



# FALL UPDATE 2008

November 26, 2008

## THIRD QUARTER 2008 FINANCIAL UPDATE

With the advent of the national financial crisis and volatility of the commodity markets, the third quarter of 2008 was a tough time for many companies across America. The dramatic changes in commodity markets during the quarter hit the ethanol industry hard.

Husker Ag incurred a net loss of \$12,067,319 for the quarter ended September 30, 2008. This loss resulted primarily from rapid and dramatic changes in the commodity markets during the quarter which adversely affected our hedging program. During the third quarter, we realized a loss in our options and futures contracts in the amount of \$12,788,361, offsetting nearly all of the gain that we had recognized in our hedging program during the first six months of 2008.

Since October 8, Husker Ag has liquidated all its hedging positions. Given the general global economic slowdown and the increased volatility in commodities, Husker Ag is reviewing its hedging program and currently is not expected to initiate any new positions in the near future. For the nine months ended September 30, 2008, Husker Ag reported net income of \$4,240,304.

## OCTOBER 2008 FINANCIAL UPDATE

During the month of October 2008, Husker Ag incurred a net loss of \$10,312,662. This loss resulted from three principal factors: (1) \$6,435,224 was attributed to our hedge program resulting from continued declines in the commodity markets and the liquidation of our hedge positions; (2) an unrealized loss on our investment in VeraSun stock in the amount of \$1,609,875 (this is discussed further below); and (3) an operating loss without the hedge pro-

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### Husker Ag, LLC Condensed Balance Sheet and Income Statement As of September 30, 2008

Cash	\$18,077,315
Accounts receivable	11,091,228
Other current assets	9,764,028
Total current assets	38,932,571
Property and equipment	74,076,260
Other assets	1,699,560
Total assets	\$114,708,391
Current liabilities	\$13,138,333
Long-term debt	29,612,102
Equity – 30,130 units	71,957,956
Total liabilities and equity	\$114,708,391

	Three Months	Nine Months
Sales	\$ 44,815,660	\$ 134,985,356
Cost of sales	42,567,956	121,807,681
(Gain) loss on hedging	12,788,361	(1,221,470)
Gross profit (loss)	(10,540,657)	14,399,145
Selling, general & administrative	559,220	2,019,845
Income (loss) from operations	(11,099,877)	12,379,300
Unrealized (loss) on security	(607,500)	(6,881,025)
Other income (expense)	(359,942)	(1,257,971)
Net income (loss)	\$ (12,067,319)	\$ 4,240,304
Earnings (loss) per unit	\$ (400.50)	\$ 140.73

### Statement of Cash Flows Nine months ended September 30, 2008

Operating Activities	
Net income	\$ 4,240,304
Items not requiring cash	
Depreciation and amortization	4,947,481
Unrealized loss on trading securities	6,881,025
Gain on option and futures contracts	(1,221,470)
Gain on sale of securities	(9,751)
Interest earned on certificates of deposit	26,986
Asset projects discontinued	32,748
Changes in	
Accounts receivable	(4,249,356)
Inventories	(1,464,843)
Margin account	7,283,301
Prepaid expenses	296,446
Accounts payable and accrued expenses	986,164
Net cash provided by operating activities	17,716,287
Investing Activities	
Proceeds from sale of certificates of deposit	2,000,431
Proceed from sale of treasury note	253,115
Refund on investment	2,365
Purchases of property and equipment	(4,992,847)
Net cash used in investing activities	(2,704,188)
Financing Activities	
Proceeds from construction loan	3,699,320
Payments on long-term debt	(2,610,638)
Distributions paid	(2,862,350)
Net cash used in financing activities	(1,773,668)
Increase in cash and cash equivalents	13,238,431
Cash and cash equivalents, beginning of period	4,838,884
Cash and cash equivalents, end of period	\$18,077,315

## OCTOBER 2008 FINANCIAL UPDATE— CONTINUED

gram in the amount of \$2,120,981, largely resulting from decreases in the ethanol market. For the ten months ended October 31, 2008, Husker Ag incurred a net loss of \$6,072,358.

As of October 31, 2008, the Company had total members' equity of approximately \$61.6 million, or \$2,045.98 per unit. This compares to total members' equity of approximately \$70.6 million, or \$2,342.52 per unit as of December 31, 2007, and approximately \$64 million, or \$2,124.40 per unit as of October 31, 2007.

We will continue to monitor closely the impact of volatile commodity prices on the industry generally and on Husker Ag's operating and financial condition. However, the national and global economic conditions continue to have a dramatic effect on the ethanol industry as well as Husker Ag. While the cost of corn has been extremely volatile this year, the price of ethanol decreased 15% in the month of October alone, and has fallen over 40% from June to October. Ethanol prices continued to fall in the first two weeks of November. In response, Husker Ag continues to take actions to help it remain competitive in the market place. We are nearing completion on our corn oil separation project that is expected to bring in additional revenue to the Company beginning as early as December 2008 (see page 3 of this newsletter for additional information). In addition, in October we discontinued director fees until further notice; and we have likewise suspended all employee bonuses through the end of 2008. We will not make any additional distributions during the remainder of 2008.

Husker Ag continues to maintain efficiencies as our overhead costs remain at approximately \$0.15 per gallon, while our debt ratio is relatively low at approximately \$0.53 per gallon name plate (65 million gallons).

### Husker Ag, LLC Condensed Balance Sheet and Income Statement As of October 31, 2008

Cash	\$12,216,117
Accounts receivable	8,380,776
Other current assets	<u>3,935,174</u>
Total current assets	24,532,067
Property and equipment	74,170,310
Other assets	<u>1,696,515</u>
Total assets	<u>\$100,398,892</u>
Current liabilities	\$10,241,933
Long-term debt	28,511,665
Equity – 30,130 units	<u>61,645,294</u>
Total liabilities and equity	<u>\$100,398,892</u>
	<u>Ten Months</u>
Sales	\$148,915,698
Cost of sales	137,707,797
Loss on hedging	<u>5,213,754</u>
Gross profit	5,994,147
Selling, general & administrative	<u>2,171,052</u>
Income from operations	3,823,095
Unrealized loss on security	(8,490,900)
Other income (expense)	<u>(1,404,552)</u>
Net loss	\$ (6,072,357)
Loss per unit	\$ (201.54)

### Statement of Cash Flows Ten months ended October 31, 2008

Operating Activities	
Net loss	\$(6,072,357)
Items not requiring cash	
Depreciation and amortization	5,501,176
Unrealized loss on trading securities	8,490,900
Loss on option and futures contracts	5,213,754
Gain on sale of securities	(9,751)
Interest earned on certificates of deposit	26,986
Asset projects discontinued	32,748
Changes in	
Accounts receivable	(1,539,103)
Inventories	494,392
Margin account	901,400
Prepaid expenses	380,484
Accounts payable and accrued expenses	<u>205,783</u>
Net cash provided by operating activities	<u>13,626,412</u>
Investing Activities	
Proceeds from sale of certificates of deposit	2,000,431
Proceed from sale of treasury note	253,115
Refund on investment	2,365
Purchases of property and equipment	<u>(5,637,349)</u>
Net cash used in investing activities	<u>(3,381,438)</u>
Financing Activities	
Proceeds from construction loan	3,699,320
Payments on long-term debt	(3,704,711)
Distributions paid	<u>(2,862,350)</u>
Net cash used in financing activities	<u>(2,867,741)</u>
Increase in cash and cash equivalents	7,377,233
Cash and cash equivalents, beginning of period	4,838,884
Cash and cash equivalents, end of period	<u>\$12,216,117</u>

**VERASUN ENERGY DECLARES CHAPTER 11 BANKRUPTCY**

As many of you are aware, VeraSun Energy Corporation declared Chapter 11 Bankruptcy on October 31, 2008. We have had many calls about how this impacts Husker Ag. The filing currently affects VeraSun's vendors, suppliers, and employees. Husker Ag still owns 607,500 shares of the corporation. The only effect Husker has incurred is the reduction in value of the shares we own. For more information and updates on VeraSun, please go to [www.verasunenergy.com](http://www.verasunenergy.com).



**CORN OIL SEPARATION, LANDSCAPING AND GRAIN RECEIVING PROJECTS COMPLETED**

The previously announced projects for the grain receiving areas and corn oil separation are near completion.

We began to use the west plant grain receiving bay as of November 7, 2008. As with any project, we are still testing and working out the most efficient way to incorporate this new item into the regular flow of traffic and plant grind. The completion of this project allows us to have corn delivered straight to the west side day bin for plant grind helping to reduce wait time at the east side receiving as well decrease maintenance cost on grain transfer leg.

We have started corn oil separation at the west side of the plant. We anticipate a lot of testing and tuning before we are fully operational in this regard.

We have completed landscaping and tree planting at the west side of the plant.



Maintenance Staff with corn oil centrifuge. Trees shown above are a part of the landscaping project.



West grain receiving bay being used for first time.

At November 24, 2008, we had approximately 29.2% of our expected corn usage through April 2011 protected by cash purchase contracts. The average price on these contracts is approximately \$5.30 per bushel. All ethanol gallons produced are marketed under a marketing pool by Aventine Renewable Energy.

**DECEMBER 1ST TRADING TRIMESTER**

As a reminder, the next trimester of trading operations of the Husker Ag Trading System will begin on December 1, 2008. Because of the continued volatility in the commodity markets, on November 18, 2008, the Board of Directors modified the rules for the December trimester. All parties submitting a signed purchase agreement during the December trimester will be required to formally reaffirm or rescind their agreement before closing on such agreements after Husker Ag provides them with updated financial statements. This new rule is an effort to keep all buyers and sellers informed of current material information so that informed decisions can be made on the trading board.

**INTERNSHIP PROGRAM THROUGH NORTHEAST COMMUNITY COLLEGE A SUCCESS**

Husker Ag was host to four students from Northeast Community College from May through August. This was an internship as a part of the students ethanol program. Per the interns, "Thank you so much for everything you have done for us this summer. You have taught us more than we ever could have hoped for, and treated us as fellow employees. Our experience here has proven to be the greatest education we could have received. You are a wonderful group of people that the ethanol industry is lucky to have."

**Forward-Looking Statements**

Statements included or incorporated by reference in this document are forward-looking statements. They are based upon our current beliefs and expectations, are subject to risks and uncertainties outside of our control, and actual results might differ materially from these estimates and statements. Factors that may cause actual results to differ include the volatility and uncertainty of corn, natural gas, ethanol, unleaded gasoline and other commodities prices; our ability to generate sufficient liquidity to fund our operations, debt service requirements and capital expenditures; operational disruptions at our facilities; the effects of vigorous competition and excess capacity in the industries in which we operate; the costs and business risks associated with developing new products and entering new markets; the possibility of one or more of the markets in which we compete being impacted by political, legal and regulatory changes or other external factors over which we have no control; changes in or elimination of governmental laws, credits, tariffs, trade or other controls or enforcement practices; and the impact of any potential Renewable Fuel Standards waiver.



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## *Seasons Greetings!*

Warmest thoughts and Best Wishes for a wonderful Holiday  
Season and a very Happy New Year!

From all of us at Husker Ag, LLC

Thanks for your patronage and continued support.