

AVENTINE RENEWABLE ENERGY HOLDINGS INC
Form S-4
June 27, 2007

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As filed with the Securities and Exchange Commission on June 27, 2007

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

AVENTINE RENEWABLE ENERGY HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)
(SEE TABLE OF ADDITIONAL REGISTRANTS)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

2869
(Primary Standard Industrial
Classification Code Number)

05-0569368
(I.R.S. Employer
Identification Number)

**120 North Parkway Drive
Pekin, Illinois 61554
(309) 347-9200**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Ronald H. Miller
President & Chief Executive Officer
Aventine Renewable Energy Holdings, Inc.
120 North Parkway Drive
Pekin, IL 61554
(309) 347-9200**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:
**Richard D. Truesdell, Jr.
Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
(212) 450-4000**

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
10% Senior Unsecured Fixed Rate Notes due 2017	\$300,000,000	100%	\$300,000,000	\$9,210
Guarantees of the Notes by Each of the Additional Registrants	\$	%	\$	\$(2)

- (1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933.
- (2) Pursuant to Rule 457(n) under the Securities Act of 1933, as amended, no registration fee is payable with respect to the guarantees.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

TABLE OF ADDITIONAL REGISTRANTS

Registrant	State or Other Jurisdiction of Incorporation or Organization	Primary Standard Industrial Classification Number	I.R.S. Employer Identification Number
Aventine Renewable Energy, LLC	Delaware	2869	47-0920195
Aventine Renewable Energy, Inc.	Delaware	2869	75-3108352
Aventine Renewable Energy Aurora West, LLC	Delaware	2869	20-5359285
Aventine Renewable Energy Mt. Vernon, LLC	Delaware	2869	20-5838144
Aventine Power, LLC	Delaware	4911	20-5359343

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

(SUBJECT TO COMPLETION DATED JUNE 27, 2007)

Preliminary Prospectus

AVENTINE RENEWABLE ENERGY HOLDINGS, INC.

OFFER TO EXCHANGE

10.0% New Senior Unsecured Fixed Rate Notes due 2017 for a Like Amount of 10.0% Senior Unsecured Fixed Rate Notes due 2017

We are offering to exchange up to \$300,000,000 aggregate principal amount of registered 10.0% Senior Unsecured Fixed Rate Notes due 2017, or the "New Notes", for a like principal amount of unregistered 10.0% Unsecured Fixed Rate Notes due 2017, or the "Original Notes". The terms of the New Notes are substantially identical in all material respects to the terms of the Original Notes, except that the New Notes have been registered under the Securities Act of 1933, as amended, or the "Securities Act", and the transfer restrictions and registration rights applicable to the Original Notes do not apply to the New Notes. The New Notes will represent the same debt as the Original Notes and we will issue the New Notes under the same indenture.

The exchange offer expires at 5:00 p.m., New York City time, on _____, 2007, unless extended.

Terms of the Exchange Offer

All of the Original Notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer will be exchanged for New Notes.

You may withdraw tendered Original Notes at any time prior to the expiration of the tender offer.

The exchange of the Original Notes for the New Notes will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

The New Notes

The New Notes are being offered in order to satisfy our obligations under a registration rights agreement entered in connection with a private offering of the outstanding Original Notes.

The New Notes will be our general unsecured obligations.

Substantially all of our subsidiaries will guarantee our obligations under the New Notes, including the payment of principal of, and interest on, the New Notes. These guarantees of the New Notes will be senior unsecured obligations of the subsidiary guarantors. Additional subsidiary guarantors will be required to guarantee the New Notes, and the guarantees of the subsidiary guarantors will terminate, in each case in the circumstances described under "Description of the New Notes Guarantees."

No public market currently exists for the New Notes, and we do not intend to apply for listing on any securities exchange or to arrange for them to be quoted on any quotation system.

Investing in the New Notes involves risks. See "Risk Factors" beginning on page 14 of this prospectus for a discussion of matters that should be considered in connection with this exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes to be issued in the exchange offer or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2007

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You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different, whether orally or in writing. We are not making an offer of these securities in any state or other jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date printed on the front of this prospectus.

In this prospectus, the term "Aventine" refers to Aventine Renewable Energy Holdings, Inc.; the term Subsidiary Guarantors refers to those subsidiaries of Aventine that guarantee the New Notes and the Original Notes; "we", "us" and "our" refer to Aventine and its subsidiaries (including the Subsidiary Guarantors); and "Notes" refers to the Original Notes and the New Notes collectively.

DEALER PROSPECTUS DELIVERY OBLIGATION

Each broker-dealer that receives New Notes for its own account pursuant to this exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for outstanding Original Notes where such outstanding Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of not less than 180 days after the expiration of this exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the SEC under the Securities Act that registers the sale of the securities offered by this prospectus. The registration statement, including the attached exhibits, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit some information included in the registration statement from this prospectus.

We file annual, quarterly, and other reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, or the "Exchange Act." You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public through the SEC's website at <http://www.sec.gov>. General information about us, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website at <http://www.aventinere.com> as soon as reasonably practicable after we file them with, or furnish them to, the SEC. Information on our website is not incorporated into this prospectus or our other securities filings and is not a part of this prospectus.

FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements. Generally, you can identify these statements because they contain words like "anticipates," "believes," "estimates," "expects," "forecasts," "future," "intends," "plans" and similar terms. These statements reflect only our current expectations. Forward-looking statements include the statements concerning our plans, objectives, goals, strategies, future events, capital expenditures, future results, our competitive strengths, our business strategy and the trends in our industry.

We cannot guarantee the accuracy of any forward-looking statements, and actual results may differ materially from those we anticipated due to a number of uncertainties, including, among others, the risks we face as described under the "Risk Factors" section and elsewhere in this prospectus. You should not place undue reliance on these forward-looking statements. These forward-looking statements are within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, and are intended to be covered by the safe harbors created thereby. To the extent that these statements are not recitations of historical fact, these statements constitute forward-looking statements that, by definition, involve risks and uncertainties. In any forward-looking statement where we express an expectation or belief as to future results or events, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but is based on underlying assumptions that may not occur and may be beyond our control and there can be no assurance that the future results or events expressed by the statement of expectation or belief will be achieved or accomplished. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking statements. We can give you no assurance that any of the events or performance measures anticipated by forward-looking statements will occur or be achieved or, if any of them do, what impact they will have on our results of operations and financial condition. Some of the factors that may cause actual results, developments and business decisions to differ materially from those contemplated by such forward looking statements include the following:

changes in or elimination of laws, tariffs, trade or other controls or enforcement practices such as:

national, state or federal ethanol or biodiesel tax incentives;

regulation currently proposed and/or under consideration which may increase the existing Renewable Fuel Standard and other legislation relating to the usage of ethanol or biodiesel;

state and federal regulation restricting or banning the use of Methyl Tertiary Butyl Ether, a fuel derived from methanol, which we refer to as MTBE; and

environmental laws and regulations applicable to our operations and the enforcement thereof;

availability and costs of corn, coal and natural gas;

changes in weather and general economic conditions;

overcapacity within the ethanol, biodiesel and petroleum refining industries;

total United States consumption of gasoline;

labor relations;

fluctuations in petroleum prices;

the impact on margins from a change in the relationship between prices received from the sale of co-products and the price paid for corn;

our or our employees' failure to comply with applicable laws and regulations;

our ability to generate free cash flow to invest in our business and service our indebtedness;

limitations and restrictions contained in the instruments and agreements governing our indebtedness;

our ability to raise additional capital and secure additional financing, and our ability to service such debt, if obtained;

our ability to retain key employees;

liability resulting from actual or potential future litigation;

competition;

plant shutdowns or disruptions at our plant or plants whose products we market;

availability of rail cars and barges;

renewal of alliance partner contracts;

our ability to receive and/or renew permits to construct and/or commence operations of our proposed capacity additions in a timely manner, or at all;

fluctuations in earnings resulting from increases or decreases in the value of ethanol or biodiesel inventory; and

other factors described elsewhere in this prospectus.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed business information and consolidated financial statements and related Notes. This prospectus may contain certain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors."

Our Business

We are a leading producer and marketer of ethanol in the United States based on both the number of gallons produced and the number of gallons sold. Through our own production facilities, marketing alliances with other ethanol producers and our purchase/resale operations, we marketed and distributed 695.8 million gallons of ethanol, or approximately 12.9% of the total ethanol volume sold in the United States, in 2006. We and our predecessors have been engaged in the production and marketing of ethanol since 1981. We market and distribute ethanol to many of the leading energy companies in the United States, including Royal Dutch Shell and its affiliates, Marathon Petroleum, BP, Conoco Phillips, Valero Marketing and Supply Company, Exxon/Mobil and Texaco/Chevron. We have comprehensive national distribution capabilities through our leased railcar fleet and terminal network at critical points on the nation's transport grid where our ethanol is blended with our customers' gasoline. In addition to producing ethanol, our facilities also produce several co-products, such as distillers grain, corn gluten feed, corn germ and brewers' yeast, which generate incremental revenue and help offset a significant portion of our corn costs. For the year ended December 31, 2006, we generated net sales and operating income of \$1.6 billion and \$106.7 million, respectively.

We derive our revenue principally from the sale of ethanol, which we source as follows:

Equity production. We own and operate three facilities with a combined total annual ethanol production capacity of 207.0 million gallons. Among these three facilities is our low-cost, coal fired, wet milling plant in Pekin, Illinois, which we refer to as the "Illinois wet mill facility." We completed in January 2007 the construction of a 57.0 million gallon natural gas fired corn dry mill plant in Pekin, which we refer to as the "Illinois dry mill facility." (Dry milling refers to an ethanol production process in which the entire corn kernel is first ground into flour before processing. Wet milling refers to an ethanol production process in which the corn is first soaked or "steeped" in water before processing.) We refer to the Illinois wet mill facility and the Illinois dry mill facility collectively as the "Illinois facilities." We also hold a 78.4% interest in a natural gas fired corn dry milling plant in Aurora, Nebraska, which we refer to as the "Nebraska facility." The remaining 21.6% of the Nebraska facility is owned by Nebraska Energy Cooperative, an agricultural cooperative comprised of over 200 corn producers. We consolidate all of the revenues and expenses of the Nebraska facility in our financial statements and the interest therein of the Nebraska Energy Cooperative is reflected as minority interest. Although our equity production operations only accounted for approximately 19% of the gallons we sourced in 2006, they contributed the substantial majority of our operating income.

Non-equity production. We believe we have one of the largest marketing alliance networks in the ethanol industry which in 2006 allowed us to distribute approximately 12.9% of total ethanol volume sold in the United States. We source ethanol from our marketing alliance partners and purchase ethanol from unaffiliated producers and marketers. These additional sources of ethanol enable us to meet major ethanol consumer needs by leveraging our marketing expertise and distribution systems. Our marketing alliance partners pay us a commission. Commission rates typically are 1% or less of the netback price. (The netback price is the selling price of ethanol less a cost recovery component.) In addition they reimburse us for certain costs, including freight, storage, inventory carrying cost and

indirect marketing costs. Although our non-equity production operations accounted for approximately 81% of the gallons we sourced in 2006, their contribution to our operating income was limited.

We also purchase ethanol from unaffiliated producers and marketers. These transactions are driven by our ability to purchase ethanol and then, through our distribution network and customer relationships, to sell ethanol. The margin for such purchase/resale could be volatile.

By-products. We generate additional revenue through the sale of by-products (both co-products and bio-products) that result from the ethanol production process. These by-products include brewers' yeast, corn gluten feed and meal, corn germ, condensed corn distillers with solubles, or CCDS, carbon dioxide, dry distillers grains with solubles, or DDGS, and wet distillers grains with solubles, or WDGS. The volume of by-products we produce varies with the level of our equity production. We may also shift the mix of these by-products to increase our revenue. By-product revenue is driven by both the quantity of by-products produced and from the market price received for our by-products, which have historically tracked the price of corn. In 2006, we generated approximately \$54.7 million of revenue from the sale of by-products, allowing us to recapture approximately 44.7% of our aggregate corn costs, computed by taking our gross revenues from by-products divided by our gross corn costs.

Industry Overview

Ethanol is marketed across the United States as a gasoline blend component that serves as a clean air additive, an octane enhancer and a renewable fuel resource. It is blended with gasoline (i) as an oxygenate to help meet fuel emission standards, (ii) to improve gasoline performance by increasing octane levels and (iii) to extend fuel supplies. A small but growing amount of ethanol is also used as E85, a renewable fuels-driven blend comprised of up to 85% ethanol.

Generally, ethanol is sold through contracts which are typically six months in duration. Ethanol is generally priced using one of three methodologies: a negotiated fixed price, a price based upon the spot market price of ethanol at the time of shipment plus or minus a fixed amount, or a price based upon the price of wholesale gasoline plus a fixed amount.

The principal factors historically affecting the price of ethanol are the price of gasoline, federal ethanol tax incentives and ethanol industry fundamentals (i.e. capacity and demand). The principal factor affecting the cost of ethanol is the price of corn. According to recent industry reports, approximately 95% of domestic ethanol has been produced from corn fermentation and, as such, is primarily produced in the Midwestern corn-growing states.

The U.S. fuel ethanol industry has experienced rapid growth, increasing from 1.3 billion gallons of production in 1997 to 4.8 billion gallons produced in 2006, with 2006 year-end production capacity of 5.4 billion gallons. Ethanol is blended in more than 40% of the nation's fuel. Increases in ethanol demand have been driven by recent trends, as more fully described below:

Emission reduction. Ethanol is an oxygenate which, when blended with gasoline, reduces vehicle emissions. Ethanol's high oxygen content burns more completely, emitting fewer pollutants into the air. Ethanol demand increased substantially after 1990 when federal law began requiring the use of oxygenates (such as ethanol or MTBE) in reformulated gasoline, or RFG, in cities with unhealthy levels of air pollution on a seasonal or year round basis. Although the federal oxygenate requirement was eliminated in May 2006, oxygenated gasoline continues to be used in order to help meet separate federal and state fuel emission standards. Historically, refiners chose MTBE over ethanol as the main oxygenate in RFG in cities outside of the Midwest because MTBE could be blended at the refinery and shipped through existing pipelines. Twenty-five states have now banned, or significantly limited the use of MTBE, including California and New York. The refining industry has all but abandoned the use of MTBE, making ethanol the primary clean air oxygenate currently used.

Energy independence. The U.S.'s dependence on foreign oil has increased every year. The Energy Information Administration, or EIA, states that out of the 19.7 million barrels of petroleum consumed per day by the U.S. in 2002, 62% was imported. This dependency is estimated to rise to 70% by 2025. Political instability and attacks on oil infrastructure in the major oil producing nations periodically disrupt the flow of oil and have added a "risk premium" to world oil prices. At the same time, demand for oil has increased as developing nations such as China and India continue to industrialize. As a result, world oil prices topped \$70/barrel several times in 2005 and 2006 and averaged above \$60/barrel in 2006. Ethanol is a domestic, renewable source of energy, and thus could increase the availability of domestic fuel supplies and reduce the U.S. dependence on foreign oil. In 2004, the RFA calculated that ethanol usage reduced the U.S. trade deficit by \$5.1 billion by eliminating the need to import 143.3 million barrels of oil.

Octane enhancer. Ethanol, with an octane rating of 113, is used to increase the octane rating of gasoline with which it is blended, thereby improving engine performance. It is used as an octane enhancer both for producing regular grade gasoline from lower octane blending stocks (including both reformulated gasoline blendstock for oxygenate blending, or RBOB, and conventional gasoline blendstock for oxygenate blending, or CBOB) and for upgrading regular gasoline to premium grades.

Fuel stock extender. According to the EIA, while domestic petroleum refining capacity has increased by approximately 27% from 1980 to 2005, domestic gasoline consumption has increased 39% over the same period. By blending ethanol with gasoline, refiners are able to expand the volume of the gasoline they are able to sell.

Growth in E85 usage. E85 is a blended motor fuel containing 85% ethanol and 15% gasoline sold at approximately 1,200 stations across the United States. E85 can be used in approximately 5 million Flexible Fuel Vehicles presently on the road. Although E85 currently represents less than 1% of the ethanol market (and less than 0.5% of the ethanol we produce), automakers such as Ford Motor Company and General Motors have recently announced initiatives to double flexible fuel vehicle production. Additionally, several states, such as New York, Pennsylvania, Michigan and Missouri, have launched "Ethanol Corridor" initiatives which call for availability of E85 fuel at every service station along a major interstate.

The positive emissions and engine performance attributes of ethanol have, in part, led to a number of legislative proposals intended to increase the usage of ethanol and renewable fuels generally. Several of these proposals are highlighted below:

The Volumetric Ethanol Excise Tax Credit, or VEETC, which was recently extended until 2010, allows those who blend ethanol with gasoline to take a \$0.51 excise tax credit for each gallon of ethanol they use, or \$0.051 per gallon of gasoline sold at a blend rate of 10%. The proposed Renewable Fuels and Energy Independence Act of 2007, as currently drafted, would permanently extend this blender tax credit. In addition, a tariff of \$0.54 per gallon is generally levied on certain imported ethanol, which Congress has recently extended until January 1, 2009.

The Energy Policy Act of 2005 included a nationwide renewable fuels standard, or RFS, as a replacement for the federal oxygenate requirement. The RFS establishes minimum nationwide levels of renewable fuels, such as ethanol. The RFS increases from 4.0 billion gallons of RFS required usage in 2006 to 7.5 billion gallons by 2012. Several states, such as Minnesota, Montana and Hawaii have enacted their own renewable fuel standards, which in some instances exceed federally-mandated targets.

Most recently, President Bush announced support for reducing gasoline usage by 20% from current levels by 2017, in his 2007 State of the Union address, and proposed an increase in the

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federally-mandated usage of renewable fuels, which include corn ethanol, to 35 billion gallons per year by 2017. We believe that continued legislative support for renewable fuels, combined with the positive performance and environmental characteristics of ethanol, will support increases in ethanol demand in the future.

Our Competitive Strengths

Strong market position. We are a leading producer and marketer of ethanol in the United States based both on the number of gallons produced and sold. For the year ended December 31, 2006, we produced 133.0 million gallons, sold 561.2 million gallons of ethanol from non-equity production, and reduced inventory by 1.6 million gallons for a total sales volume of 695.8 million gallons, representing approximately 12.9% of all ethanol sold in the United States during that period.

Diversified supply base. Our three facilities and our marketing alliances are diversified across geography and employ various fuel sources and technologies, all of which allow us to capitalize on multiple business opportunities. We also generate revenue from multiple sources: equity, non-equity and co-products.

Extensive distribution system. We control and operate an extensive distribution system developed over 25 years through which we ship by rail, truck and barge. We believe that our extensive distribution system provides a competitive advantage because it permits us to increase our ethanol sales at blending terminals (which may pay a higher price). This also allows us to use alternative modes of transportation from multiple supply points to lower overall transportation costs.

Supplier of choice. We maintain long-standing customer relationships with most of the major integrated oil refiners operating in North America (including Royal Dutch Shell and its affiliates, Conoco Phillips Company, Valero Marketing and Supply Company, and Chevron Corporation) because of our ability to distribute ethanol extensively. We have had relationships with each of Chevron Corporation and Royal Dutch Shell and its affiliates since 1981 and deeply value both old and new relationships with each of our customers. We believe our extensive distribution system and the aggregate volumes we provide through our marketing alliances and purchase/resale operation allow us to provide superior customer service, reliably delivering large volumes of ethanol directly to our customers' blending sites in sufficient quantities.

Low cost producer. We believe we are a low cost producer of ethanol in the United States. Our Illinois wet mill facility generates 55.0% of its own electricity and 78.0% of its fuel requirements are met by using lower cost coal, which provides us significant cost savings compared to ethanol facilities that use higher cost natural gas to generate power. In addition, our Illinois wet mill facility generates higher margin co-products and bio-products, which allowed us to recapture approximately 51% of our corn cost in the year ended December 31, 2006, which is a higher percentage than our competitors, who employ the dry mill production process. At our Nebraska facility which employs the dry mill process, we recaptured approximately 27% of our total corn costs. Furthermore, we believe that the shared infrastructure at our facilities lowers the costs of each of our plants.

Strong financial profile. As of March 31, 2007, we maintained cash and short-term investments totaling \$425.9 million with \$300 million of funded indebtedness. In addition, in 2006 our base of operations, consisting of 150 million gallons of nameplate equity production (subsequently increased to 207 million gallons upon completion of our Pekin dry mill facility in January 2007) and our non-equity production, generated revenue and operating income of \$1.6 billion and \$106.7 million, respectively. We believe the combination of our conservative balance sheet at March 31, 2007 and our existing base of operations provide us with a strong financial profile to support our growth strategy.

Experienced and proven management team. Our Company has a highly experienced management team with an average industry experience of almost 30 years. Our President and CEO Ronald H. Miller was appointed the Chairman of the RFA, the leading ethanol industry organization, in 2005, where he previously served as the Chairman from 1995 to 2005. Mr. Miller has directed our operations for 26 years through various operating environments and has worked in the ethanol industry for over 30 years.

Business and Growth Strategy

We are pursuing the following business strategies:

Add production capacity to meet expected demand for ethanol. We have identified opportunities to increase our equity production capacity through the development of new production facilities and are continually exploring acquisition opportunities. In addition to the 57 million gallon dry mill expansion of our Pekin, Illinois facility which was completed in early 2007, we are exploring expanding capacity at three sites:

a 113 million gallon dry mill in Pekin, Illinois

a 226 million gallon plant in Aurora, Nebraska (to be constructed in two phases of 113 million gallons each) and

a 226 million gallon plant in Mount Vernon, Indiana (to be constructed in two phases of 113 million gallons each)

We intend to substantially complete 226 million gallons of capacity expansions in 2008. While we originally intended to complete an additional 339 million gallons of capacity expansions in 2009, based on current construction costs and market conditions we may elect to delay some or all of the 339 million gallons of capacity scheduled for 2009. The timing of the remaining expansions will be based upon, among other factors, market conditions and the availability of financing on attractive terms. On May 31, 2007, we entered into separate but substantially identical engineering, procurement and construction ("EPC") contracts with a construction firm, Kiewit Energy Company ("Kiewit") to build two initial 113 million gallon ethanol production facilities in Mount Vernon, Indiana and Aurora, Nebraska. Delta-T Corporation is the technology provider and is a sub-contractor to Kiewit under the EPC contracts. Under the terms of each of the EPC contracts, Kiewit will provide certain EPC materials and services necessary to build ethanol production facilities at each site capable of initially producing 113 million gallons of denatured ethanol annually as the primary product. In addition, the EPC contracts also call for Kiewit to provide certain additional materials and services to prepare each site for a phase II expansion. A phase II expansion would double the capacity of each of the plants, and the Company is currently seeking permits for the full 226 million gallons of annual production capacity for each site upfront. The EPC contracts call for payments to Kiewit in the amount of \$462.5 million. Certain owner project costs are excluded from the EPC contracts. These include, but are not limited to, the cost of land, as well as the cost of bringing power, water sewer and natural gas service to the sites. These costs are the responsibility of Aventine. Each of the EPC contracts also allows for credits against the contract total for amounts paid for materials and services under the advance work agreement and the Aurora pre-EPC agreement described under "Recent Developments."

Our timetable is subject to numerous factors beyond our control. In particular, we have not yet received any environmental or other permits with respect to these expansions (although construction and certain other permit applications have been filed). Accordingly, we cannot give assurance that these expansion projects will be completed on a timely basis or at all or that we will realize the benefits we anticipate. In addition, while we expect to raise additional debt to fund the phase II facility additions, we cannot be sure that we will be able to obtain additional financing for these phase II transactions on

attractive terms or at all. In addition, we may have to pay penalties or damages under certain contracts related to such capacity expansions.

Expand marketing alliances. We signed our first marketing alliance agreement in 2001 and as of the date of this prospectus have increased the program to 12 alliance contracts with operating third party plants. As of the date of this prospectus these 12 alliance partners have operations whose current production capacities total approximately 361 million gallons of ethanol annually.

Capitalize on current and changing regulation. Through expansion of marketing alliances and continued investment in increasing production capacity, we believe we are well positioned to take advantage of the current and changing regulatory environment in our industry. For example, the Energy Policy Act of 2005 created the RFS, which is expected to increase demand for ethanol and other renewable fuels. Moreover, President George Bush, in his January 2007 State of the Union speech, called for substantial increases in subsidized ethanol production. The President's proposal has been met with strong support by organizations such as the National Corn Growers Association.

Research into cellulosic ethanol. Cellulosic plant biomass represents an untapped potential feedstock for the generation of fuel ethanol from renewable resources. In 2001, we teamed with Purdue University and the U.S. Department of Agriculture's, or USDA, National Center for Agriculture Utilization Research in Peoria, Illinois to develop an efficient and economical pretreatment process for corn fiber and corn stover (the stalks and husks left over after harvest). We spent approximately \$0.2 million on cellulosic research in 2006, and an aggregate of \$0.1 million in 2005 and 2004. We maintain our commitment to research the potential benefits associated with cellulosic ethanol.

Entry into new and diversified markets. We are continually expanding our number of terminals in new markets in the United States and negotiating additional sales agreements. As of March 31, 2007, we had 54 terminals. We persistently strive to optimize our multiple modes of transportation and sources of production. In addition, as numerous countries in Europe, Asia and South America have increased the mandated use of renewable fuels, we believe that there are export opportunities for our ethanol and by-products.

Aventine Organizational Structure

The chart below identifies our organizational structure.



(1) Nebraska Energy Cooperative is an agricultural cooperative comprised of 215 corn producers

Recent Developments

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EPC contracts with Kiewit Energy Company. On May 31, 2007, we entered into separate but substantially identical EPC contracts with Kiewit to build ethanol production facilities in Mount Vernon, Indiana and Aurora, Nebraska. Delta-T Corporation is the technology provider and is a sub-contractor to Kiewit under the EPC contracts. Under the terms of each of the EPC contracts, Kiewit will provide certain EPC materials and services necessary to build ethanol production facilities at each site capable of initially producing 113 million gallons of denatured ethanol annually as the primary product. In addition, the EPC contracts also call for Kiewit to provide certain additional

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materials and services to prepare each site for a phase II expansion. A phase II expansion would double the capacity of each of the plants, and the Company is currently seeking permits for the full 226 million gallons of annual production capacity for each site upfront. The EPC contracts call for payments to Kiewit in the amount of \$462.5 million. Certain owner project costs are excluded from the EPC contracts. These include, but are not limited to, the cost of land, as well as the cost of bringing power, water sewer and natural gas service to the sites. These costs are the responsibility of Aventine. Each of the EPC contracts also allows for credits against the contract total for amounts paid for materials and services under the advance work agreement and the Aurora pre-EPC agreement described below.

Pre-EPC contracts with Kiewit Energy Company and Delta-T Corporation. In March 2007, we signed a \$102 million "advance work agreement" with Delta-T Corporation for the purchase of long lead-time equipment for the proposed Mount Vernon and Aurora West facilities. We also signed a \$12 million "Aurora pre-EPC agreement" with Kiewit for initial site work at Aurora West.

Appointment of Chief Operating Officer. On March 9, 2007, we announced that we had appointed Daniel Trunfio, Jr. as our new Chief Operating Officer. Mr. Trunfio has worked in the ethanol industry for over 20 years. Mr. Trunfio has held a number of leadership roles including General Manager and Vice President positions in commercial, trading and consumer businesses during his over 20 years with the Royal Dutch/Shell Group.

Biodiesel Marketing. In March 2007, we announced that we had entered the biodiesel marketing business. We have launched a marketing program for biodiesel similar to our ethanol marketing program. We shipped biodiesel to customers beginning in the first quarter of 2007.

Marketing agreements with Panda Ethanol and Virgin Venture. In February 2007, we announced that we had signed marketing agreements for two additional Panda Ethanol, Inc. plants. The two Panda ethanol refineries are under development and will be located in Yuma, Colorado and Haskell County, Kansas. Also in February 2007, we announced that the Obion, Tennessee facility of Ethanol Grain Processors, LLC, or EGP, will join our marketing alliance network. We will market all of the ethanol for the EGP facility when production begins. Completion of the facility is expected in late summer or early fall 2008. EGP's largest investor, VVB, LLC, is an entity majority-owned jointly by an affiliate of Sir Richard Branson's Virgin Group and by Bioverda International Holdings Limited.

Dry mill facility in Pekin, Illinois. In January 2007 we announced that our new dry mill facility in Pekin, Illinois had begun producing ethanol. The new plant began grinding corn on December 31, 2006 and was built by Kiewit. This dry mill has capacity of 57 million gallons of ethanol per year.

Mount Vernon, Indiana agreements with Consolidated Grain and Barge Company. In September 2006, we announced that we signed definitive agreements with Consolidated Grain and Barge Company, or CGB, to include, among other things, the construction of a new ethanol facility in Mount Vernon, Indiana. We plan to construct and operate a 226.0 million gallon ethanol facility on the 116 acre site at the Port of Indiana Mount Vernon in two stages of 113 million gallons each. CGB will be the exclusive grain originator and dry distillers grain with solubles, or DDGS, export marketer at the facility, as well as the sole provider for ethanol and DDGS at the site. In January 2007, we signed a lease agreement for 20 years, with options to extend the lease for six additional consecutive terms of five years each.

SUMMARY OF THE TERMS OF THE EXCHANGE OFFER

The Exchange Offer

Background	On March 27, 2007, we completed a private placement of \$300,000,000 aggregate principal amount of the Original Notes. In connection with that private placement, we entered into a registration rights agreement for the Original Notes in which we agreed to, among other things, complete a registered exchange offer for the Original Notes. The registration rights agreement requires us to use our commercially reasonable efforts to cause this exchange offer to be completed by October 23, 2007. In the event this exchange offer is not completed by such date, we will be required to pay additional interest with respect to the Original Notes until the exchange offer is completed.
Notes Offered	We are offering up to \$300,000,000 aggregate principal amount of New Notes, which have been registered under the Securities Act.
The Exchange Offer	We are offering to issue the New Notes in exchange for a like principal amount of your Original Notes. We are offering to issue the New Notes to satisfy our obligations contained in the registration rights agreement entered into when the Original Notes were sold in transactions permitted by Rule 144A and Regulation S under the Securities Act and therefore not registered with the SEC. For procedures for tendering, see "The Exchange Offer."
Tenders, Expiration Date, Withdrawal	The exchange offer will expire at 5:00 p.m. New York City time on _____, 2007 unless it is extended. If you decide to exchange your Original Notes for New Notes, you must acknowledge that you are not engaging in, and do not intend to engage in, a distribution of the New Notes. If you decide to tender your Original Notes in the exchange offer, you may withdraw them at any time prior to _____, 2007. If we decide for any reason not to accept any Original Notes for exchange, your Original Notes will be returned without expense to you promptly after the exchange offer expires.
United States Federal Income Tax Consequences	Your exchange of Original Notes for New Notes in the exchange offer will not result in any income, gain or loss to you for U.S. federal income tax purposes. See "Material United States Federal Income Tax Consequences."
Use of Proceeds	We will not receive any proceeds from the issuance of the New Notes in the exchange offer.
Exchange Agent	Wells Fargo Bank, N.A. is the exchange agent for the exchange offer.

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Failure to Tender Your Original Notes If you fail to tender your Original Notes in the exchange offer, you will not have any further rights under the registration rights agreement, including any right to require us to register your Original Notes or to pay you additional interest.

You will be able to resell the New Notes without registering them with the SEC if you meet the requirements described below.

Based on interpretations by the SEC's staff in no-action letters issued to third parties, we believe that New Notes issued in exchange for Original Notes in the exchange offer may be offered for resale, resold or otherwise transferred by you without registering the New Notes under the Securities Act or delivering a prospectus, unless you are a broker-dealer receiving notes for your own account, so long as:

you are not one of our "affiliates," which is defined in Rule 405 of the Securities Act;

you acquire the New Notes in the ordinary course of your business;

you do not have any arrangement or understanding with any person to participate in the distribution of the New Notes; and

you are not engaged in, and do not intend to engage in, a distribution of the New Notes.

If you are an affiliate of Aventine, or you are engaged in, intend to engage in or have any arrangement or understanding with respect to, the distribution of New Notes acquired in the exchange offer, you (1) should not rely on our interpretations of the position of the SEC's staff and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

If you are a broker-dealer and receive New Notes for your own account in the exchange offer:

you must represent that you do not have any arrangement with us or any of our affiliates to distribute the New Notes;

you must acknowledge that you will deliver a prospectus in connection with any resale of the New Notes you receive from us in the exchange offer; the letter of transmittal states that by so acknowledging and by delivering a prospectus, you will not be deemed to admit that you are an "underwriter" within the meaning of the Securities Act; and

you may use this prospectus, as it may be amended or supplemented from time to time, in connection with the resale of New Notes received in exchange for Original Notes acquired by you as a result of market-making or other trading activities.

For a period of one year after the expiration of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any resale described above.

SUMMARY TERMS OF THE NEW NOTES

The summary below describes the principal terms of the New Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the New Notes" section of this prospectus contains a more detailed description of the terms and conditions of the New Notes.

The New Notes will be identical in all material respects to the Original Notes for which they have been exchanged, except:

the New Notes will have been registered under the Securities Act, and thus the New Notes generally will not be subject to the restrictions on transfer applicable to the Original Notes or bear restrictive legends;

the New Notes will bear a different CUSIP number from the Original Notes;

the New Notes will not be entitled to registration rights; and

the New Notes will not have the right to earn additional interest under circumstances relating to our registration obligations.

Issuer	Aventine Renewable Energy Holdings, Inc.
New Notes Offered	\$300,000,000 aggregate principal amount of 10.0% Senior Unsecured Fixed Rate Notes.
Maturity Date	The New Notes will mature on April 1, 2017.
Interest	10.0% per annum fixed-rate.
Interest Payment Dates	We will pay interest on the New Notes on April 1 and October 1 of each year, beginning on October 1, 2007, and ending on the maturity date.
Collateral	The New Notes and the note guarantees are unsecured.
Optional Redemption	<p>We may redeem any of the New Notes, in whole or in part, beginning on or after April 1, 2012. The initial redemption price will be 105% of their principal amount, plus accrued and unpaid interest. The redemption price of the New Notes will decline annually after April 1, 2012 and will be 100% of their principal amount, plus accrued interest, beginning on April 1, 2015.</p> <p>In addition, before April 1, 2010, we may redeem up to 35% of the aggregate principal amount of outstanding New Notes with the Net Cash Proceeds of one or more sales of our Capital Stock at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to the redemption date; provided that at least 65% of the aggregate principal amount of New Notes outstanding immediately prior to such redemption remains outstanding immediately after such redemption and notice of any such redemption is mailed within 60 days of such sale of Capital Stock</p>

Change of Control

Upon a Change of Control, as defined under "Description of the New Notes," we will be required to commence and consummate an offer to purchase all the New Notes then outstanding at a purchase price equal to 101% of their principal amount, plus accrued interest (if any) to the date of repurchase. We may not have sufficient funds available at the time of a Change of Control to repurchase the New Notes.

Guarantees

The New Notes are jointly and severally guaranteed on an unsecured unsubordinated basis by all of our existing domestic subsidiaries (other than our Nebraska subsidiary, or "NELLC"). In the event that NELLC becomes a wholly owned subsidiary, NELLC and its subsidiaries will be required to guarantee the notes. In addition, all future subsidiaries that guarantee any of our indebtedness (other than certain revolving credit or other similar agreements the aggregate principal amount outstanding under which does not exceed the borrowing base as defined in "Description of the Notes") will be required to guarantee the New Notes.

Ranking

The New Notes will:

be general senior unsecured obligations of Aventine;

rank equal in right of payment with all existing and future unsubordinated indebtedness of Aventine;

rank senior in right of payment to all existing and future unsecured subordinated indebtedness of Aventine;

be effectively junior to all of the obligations, including trade payables, of the subsidiaries of Aventine (other than the subsidiary guarantors); and

be effectively subordinated to all secured indebtedness of Aventine to the extent of the value of the assets securing such indebtedness.

The guarantees will:

be general senior unsecured obligations of the subsidiary guarantors;

rank equal in right of payment with all existing and future unsubordinated indebtedness of the subsidiary guarantors;

rank senior in right of payment with all future subordinated indebtedness of the subsidiary guarantors; and

be effectively subordinated to all secured indebtedness of the subsidiary guarantors to the extent of the value of the assets securing such indebtedness.

As of June 20, 2007:

Aventine had no indebtedness outstanding other than the Original Notes and one letter of credit in the amount of \$1.225 million under our secured revolving credit facility;

the initial guarantors had no indebtedness outstanding other than the Original Notes; and

At March 31, 2007 our subsidiaries that are not guarantors had approximately \$3.9 million of liabilities outstanding.

In the years ended December 31, 2006 and 2005 and the three months ended March 31, 2007, our non-guarantor subsidiary represented 5.1%, 6.5% and 5.0% of our consolidated revenues, respectively, and 27.3%, 22.8% and 12.8% of our consolidated income before taxes, respectively. At March 31, 2007, our non-guarantor subsidiary had total assets of approximately \$26.8 million.

Our revolving credit agreement is secured by substantially all of the assets of Aventine and its subsidiaries, with the exception of NELLC. The New Notes will be effectively subordinated to such indebtedness to the extent of such security interests.

Certain Covenants

The indenture governing the New Notes limits our ability and the ability of our restricted subsidiaries to, among other things:

incur additional debt and issue preferred stock;

create liens;

pay dividends, acquire shares of capital stock, make payments on subordinate debt or make investments;

place limitations on distributions from restricted subsidiaries;

issue guarantees;

issue or sell the capital stock of restricted subsidiaries;

sell or exchange assets;

enter into transactions with affiliates; and

effect mergers.

These covenants are subject to a number of important exceptions and qualifications. See "Description of the New Notes."

Absence of Public Market for the New Notes

The New Notes will generally be freely transferable but will be a new issue of securities for which there is currently no established market. Accordingly, there can be no assurance as to the development or liquidity of any market for the New Notes. We do not intend to apply for a listing of the New Notes on any securities exchange or an automated dealer quotation system.

Risk Factors

See "Risk Factors" beginning on page 14 for a discussion of factors you should carefully consider before deciding to exchange your Original Notes for New Notes.

RISK FACTORS

You should carefully consider the risk factors set forth below. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case, you may lose all or part of your original investment.

Risks Related to our Business

We operate in a highly competitive industry with low barriers to entry. In addition, if the expected increase in ethanol demand does not occur, or if the demand for ethanol otherwise decreases, there may be excess capacity in our industry.

In the U.S., we compete with other corn processors and refiners, including Archer-Daniels-Midland Company, VeraSun Energy Corporation, Hawkeye Holdings, Inc., Pacific Ethanol, U.S. BioEnergy Corporation, Cargill, Inc. and A.E. Staley Manufacturing Company, a subsidiary of Tate & Lyle, PLC. Some of our competitors are divisions of larger enterprises and have greater financial resources than we do. Although many of our competitors are larger than we are, we also have smaller competitors. Farm cooperatives comprised of groups of individual farmers have been able to compete successfully. As of December 2006, the top ten domestic producers accounted for approximately 45% of all production capacity.

We also face increasing competition from international suppliers. Although there is a tariff on foreign produced ethanol that is slightly larger than the federal ethanol tax incentive, ethanol imports equivalent to up to 7% of total domestic production from certain countries were exempted from this tariff under the CBI (The Caribbean Basin Initiative) to spur economic development in Central America and the Caribbean.

Moreover, domestic capacity has increased steadily from 1.3 billion gallons per year in 1997 to 5.4 billion gallons per year at the end of 2006. In addition, there is a significant amount of capacity being added to our industry. According to the RFA, approximately 6.0 billion gallons per year of production capacity was under construction as of December 2006. This capacity is being added to address anticipated increases in demand. Demand for ethanol may not increase as quickly as expected or to a level that exceeds supply, or may not increase at all. If the ethanol industry has excess capacity and such excess capacity results in a fall in prices, it will have an adverse impact on our results of operations, cash flows and financial condition. Excess capacity may result from the increases in capacity coupled with insufficient demand. Demand could be impaired due to a number of factors, including regulatory developments and reduced U.S. gasoline consumption. Reduced gasoline consumption could occur as a result of increased gasoline or oil prices. For example, price increases could cause businesses and consumers to reduce driving or acquire vehicles with more favorable gasoline mileage. There is some evidence that this has occurred in the recent past as U.S. gasoline prices have increased. Demand for ethanol can also fall if gasoline prices decrease because ethanol is used as a potential substitute for gasoline.

During 2002, our results of operations were significantly negatively impacted because of the excess capacity which came online in anticipation of the MTBE ban in California which became effective later than expected. Our top customers are oil companies which make significant profits from the sale of gasoline. As such they may oppose mandated blending of gasoline with ethanol and any increase in such mandated blending. Our competitors include plants owned by farmers who earn their livelihood through the sale of corn, and hence may not be as focused on obtaining optimal value for their produced ethanol as we are.

Our business is dependent upon the availability and price of corn. Significant disruptions in the supply of corn will materially affect our operating results. In addition, since we generally cannot pass on increases in corn prices to our customers, continued periods of historically high corn prices will also materially adversely affect our operating results.

The principal raw material we use to produce ethanol and ethanol by-products is corn. In 2006, we purchased approximately 51.0 million bushels of corn at a cost of \$122.4 million, which comprised about 57.2% of our total cost of production. In 2006, our average corn cost ranged from a low of \$2.05 per bushel in January 2006 to a high of \$3.14 per bushel in December 2006. Beginning in September 2006, corn prices began rising significantly, and this trend continues. The vast increase in U.S. ethanol capacity under construction could outpace increases in corn production, which may increase corn prices and significantly impact our profitability.

As a result, changes in the price of corn have had an impact on our business. In general, higher corn prices produce 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. At certain levels, corn prices may make ethanol uneconomical to use in markets and volumes above the requirements set forth in the renewable fuels standard or for which ethanol is used as an oxygenate in order to meet federal and state fuel emission standards.

The price of corn is influenced by general economic, market and regulatory factors. These factors include weather conditions, farmer planting decisions, government policies and subsidies with respect to agriculture and international trade and global demand and supply. The significance and relative impact of these factors on the price of corn is difficult to predict. Factors such as severe weather or crop disease could have an adverse impact on our business because we may be unable to pass on higher corn costs to our customers. Any event that tends to negatively impact the supply of corn will tend to increase prices and potentially harm our business. The increasing ethanol capacity could boost demand for corn and result in increased prices for corn. We expect the price of corn to continue to remain at levels that would be considered as historically high.

In an attempt to partially offset the effects of fluctuations in corn costs on operating income, we take hedging positions in the corn futures markets. However, these hedging transactions also involve risk to our business. See " We may engage in hedging or derivative transactions which involve risks that can harm our business."

The spread between ethanol and corn prices can vary significantly and our profitability from gallons produced at our facilities is dependent on this spread.

Gross profit on gallons produced at our facilities, which accounts for the substantial majority of our operating income, is principally dependent on the spread between ethanol and corn prices. The spread between ethanol and corn prices in 2006 was at historically high levels, driven in large part by high oil prices and shortages of ethanol. The spread between ethanol and corn prices has fallen significantly since the summer of 2006. 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, would adversely affect our financial performance. If the spread decreases below a certain level, we will likely experience losses.

Fluctuations in the demand for gasoline may reduce demand for ethanol.

Ethanol is marketed as both an oxygenate to reduce vehicle emissions from gasoline and as an octane enhancer to improve the octane rating of gasoline with which it is blended. As a result, ethanol demand is influenced by the supply of and demand for gasoline. Therefore, the price of ethanol tends to rise and fall with gasoline prices. If gasoline demand decreases, our results of operations and financial condition may be materially adversely affected.

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The U.S. ethanol industry is highly dependent upon a myriad of federal and state legislation and regulation, and any changes in such legislation or regulation could materially adversely affect our results of operations and financial condition.

The elimination or significant reduction in the federal ethanol tax incentive could have a material adverse effect on our results of operations.

The production of ethanol is made significantly more competitive by federal tax incentives. The federal excise tax incentive program, which is scheduled to expire on December 31, 2010, allows gasoline distributors and refiners who blend ethanol with gasoline to receive a federal excise tax credit for each blended gallon they sell regardless of the blend rate. If the fuel is blended with ethanol, the blender may claim a \$0.51 per gallon tax credit for each gallon of ethanol used in the mixture. We cannot provide any assurance, however, that the federal ethanol tax incentives will be renewed in 2010 or if renewed, on what terms they will be renewed. The elimination of, or a significant reduction in, the federal ethanol tax incentive could have a material adverse effect on our results of operations.

Waivers of the RFS minimum levels of renewable fuels included in gasoline could have a material adverse affect on our results of operations.

Under the Energy Policy Act of 2005, the Department of Energy, in consultation with the Secretary of Agriculture and the Secretary of Energy, may waive the RFS mandate with respect to one or more states if the administrator determines that implementing the requirements would severely harm the economy or the environment of a state, a region or the U.S., or that there is inadequate supply to meet the requirement. Any waiver of the RFS with respect to one or more states would adversely offset demand for ethanol and could have a material adverse effect on our results of operations and financial condition.

While the Energy Policy Act of 2005 imposes a RFS, it does not mandate the use of ethanol.

The RFS included in the Energy Policy Act of 2005 requires blenders and refiners to use renewable fuels (which includes ethanol), in amounts prescribed in the Act. While the RFA expects that ethanol should account for the largest share of renewable fuels produced and consumed under the RFS, the RFS is not limited to ethanol and also includes biodiesel and any other liquid fuel produced from biomass or biogas. Currently, there is not significant industrial capacity to produce these alternatives. However, we believe there are proto-type plants in operation and there could be plans to build additional plants.

Although the RFS requires the use of prescribed amounts of renewable fuels, the EPA has not finalized the rules which will enforce this requirement. We expect those rules to include credit trading by our customers. It is possible that the practical application of these rules will not result in as much demand for ethanol as anticipated.

While the Energy Policy Act of 2005 eliminated the oxygenate requirement contained in the Clean Air Act, it did not eliminate fuel emission standards that refiners must meet. Oxygenates, particularly ethanol, continue to be used by refiners to meet federal and state fuel emission requirements. However, we cannot provide any assurance that the elimination of the oxygenate requirement for reformulated gasoline in the RFG program included in the Clean Air Act will not result in a decline in ethanol consumption, which in turn could have a material adverse effect on our results of operations and financial condition.

Certain countries can import ethanol into the U.S. duty free, which may undermine the ethanol industry in the U.S.

Imported ethanol is generally subject to a \$0.54 per gallon tariff and a 2.5% ad valorem tax that was designed to offset the \$0.51 per gallon ethanol subsidy currently available under the federal excise tax incentive program for refineries and blenders that mix ethanol with their gasoline. On

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December 20, 2006, the tariff on foreign produced ethanol was extended until January 1, 2009. At a certain price level, imported ethanol may become profitable for sale in the U.S. despite the tariff. This occurred in the second half of 2006, due to a spike in the ethanol prices and insufficient supply. As a result, there may effectively be a ceiling on U.S. ethanol prices. This, combined with uncertainties surrounding U.S. producers ability to meet domestic demand, resulted in significant imports of ethanol in 2006, especially from Brazil. Furthermore, East Coast facilities are better suited to bringing in product by water rather than rail (the preferred path for ethanol from the Midwest). The combination made it more economic for some buyers to import ethanol with the full import duty than to bring supplies from the Midwest. Given the increase in ethanol demand from the elimination of MTBE and expected transportation bottlenecks delivering material from the Midwest, imports of ethanol could rise.

There is a special exemption from the tariff for ethanol imported from 24 countries in Central America and the Caribbean islands which is limited to a total of 7% of U.S. production per year (with additional exemptions for ethanol produced from feedstock in the Caribbean region over the 7% limit). In addition, the NAFTA (The North America Free Trade Agreement which was signed into law January 1, 1994) countries, Canada and Mexico, are exempt from duty. See "Business Legislative Drivers and Government Regulation" and "Business The federal ethanol tax incentive program." Imports from the exempted countries have increased in recent years and are expected to increase further as a result of new plants under development.

We may be adversely affected by environmental, health and safety laws, regulations and liabilities.

We are subject to various stringent federal, state and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the health and safety of our employees. In addition, some of these laws and regulations require our facilities to operate under permits that are subject to renewal or modification. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts to the environment. A violation of these laws and regulations or permit conditions can result in substantial fines, natural resource damages, criminal sanctions, permit revocations and/or facility shutdowns. We cannot assure you that we have been, are or will be at all times in complete compliance with these laws, regulations or permits or that we have had or currently have all permits required to operate our business. Environmental laws and regulations (and interpretations thereof) change over time, and any such changes, more vigorous enforcement policies or the discovery of currently unknown conditions may require substantial additional environmental expenditures and may have a material adverse effect on our results of operations or financial condition. In addition, continued government and public emphasis on environmental issues can be expected to result in increased future investments for environmental controls at our ongoing operations. In the past, we have been subject to legal actions brought by environmental, regulatory authorities, advocacy groups and other parties for actual or alleged violations of environmental laws and regulations and certain of our environmental permits. We cannot assure you that we will not be subject to legal actions brought by such parties in the future for actual or alleged violations.

Federal and state environmental authorities have been investigating alleged excess VOC emissions and other air emissions from U.S. ethanol plants, including our Illinois wet mill and Nebraska facilities. In April 2005, we entered into a consent decree with state authorities, settling their investigation with respect to our Nebraska facility, which consent decree required us to secure a new air emissions permit, install additional air pollution control equipment at a cost of approximately \$4 million and pay a \$40 thousand fine. The matter relating to our Illinois wet mill facility is still pending, and we could be required to install additional air pollution control equipment or take other measures to control air pollutant emissions at this facility. If authorities require us to install controls, costs would likely be higher than those expended at our Nebraska facility due to the larger size of the Illinois wet mill

facility. In addition, we may be required to pay fines that could be material if the authorities determine our emissions were in violation of applicable law. We cannot assure you that the resolution of this or any other environmental matters affecting us will not have a material adverse effect on our results of operations or financial condition.

We have made, and expect to continue making, significant capital expenditures on an ongoing basis to comply with increasingly stringent environmental laws, regulations and permits. We have included in our capital budget for 2007 and 2008 approximately \$10.8 million and \$4.5 million, respectively, for projects relating to environmental, health and safety matters, including for the installation of air pollution control equipment and for wastewater discharge improvements at our Illinois wet mill facility. The majority of the 2007 environmental capital budget relates to compliance with the EPA's final National Emissions Standard for Hazardous Air Pollutants, or NESHAP, under the federal Clean Air Act for industrial, commercial and institutional boilers and process heaters. This NESHAP will require us to implement maximum achievable control technology at our Illinois wet mill facility to reduce hazardous air pollutant emissions from certain of our boilers and process heaters by September 13, 2007. Based on engineering conducted to date and currently available information, we have budgeted \$7.4 million to comply with this NESHAP in 2007. Due to various reasons, including equipment delivery delays, however, we may not be able to meet the September 2007 deadline. We are continuing to discuss a deadline extension with the state authorities. If an extension is not granted, and we do not meet the September 2007 deadline, fines and penalties could be imposed on us, which could be substantial. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations Liquidity and Capital Resources Uses of Liquidity Capital Expenditures," and "Management's Discussion and Analysis of Financial Conditions and Results of Operations Environmental Matters."

We are also subject to potential liability for the investigation and cleanup of environmental contamination at each of the properties that we own or operate and at off-site locations where we arranged for the disposal of hazardous wastes, including contamination caused by prior owners or operators of all such locations, abutters or other persons. If hazardous or other materials have been or are disposed of or released at sites that undergo investigation and/or remediation, we may be responsible under CERCLA or other environmental laws for all or part of the costs of such investigation and/or remediation, and for damages to natural resources. We have not accrued any amounts for environmental contamination matters as of December 31, 2006. The ultimate costs of any liabilities that may be identified or the discovery of additional contaminants could adversely impact our results of operation or financial condition. We may also be subject to related claims by private parties alleging property damage and personal injury due to exposure to hazardous or other materials at or from such properties. Some of these matters may require us to expend significant amounts for investigation and/or cleanup or other costs.

In addition, the hazards and risks associated with producing and transporting our products (such as fires, natural disasters, explosions, abnormal pressures and spills) may result in personal injury claims or damage to property, natural resources and third parties. As protection against operating hazards, we maintain insurance coverage against some, but not all, potential losses. Our coverage includes, but is not limited to, physical damage to assets, employer's liability, comprehensive general liability, automobile liability and workers' compensation. We do not carry environmental insurance. We believe that our insurance is adequate for our industry, but losses could occur for uninsurable, or uninsured, risks or in amounts in excess of existing insurance coverage. The occurrence of events which result in significant personal injury or damage to our property, natural resources or third parties that are not covered by insurance could have a material adverse impact on our results of operations and financial condition.

We currently generate revenue from the sale of carbon dioxide which is a co-product of the ethanol production process at each of our Illinois and Nebraska facilities. If new laws or regulations are

passed relating to the production, disposal or emissions of carbon dioxide, we may not be able to continue generating revenue from carbon dioxide sales. Furthermore, we may also be required to incur significant costs to comply with any new laws or regulations relating to carbon dioxide.

For more information about our environmental compliance and actual and potential environmental liabilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Uses of Liquidity Capital Expenditures," "Management's Discussion and Analysis of Financial Condition and Results of Operations Environmental Matters," and "Business Environmental and Regulatory Matters."

We may engage in hedging or derivative transactions which involve risks that can harm our business.

In an attempt to minimize the effects of the volatility of the price of corn, natural gas, electricity and ethanol ("commodities") and interest rates on operating income, we may take hedging positions in the commodities and enter into interest rates futures, options, swaps and caps. Hedging arrangements also expose us to the risk of financial loss in situations where the other party to the hedging contract defaults on its contract or there is a change in the expected differential between the underlying price in the hedging agreement and the actual price of the commodities. Although we attempt to link our hedging activities to sales plans and pricing activities, occasionally such hedging activities can themselves result in losses. There can be no assurance that such losses will not occur. Alternatively, we may choose not to engage in hedging transactions in the future. As a result, our results of operations may be adversely affected during periods in which corn and/or natural gas prices increase.

We are substantially dependent on our three facilities and our alliance partner facilities and any operational disruption could result in a reduction of our sales volume