Cornhusker Energy Lexington LLC.
CEL
1111 East Industry Drive - Lexington, NE 68850
P.O. Box 814 - Lexington, NE 68850
Phone - 308.324.6800
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August 24, 2007

Mr. Joe Pepplitsch
City Manager
City of Lexington
P.O. Box 70
Lexington, NE 68850

RE: Environmental Tax-Exempt Finance
(Cornhusker Energy Lexington LLC Project)

I enjoyed visiting with you earlier this week concerning tax-exempt bond financing for Cornhusker Energy Lexington LLC.

The primary benefits to Cornhusker Energy Lexington LLC are:
• Interest cost savings of 1.5% to 2.5% per annum;
• Greater structural flexibility in the direct financing; and
• Minimum issuance expense.

In order to qualify for Federal tax-exempt status, revenue bonds must be issued by a governmental entity, such as a City, County or State. As a "conduit" issuer, neither the City, County nor State has any legal liability or moral obligation regarding the bonds. To further emphasize the non-liability of the conduit issuer, the following or similar language is printed on the offering documents, finance documents and the Bond:

"THE BONDS WILL NOT CONSTITUTE INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF NEBRASKA OR OF ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE FAITH AND CREDIT OF THE CITY, COUNTY, OR THE STATE OF NEBRASKA OR ANY OTHER POLITICAL SUBDIVISION IS PLEDGED TO THE PAYMENT OF THE BONDS OR THE INTEREST THEREON, AND THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY, THE COUNTY OR THE STATE OF NEBRASKA OR ANY OTHER POLITICAL SUBDIVISION TO LEVY OR PLEDGE ANY FORM OF TAXATION WHATSOEVER TO THE PAYMENT OF THE PRINCIPAL OR PURCHASE PRICES OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

The City of Lexington, as a conduit issuer:
• Has no moral or legal obligation associated with respect to the bonds;
• Is fully indemnified by the Company;
• Is assured that the bonds will have an investment grade rating due to the direct pay letter of credit enhancement; and
• Will assist Cornhusker Energy Lexington LLC in securing reduced interest costs at no risk or cost to the City or the State.

The primary requirement for tax-exempt eligibility is the adoption of an Inducement or Reimbursement Resolution by the City of Lexington. This is a preliminary approval in that it does not obligate the City or the Company to issue bonds. However, as of the date of adoption and 60 days prior to that date, all qualified expenditures paid by the Company may be financed with bond proceeds. It is not necessary to immediately undertake the issuance of bonds, as the bonds may be issued up to eighteen months after the project has been placed in service.

As we have previously discussed, the type of revenue bonds proposed will not affect in any manner the City's ability to issue bank qualified debt, affect the City's credit rating or impact any debt covenant, warranties or representations made by the City. The City is not required to issue the bonds until a public hearing has been held, volume cap data is received and the City has reviewed the proposed financing structure, credit enhancement and other terms of the transaction.

We look forward to working with the City in the successful completion of this project.

Regards,

Jim Granger

Jim Granger
CFO
Cornhusker Energy Lexington Holdings, LLC
Office: 402.547.5300
jimg@cornhuskerenergy.com

NEBRASKA INVESTMENT FINANCE AUTHORITY
ALLOCATION MASTER FILE
SUMMARY
2007

AS OF	7/18/07
Prepared	8/22/07
	3:41 PM

ALL CATEGORIES

	Statewide Housing	Housing Cfwd	Ag- IDB & Non Statewide Housing	Governor's Discretionary	GRAND TOTAL
					256,235,000
Beginning Allocation	128,117,500	500,007,199	51,247,000	76,870,500	756,242,199
Allocations Todate	0	(415,000,000)	(5,524,773)	(21,500,000)	(442,024,773)
Transfers	0	0	0	0	0
Balance Remaining	128,117,500	85,007,199	45,722,227	55,370,500	314,217,426
August Requests			(6,000,000)		(6,000,000)
	128,117,500	85,007,199	39,722,227	55,370,500	308,217,426

Carryforward Reconciliation:

	2004	2005	2006	
Originated	2004	2005	2006	
Expires	2007	2008	2009	TOTAL
Beginning	76,241,611	234,731,476	189,034,112	500,007,199
Used	(76,241,611)	(234,731,476)	(104,026,913)	(415,000,000)
Ending	0	-	85,007,199	85,007,199

AG, IDB AND NON STATEWIDE HOUSING BY DISTRICT

	AGRICULTURE				INDUSTRIAL REVENUE				NON STATEWIDE HOUSING			
	1	2	3	TOTAL	1	2	3	TOTAL	1	2	3	TOTAL
Beginning Allocation				11,247,000				20,000,000				20,000,000
Allocations Todate	(731,169)	0	(1,408,604)	(2,139,773)	(3,385,000)	0	0	(3,385,000)	0	0	0	0
Transfers				0		0		0				0
Balance Remaining				9,107,227				16,615,000				20,000,000
% of Category by District	34.17%	N/A	65.83%	100.00%	100.00%	N/A	N/A	100.00%	N/A	N/A	N/A	N/A

TOTAL AG, IDB AND NON STATEWIDE HOUSING

	1	2	3	TOTAL
Beginning Allocation				51,247,000
Allocations Todate	(4,116,169)	0	(1,408,604)	(5,524,773)
Transfers	0	0	0	0
Balance Remaining				45,722,227
	74.50%	N/A	25.50%	100.00%

Resolution No. _______

Authorizing the Execution of a Memorandum of Agreement by and between the City of Lexington, Nebraska and Cornhusker Energy Lexington, LLC in connection with the Issuance of Revenue Bonds and Related Matters.

Whereas, the City of Lexington, Nebraska (the "Issuer"), is authorized, pursuant to the provisions of Chapter 13, Article 11 of the Revised Statutes of Nebraska, as amended (the "Act"), to issue revenue bonds to defray the cost of constructing, acquiring or improving any project suitable for use by any manufacturing or industrial enterprise; and,

Whereas, Cornhusker Energy Lexington, LLC (the "Company") has requested an expression of intent from the Issuer that it will issue revenue bonds and the proceeds of the sale of one or more issues of revenue bonds of the Issuer in an aggregate amount sufficient to finance the costs of sewage and/or solid waste disposal facilities (the "Project") at the Ethanol Plant to be owned and operated by the Company and located within the jurisdiction of the Issuer, currently estimated not to exceed $40,000,000, will be made available to the Company subject to necessary approvals and proceedings by the Mayor and City Council and approval of the City's legal counsel; and ,

Whereas, the Issuer deems it necessary and advisable that it take such actions as may be required under the Act to express its intent to issue one or more issues of its revenue bonds to finance costs of the Project, currently estimated not to exceed $40,000,000 subject to necessary approvals and proceedings by the Mayor and City Council and approval of the City's legal council; and,

Whereas, a form of agreement, designated as a "Memorandum of Agreement", has been prepared under which the Issuer has stated its intent to issue one or more issues of its revenue bonds under the Act to finance costs of the Project, currently estimated not to exceed $40,000,000, and the Company has stated its agreement to enter into a lease or other financing agreement with the Issuer with respect to the Project, under which the Company will be obligated to make basic installment payments sufficient to pay the principal of, and interest and redemption premium, if any, on the bonds as and when the same shall become due and payable, such agreement to contain such other provisions as may be required by the Act and such other provisions as shall be mutually acceptable to the Issuer and the Company; and,

Whereas, it is intended that this resolution shall constitute a declaration of official intent for the reimbursement of Project costs within the meaning of §1.150-2 of the Federal Income Tax Regulations.

Therefore, Be It Resolved by the City Council of the City of Lexington, Nebraska, as follows:

Section 1. That in order to ensure the acquisition, improvement, construction and installation of the Project, with the resulting public benefits which will flow therefrom, the City expresses its intent, subject to necessary approvals and proceedings by the City Council and approval of the City's legal counsel, that revenue bonds be issued under the Act in an amount sufficient to finance costs of the Project, currently estimated not to exceed $40,000,000, and that the Memorandum of Agreement hereinafter referred to be approved and executed for and on behalf of the Issuer.

Section 2. That the Memorandum of Agreement by and between the Company and the Issuer attached as Exhibit A hereto is herby approved and authorized.

Section 3. That the Mayor is hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest, the Memorandum of Agreement set forth in Exhibit A attached hereto.

Section 4. That all resolutions and parts thereof in conflict herewith are herby repealed to the extent of such conflict.

Adopted and approved _________________, 2007.

____
Mayor

[Seal]

____
City Clerk

EXHIBIT A

Memorandum of Agreement

This Memorandum of Agreement is between the City of Lexington, Nebraska, party of the first part (the "Issuer"), and Cornhusker Energy Lexington, LLC, a Nevada limited liability corporation (the "Company"), party of the second part;

1. **Preliminary Statement**. Among the matters of mutual inducement which have resulted in the execution of this agreement are the following:

(a) The Issuer is authorized, pursuant to the provisions of Chapter 13, Article 11 of the Revised Statutes of Nebraska, as amended (the "Act"), to issue revenue bonds to defray the cost of constructing, acquiring or improving any project suitable for use by any manufacturing or industrial enterprise.

(b) The Company has requested an expression of intent from the Issuer that it will issue revenue bonds and that the proceeds of the sale of one or more issues of such revenue bonds of the Issuer in an aggregate amount sufficient to finance costs of sewage and/or solid waste disposal facilities, including without limitation the processing and disposal (through recycling or otherwise) of the solid waste known as "stillage" from the ethanol production process (the "Project"), at the Ethanol Plant to be owned and operated by the Company and located within the jurisdiction of the Issuer, currently estimated not to exceed $40,000,000, will be made available to the Company, subject to necessary approvals and proceedings by the Mayor and City Council and approval of the City's legal counsel.

2. **Undertakings on the Part of the Issuer.** The Issuer agrees as follows:

(a) That based on representations made by Company to Issuer, Issuer intends, subject to necessary approvals and proceedings by the Mayor and City Council and approval of the City's legal counsel, to issue and sell one or more issues of its revenue bonds, pursuant to the terms of the Act, in an aggregate principal amount sufficient to pay cost of the Project, currently estimated not to exceed $40,000,000.

(b) That subject to approval of the Mayor and City Council and approval of the City's legal counsel, it will adopt such proceedings, and authorize and direct the execution of such documents, and take such actions, as may be necessary or advisable to effect the authorization, issuance and sale of the bonds, and the financing of the Project for the Company, all as shall be authorized by the Act and mutually satisfactory to the Issuer and the Company.

(c) That the aggregate basic installment payments under the lease of other financing agreement with the Company shall be such amounts as shall be sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as and when the same shall become due and payable.

(d) That it will take such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings or as it may deem appropriate in pursuance thereof.

3. **Undertakings on the Part of the Company**. The Company agrees as follows:

(a) That it will use all reasonable efforts to find one or more purchaser for the bonds.

(b) That contemporaneously with the delivery of the bonds it will enter into a lease or other financing agreement with the Issuer, under the terms of which the Company will obligate itself to pay amounts sufficient in the aggregate to pay the principal of and interest and redemption premium, if any, on the bonds as and when the same shall become due and payable, any such agreement to contain such other provisions as shall be mutually acceptable to the Issuer and the Company.

(c) That it will take such further action and adopt such further proceedings as may be required to implement the aforesaid undertakings or as it may deem appropriate in pursuance thereof.

4. **General Provisions**.

(a) All commitments of the Issuer under paragraph 2 hereof and of the Company under paragraph 3 hereof are subject to the conditions that on or before twelve months from the date hereof (or such other date as shall be mutually satisfactory to the Issuer and the Company), the Issuer and the Company shall have agreed, subject to the absolute discretion of each party, to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the lease or other financing agreement referred to in paragraphs 2 and 3.

(b) If the events set forth in (a) of this paragraph do not take place within the time set forth therein or any extensions thereof and the bonds are not sold within such time, the Company will reimburse the Issuer for all fees, costs and expenses, including but not limited to the City's legal fees, which the Issuer incurs arising from the execution of this Agreement and the transactions contemplated hereunder, and this Agreement shall thereupon terminate.

(c) This Agreement and all of the rights and obligations hereunder of the Company may not be assigned by the Company without the express prior written consent of the Issuer. This Agreement and all of the rights hereunder of the Issuer may be assigned by the Issuer, with the consent of the Company, to any other municipality or political subdivision or agency of the State having power (either under the Act or other legislation or under the home rule powers of such assignee) to issue bonds for the purposes expressed herein and perform the other obligations of the Issuer hereunder.

(d) Any and all revenue bonds issued pursuant to this Agreement shall be payable solely and only out of payments made by or on behalf of the Company pursuant to the lease or other financing agreement between the issuer and the Company referred to in paragraphs 2 and 3 hereof. The revenue bonds shall never constitute or create a charge against the credit or taxing power of the Issuer, the State of Nebraska or any political subdivision or governmental unit thereof. Neither the faith and credit nor the taxing power of the Issuer, the State of Nebraska or any political subdivision or governmental unit thereof will be pledged to the payment of the principal of or premium, if any, or interest on the revenue bonds.

In Witness Whereof, the parties hereto have entered into this Agreement by their officers thereunto duly authorized as of __________________, 2007.

CITY OF LEXINGTON, NEBRASKA

By: ____________________________
Mayor

Attest:

____
City Clerk

CORNHUSKER ENERGY LEXINGTON, LLC

By: ____________________________

Attest:

____

I, Joe Pepplitsch, being first duly sworn, do hereby depose and certify that I am the duly qualified and acting City Clerk of the City of Lexington, Nebraska; that as such I have in my possession, or have access to, the complete corporate records of the City of Lexington, Nebraska and of its City Council; that I have carefully compared this transcript hereto attached with the aforesaid corporate records; and that said transcript hereto attached is a true, correct and complete copy of all of the corporate records showing the action taken by the City Council of the City of Lexington, Nebraska on ___________________, 2007, to authorize the execution of a Memorandum of Agreement by and between Cornhusker Energy Lexington, LLC, a Nevada limited liability corporation, and the City of Lexington, Nebraska, providing for the issuance of revenue bonds by the City of Lexington, Nebraska for Cornhusker Energy Lexington, LLC.

Witness my hand and the corporate seal of the City of Lexington, Nebraska hereto affixed, this ________ day of ________________, 2007

____
City Clerk of the City of Lexington, NE

[Seal]