force Majeure and during the remaining period of such Force Majeure, but for no longer period, and such Force Majeure shall so far as possible be remedied with all reasonable dispatch; provided, however, the obligation to make payments then accrued hereunder prior to the occurrence of such Force Majeure shall not be suspended and Producer shall remain obligated for any loss or expense to the extent otherwise provided in this Agreement. The capitalized term "Force Majeure" as used in this Agreement shall mean events beyond the reasonable control and without the fault of the Party claiming Force Majeure, including acts of God, war, riots, insurrections, laws, proclamations, regulations, strikes of a regional or national nature, acts of terrorism, sabotage, and acts of any government body.

11. Dispute Resolution. In the event a dispute arises under this Agreement that cannot be resolved by those with direct responsibility for the matter in dispute, such dispute shall be resolved by way of the following process:

- (a) Senior management from Producer and from RPMG shall meet to discuss the basis for the dispute and shall use their best efforts to reach a reasonable resolution to the dispute.
- (b) If negotiations pursuant to Section 11(a) are unsuccessful, the matter shall promptly be submitted by either Party to arbitration in accordance with NGFA® ARBITRATION OF DISPUTES: The parties to this contract agree that the sole remedy for resolution of any and all disagreements or disputes arising under or related to this contract shall be through arbitration proceedings before the National Grain and Feed Association (NGFA) pursuant to the NGFA®

Arbitration Rules. The decision and award determined through such arbitration shall be final and binding upon the Buyer and Seller. Judgment upon the arbitration award may be entered and enforced in any court having jurisdiction thereof. (Copies of the NGFA® Arbitration Rules are available from the National Grain and Feed Association, 1250 Eye Street, N.W., Suite 1003, Washington, D.C. 20005; Telephone: 202-289-0873; Website: <http://www.ngfa.org>). If the Parties reach agreement pertaining to any dispute pursuant to the procedures set forth in this Section 11, such agreement shall be reduced to writing, signed by authorized representatives of each Party, and shall be final and binding upon the Parties.

12. Miscellaneous.

- (a) Successors and Assigns; Assignment. All of the terms, covenants, and conditions of this Agreement shall be binding upon, and inure to the benefit of and be enforceable by the Parties and their respective successors, heirs, executors and permitted assigns. No Party may assign its rights, duties or obligations under this Agreement to any other person or entity without the prior written consent of the other Party, such consent not to be unreasonably withheld or delayed; notwithstanding the foregoing, a Party may, without the consent of the other Party, assign its rights and obligations under this Agreement to (i) its parent, a subsidiary, or affiliate under common control with the Party or (ii) a third party acquiring all or substantially all of the assets or business of such Party.
- (b) Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be considered delivered in all respects when delivered by hand, mailed by first class mail postage prepaid, or sent by facsimile with delivery confirmed, addressed as follows:

To RPMG: RPMG, Inc.
 1157 Valley Park Drive, Suite 100
 Shakopee, MN 55379
 Fax: 952-465-3222

To Producer: Scott Mundt
 Dakota Ethanol, LLC
 PO Box 100
 Wentworth, SD 57075
 Fax: 605-483-2681

Either Party may, from time to time, furnish, in writing, to the other Party, notice of a change in the address and/or fax number(s) to which notices are to be given hereunder.

- (c) Applicable Law. This Agreement shall be governed in all respects by the laws of the State of Minnesota, except with respect to its choice of law provisions.
- (d) Severability. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void,

either in whole or in part, this Agreement shall continue in full force and effect without said provision.

- (e) No Third Party Beneficiaries. No provision of this Agreement is intended, or shall be construed, to be for the benefit of any third party.
- (f) Entire Agreement; Amendment. This Agreement constitutes the entire understanding and agreement between the Parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous understandings and/or agreements, written or oral, regarding the subject matter of this Agreement. No amendment or modification to this Agreement shall be binding unless in writing and signed by a duly authorized officer of both Parties.
- (g) Counterparts. This Agreement may be executed in counterparts, including facsimile counterparts, each of which shall be deemed an original but together shall constitute but one and the same instrument.
- (h) Waiver. The failure of either Party at any time to require performance of any provision of the Agreement or to exercise any right provided for in the Agreement shall not be deemed a waiver of such provision or right unless made in writing and executed by the Party waiving such performance or right. No waiver by either Party of any breach of any provision of the Agreement or of any right provided for in the Agreement shall be construed as a waiver of any continuing or succeeding breach of such provision or right or a waiver of the provision or right itself.
- (i) Independent Contractors. The Parties to this Agreement are independent contractors. There is no relationship of partnership, joint venture, employment, franchise, or agency between the Parties, and no Party shall make any representation to the contrary.
- (j) Additional Rules of Interpretation.
 - (i) The words “include,” “includes” and “including” as used in this Agreement shall be deemed to be followed by the phrase “without limitation” and shall not be construed to mean that the examples given are an exclusive list of the topics covered.
 - (ii) The headings as to contents of particular sections of this Agreement are inserted for convenience and shall not be construed as part of the Agreement or as a limitation on the scope of any terms or provisions of this Agreement.
- (k) Survival. The following provisions of this Agreement shall survive its termination: (i) to the extent of outstanding payment obligations, Sections 2(a), 2(b), 2(c), and 2(d) and (ii) Sections 2(e), 2(f), 7, 9, 11, and 12.

IN WITNESS THEREOF, each of the Parties hereto has caused this Agreement to be executed by its respective duly authorized representative as of the day and year first above written.

RPMG

By: /s/ Randy Hahn
Name: Randy Hahn
Its (title): CEO

PRODUCER

By: /s/ Scott Mundt
Name: Scott Mundt
Its (title): CEO

SCHEDULE 1

Entities to which Producer sells corn oil directly:

***Confidential material redacted and filed separately with the Commission.

EXHIBIT A

Terms Relating to Payment and Commission Calculation

RPMG shall pay Producer for all Standard-Grade and Non-Standard Grade corn oil loaded into railcars and trucks and weighed at the Ethanol Facility for shipment to End Customers an amount equal to *** percent (***) of the estimated F.O.B. Ethanol Facility Price per pound, with RPMG being entitled to retain its commission, with settlement weights as described in Section 4(d) of the Agreement. After month-end is completed and any differences will be reconciled, RPMG will make the final payment to the Producer for corn oil shipped during the month.

“Accessorial Charges” shall mean charges imposed by third parties for the off-loading, movement and storage of Producer’ s corn oil, including without limitation taxes, tonnage taxes, hard-to-unload truck or railcar charges/transloading charges, railcar repair charges, fuel surcharges, storage charges, demurrage charges, product shrinkage, detention charges, switching, and weighing charges (but excluding Tariff Freight Costs). Neither Party shall be responsible for demurrage charges caused solely by the negligence or willful misconduct of the other Party.

“Delivered Sale Price” shall mean sales dollars received by RPMG for Producer’ s corn oil, inclusive of tariff freight, as evidenced by RPMG’ s invoices to End Customers.

“F.O.B. Ethanol Facility Price” shall mean the F.O.B. sale price equivalent net of applicable deductions and costs as described in this Agreement, including without limitation Accessorial Charges and Tariff Freight Costs (or, if applicable, the Delivered Sales Price net of applicable deductions and costs as described in this Agreement, including without limitation Accessorial Charges and Tariff Freight Costs) that RPMG invoices End Customers.

“Tariff Freight Costs” shall mean freight and related costs incurred by RPMG to transport Producer’ s corn oil.

“Standard-Grade” shall mean corn oil that meet the Specifications set forth in this Agreement.

“Non-Standard-Grade” shall mean corn oil that fail to meet the Specifications set forth in this Agreement, but which RPMG nonetheless accepts for marketing under this Agreement.

***Confidential material redacted and filed separately with the Commission.

EXHIBIT B

Corn Oil Specifications

Producer covenants that all corn oil shall, upon delivery to RPMG at the Ethanol Facility, conform to the following Specification:

Component	Maximum %	Minimum %
Moisture; wt%	***%	
Impurities; wt%	***%	
Unsaponifiables; wt%	***%	
FFA; wt%	***%	
Iodine Value		***

CERTIFICATION PURSUANT TO 17 CFR 240.13a-14(a)
(SECTION 302 CERTIFICATION)

I, Scott Mundt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lake Area Corn Processors, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 12, 2009

/s/ Scott Mundt
Scott Mundt, Chief Executive Officer

CERTIFICATION PURSUANT TO 17 CFR 240.13a-14(a)
(SECTION 302 CERTIFICATION)

I, Robbi Buchholtz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lake Area Corn Processors, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 12, 2009

/s/ Robbi Buchholtz
Robbi Buchholtz, Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Lake Area Corn Processors, LLC (the "Company") for the period ended June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott Mundt, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott Mundt

Scott Mundt
Chief Executive Officer
Dated: August 12, 2009

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Lake Area Corn Processors, LLC (the "Company") for the period ended June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robbi Buchholtz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robbi Buchholtz

Robbi Buchholtz
Chief Financial Officer
Dated: August 12, 2009
