GREEN PLAINS RENEWABLE ENERGY, INC.
Form 10-Q
November 10, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 2009

Commission File Number 001-32924

Green Plains Renewable Energy, Inc.

(Exact name of registrant as specified in its charter)

Iowa	**84-1652107**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9420 Underwood Avenue, Suite 100

Omaha, NE 68114

(Address of principal executive offices, including zip code)

(402) 884-8700

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer £ Accelerated filer £ Non-accelerated filer S Smaller reporting company £

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

The number of shares of common stock, par value $0.001 per share, outstanding as of November 2, 2009 was 24,964,389 shares.

TABLE OF CONTENTS

GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	September 30, 2009 (unaudited)	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 69,101	$ 64,894
Accounts receivable, net of allowances of $401 and $174, and including amounts from related parties of $3,107 and $2,177, respectively	57,443	54,306
Inventories	51,204	47,033
Prepaid expenses and other	5,876	13,069
Deposits	11,364	12,752
Derivative financial instruments	3,683	970
Total current assets	198,671	193,024
Property and equipment, net	604,268	495,772
Investment in unconsolidated subsidiaries	1,229	1,377
Goodwill	5,338	-
Financing costs and other, net	12,831	2,948
Total assets	$ 822,337	$ 693,121
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable, including amounts to related parties of $1,321 and $9,824, respectively	$ 41,637	$ 61,766

Accrued liabilities		12,347		14,595
Unearned revenue		13,278		-
Derivative financial instruments		7,090		4,538
Current maturities of long-term debt		57,177		27,405
Total current liabilities		131,529		108,304
Long-term debt		400,097		299,011
Other liabilities		5,221		5,821
Total liabilities		536,847		413,136
Stockholders' equity				
Common stock, $0.001 par value; 50,000,000 shares authorized;				
24,954,639 and 24,659,250 shares issued and outstanding, respectively		25		25
Additional paid-in capital		291,412		290,421
Accumulated deficit		(13,719)		(10,459)
Accumulated other comprehensive loss		(255)		(298)
Total Green Plains stockholders' equity		277,463		279,689
Noncontrolling interests		8,027		296
Total stockholders' equity		285,490		279,985
Total liabilities and stockholders' equity	$	822,337	$	693,121

See accompanying notes to the condensed consolidated financial statements.

GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited and in thousands, except per share amounts)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues				
Ethanol	$ 286,845	$ 4,854	$ 654,810	$ 5,113
Distillers grains	41,762	424	110,853	424
Grain	22,373	-	61,058	-
Agronomy products	5,732	-	30,701	-
Other	5,011	-	10,038	-
Total revenues	361,723	5,278	867,460	5,537
Cost of goods sold	340,321	7,381	829,296	7,546
Gross profit	21,402	(2,103)	38,164	(2,009)
Selling, general and administrative expenses	10,648	2,562	30,413	5,976
Operating income (loss)	10,754	(4,665)	7,751	(7,985)
Other income (expense)				
Interest income	18	16	145	29
Interest expense, net of amounts capitalized	(5,657)	(51)	(12,001)	(119)
Other, net	245	101	752	98
Total other income (expense)	(5,394)	66	(11,104)	8
Income (loss) before income taxes	5,360	(4,599)	(3,353)	(7,977)
Income tax provision (benefit)	(189)	-	(189)	-
Net income (loss)	5,549	(4,599)	(3,164)	(7,977)
Net (income) loss attributable to noncontrolling interests	(95)	723	(96)	1,143
Net income (loss) attributable to Green Plains	$ 5,454	$ (3,876)	$ (3,260)	$ (6,834)

Earnings (loss) per share:				
Income attributable to Green Plains stockholders - basic	$ 0.22	$ (0.52)	$ (0.13)	$ (0.91)
Income attributable to Green Plains stockholders - diluted	$ 0.22	$ (0.52)	$ (0.13)	$ (0.91)
Weighted average shares outstanding:				
Basic	24,955	7,498	24,921	7,498
Diluted	24,995	7,498	24,921	7,498

See accompanying notes to the condensed consolidated financial statements.

GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

	Nine Months Ended September 30,	
	2009	**2008**
Cash flows from operating activities:		
Net loss	$ (3,164)	$ (7,977)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	21,262	50
Unrealized gains on derivative financial instruments	(5)	(1,404)
Stock-based compensation expense	695	277
Allowance for doubtful accounts	401	-
Changes in operating assets and liabilities:		
Accounts receivable	347	-
Inventories	(2,618)	(13,412)
Deposits	1,388	-
Derivative financial instruments	51	1,404
Prepaid expenses and other assets	8,063	(9,144)
Accounts payable and accrued liabilities	(26,727)	10,507
Unearned revenues	13,278	-
Other	(1,174)	-
Net cash provided (used) by operating activities	11,797	(19,699)
Cash flows from investing activities:		
Purchases of property and equipment	(7,818)	(115,207)
Acquisition of business, net of cash acquired	(3,720)	-
Withdrawal of restricted cash	-	2,701
Other	(108)	(32)

Net cash used by investing activities		(11,646)		(112,538)
Cash flows from financing activities:				
Proceeds from the issuance of debt		283,002		-
Payments of principal on long-term debt		(277,035)		-
Proceeds from notes payable		-		133,199
Proceeds from exercises of stock options		33		-
Capital contributions		-		4,959
Payments of loan fees		(1,944)		(1,762)
Net cash provided by financing activities		4,056		136,396
Net change in cash and equivalents		4,207		4,159
Cash and cash equivalents, beginning of period		64,894		1,774
Cash and cash equivalents, end of period	$	69,101	$	5,933

Continued on the following page

GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

Continued from the previous page

	Nine Months Ended September 30,			
	2009		2008	
Supplemental disclosures of cash flow:				
Cash paid for income taxes	$	-	$	-
Cash paid for interest	$	10,546	$	61
Noncash additions to property and equipment:				
Property and equipment acquired in acquisitions	$	121,992	$	-
Capital lease obligations incurred for equipment		852		302
Total noncash additions to property and equipment	$	122,844	$	302
Supplemental noncash investing and financing activities:				
Assets acquired in acquisitions	$	140,325	$	-
Less: liabilities assumed		(8,215)		-
Total noncash investing and financing activities	$	132,110	$	-

See accompanying notes to the condensed consolidated financial statements.

GREEN PLAINS RENEWABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References to the Company

References to we, us, our, Green Plains or the Company in the condensed consolidated financial statements these notes to the condensed consolidated financial statements refer to Green Plains Renewable Energy, Inc., an Iowa corporation, and its subsidiaries.

Reverse Acquisition Accounting

VBV LLC (VBV) and its subsidiaries became wholly-owned subsidiaries of Green Plains Renewable Energy, Inc. pursuant to a merger on October 15, 2008. Under the purchase method of accounting in a business combination effected through an exchange of equity interests, the entity that issues the equity interests is generally the acquiring entity. In some business combinations (commonly referred to as reverse acquisitions), however, the acquired entity issues the equity interests. The Company considered the facts and circumstances surrounding the business combination, including the relative ownership and control of the entity by each of the parties subsequent to the merger. Based on a review of these factors, the October 2008 merger with VBV (the Merger) was accounted for as a reverse acquisition (i.e., Green Plains was considered the acquired company and VBV was considered the acquiring company).

As a result, Green Plains assets and liabilities as of October 15, 2008, the date of the Merger closing, have been incorporated into VBV s balance sheet based on the fair values of the net assets acquired, which equaled the consideration paid for the acquisition. In addition, the Company allocated the acquisition consideration to individual assets and liabilities including tangible assets and financial assets. Further, the Company s operating results (post-Merger) include VBV s operating results prior to the date of closing and the results of the combined entity following the closing of the Merger. Although VBV was considered the acquiring entity for accounting purposes, the Merger was structured so that VBV became a wholly-owned subsidiary of Green Plains Renewable Energy, Inc.

Change in Fiscal Year End

Effective April 1, 2008, to more closely align our year end with that of the majority of our peer group, we changed our year end to December 31 (from VBV s fiscal year end of March 31).

Condensed Consolidated Financial Statements

In the consolidated financial statements and the notes thereto, all references to the three and nine months ended September 30, 2008 are related to VBV and its subsidiaries as the predecessor company pursuant to reverse acquisition accounting rules. Although pre-merger Green Plains had been producing ethanol since August 2007, under reverse acquisition accounting rules, the merged Company s consolidated financial statements reflect VBV s results as a development stage company (from inception on September 28, 2006 until September 2008) and as an operating company since September 2008. Accordingly, the Company s comparative operating results (post-Merger) include the operating results of VBV and its subsidiaries prior to the date of the Merger and the results of the combined entity following the closing of the Merger.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. Certain amounts previously reported have been reclassified to conform to the current quarter presentation.

The accompanying consolidated balance sheet as of December 31, 2008, which has been derived from our audited consolidated financial statements as filed in our annual report for the transition period then ended and the unaudited interim condensed consolidated financial statements, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), and include the accounts of the Company and its wholly-owned subsidiaries. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been omitted pursuant to those rules and regulations. The condensed consolidated financial statements at September 30, 2009, and for the three and nine months ended September 30, 2009 and 2008, are unaudited and reflect all adjustments of a normal recurring nature, except as otherwise disclosed herein, which are, in the opinion of management, necessary for a fair presentation, in all material respects, of the consolidated financial position, results of operations and cash flows for the interim periods. The results of the interim periods are not necessarily indicative of the results for the full year. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in our Form 10-KT and any amendments thereto as filed with the SEC and notes thereto and risk factors contained therein for the nine-month transition period ended December 31, 2008.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Description of Business

Green Plains was formed in June 2004 to construct and operate dry mill, fuel grade ethanol production facilities. Ethanol is a renewable, environmentally clean fuel source that is produced at numerous facilities in the United States, mostly in the Midwest. In the U.S., ethanol is produced primarily from corn and then blended with unleaded gasoline in varying percentages.

VBV was formed in September 2006 to capitalize on biofuels opportunities available within the United States. The goal was to create a company in the ethanol business with an integrated network combining production, distribution and marketing. VBV purchased controlling interest in two development stage ethanol plants: Indiana Bio-Energy, LLC, now known as Green Plains Bluffton LLC, and Ethanol Grain Processors, LLC, now known as Green Plains Obion LLC. Both plants were designed as dry mill, natural gas fired ethanol plants.

To add shareholder value, Green Plains expanded its business operations beyond ethanol production to integrate a full-service grain and agronomy business, ethanol marketing services and terminal and distribution assets. As discussed above, under reverse acquisition accounting rules, VBV was considered the acquiring company in the October 2008 Merger.

Ethanol Production Segment

Operations commenced at our Shenandoah, IA plant in August 2007, and at our Superior, IA plant in July 2008. Each of these ethanol plants has expected production capacity of 55 million gallons per year (mmgy). In September 2008 and November 2008, respectively, the Bluffton, IN and Obion, TN facilities commenced ethanol production activities, each with expected production capacity of 110 mmgy. Operations commenced at our Ord, NE and Central City, NE plants during July 2009 adding 50 and 100 mmgy of expected production capacity. At full capacity, the combined expected ethanol production of our six facilities is 480 million gallons per year. Processing at full capacity will consume approximately 175 million bushels of corn and produce approximately 1.5 million tons of distillers grains.

Marketing and Distribution Segment

The Company has an in-house fee based marketing business, Green Plains Trade Group LLC (Green Plains Trade), a wholly-owned subsidiary of the Company. Green Plains Trade is now responsible for the sales, marketing and distribution of all ethanol produced at our six production facilities. Green Plains Trade also provides ethanol marketing services to other producers in the ethanol industry. We have entered into several ethanol marketing agreements with third parties, including a new agreement entered into during the third quarter of 2009. Pursuant to such agreements, the Company has agreed to market substantially all of the ethanol that is expected to be produced by such parties for the term of each contract. Annual production from these third-party plants is now expected to be approximately 360 mmgy. Our plan is to continue to expand our third-party ethanol marketing operations.

In January 2009, the Company acquired majority interest in Blendstar LLC, a Houston-based biofuel terminal operator with six facilities operating in five states. Green Plains owns 51% of Blendstar (see *Note 4 Acquisition* for further discussion related to this acquisition).

Agribusiness Segment

In April 2008, Green Plains acquired Great Lakes Cooperative, a full-service cooperative that specializes in grain, agronomy, feed and petroleum products with seven locations in northwestern Iowa. Now known as Green Plains Grain Company LLC (Green Plains Grain), this business complements the ethanol plants in its grain handling and marketing, as well as grain procurement required in ethanol processing.

Revenue Recognition

We recognize revenue when all of the following criteria are satisfied: persuasive evidence of an arrangement exists; risk of loss and title transfer to the customer; the price is fixed and determinable; and collectability is reasonably assured.

Previously, the Company sold ethanol and distillers grains in-house and via independent marketers. These independent marketers were our customers for purposes of revenue recognition. Specifically, Green Plains Superior LLC, Green Plains Bluffton and Green Plains Obion each had contracted with independent marketers to purchase all of their ethanol production. These independent marketers were responsible for subsequent sales, marketing, and shipping of the ethanol and distillers grains. Accordingly, once the ethanol or distillers grains were loaded into rail cars and bills of lading were generated, the criteria for revenue recognition were considered to be satisfied and sales were recorded. The agreements with these independent marketers terminated in January 2009 and February 2009.

Green Plains Trade is now responsible for the sales, marketing and distribution of all ethanol produced at the Company s six production facilities. For sales of ethanol and distillers grains by Green Plains Trade, revenue is recognized when title to the product and risk of loss transfer to an external customer. Unearned revenue is reflected on our consolidated balance sheet for goods in transit for which title has not transferred to the external customer. Intercompany revenues are eliminated on a consolidated basis for reporting purposes.

Revenues related to our marketing operations for third parties are recorded on a gross basis in the consolidated financial statements, as Green Plains Trade takes title to the product and assumes risk of loss. For distillers grains sold to local farmers, bills of lading are generated and signed by the driver for outgoing shipments, at which time sales are recorded. Revenues from Blendstar, which offers ethanol transload and splash blending services, are recognized as these services are rendered.

The Company routinely enters into fixed-price, physical-delivery ethanol sales agreements. In certain instances, the Company intends to settle the transaction by open market purchases of ethanol rather than by delivery from its own production. These transactions are reported net as a component of revenues.

Sales of agricultural commodities, fertilizers and other similar products are recognized when title to the product and risk of loss transfer to the customer, which is dependent on the agreed upon sales terms with the customer. These sales terms provide for passage of title either at the time shipment is made or at the time the commodity has been delivered to its destination and final weights, grades and settlement prices have been agreed upon with the customer. Shipping and handling costs are included as a component of cost of goods sold. Revenues from grain storage are recognized as services are rendered. Revenues related to grain merchandising are presented gross.

Cost of Goods Sold

Cost of goods sold includes costs for direct labor, materials and certain plant overhead costs. Direct labor includes all compensation and related benefits of non-management personnel involved in the operation of our ethanol plants. Grain purchasing and receiving costs, other than labor costs for grain buyers and scale operators, are also included in cost of goods sold. Direct materials consist of the costs of corn feedstock, denaturant, and process chemicals. Corn feedstock costs include realized and unrealized gains and losses on related derivative financial instruments, inbound freight charges, inspection costs and internal transfer costs. Plant overhead costs primarily consist of plant utilities, plant depreciation, sales commissions and outbound freight charges. Shipping costs incurred directly by us, including railcar lease costs, are also reflected in cost of goods sold. Throughput and unloading fees incurred by Blendstar are recognized as these services are rendered.

We use exchange-traded futures and options contracts to minimize the effects of changes in the prices of agricultural commodities on our agribusiness grain inventories and forward purchase and sales contracts. Exchange-traded futures and options contracts are valued at quoted market prices. Commodity inventories, forward purchase contracts and forward sale contracts are valued at market prices, where available, or other market quotes adjusted for differences, primarily transportation, between the exchange-traded market and the local markets on which the terms of the contracts are based. Changes in the market value of grain inventories, forward purchase and sale contracts, and exchange-traded futures and options contracts, are recognized in earnings as a component of cost of goods sold. These contracts are predominantly settled in cash. We are exposed to loss in the event of non-performance by the counter-party to forward purchase and forward sales contracts.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 167, Amendments to FASB Interpretation No. 46(R) , which amends certain concepts related to consolidation of variable interest entities. SFAS No. 167 replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. SFAS No. 167 is effective for interim and annual periods beginning after November 15, 2009. We are analyzing the effect of adoption of SFAS No. 167.

In June 2009, the FASB issued SFAS No. 166 Accounting for Transfers of Financial Assets an Amendment of FASB Statement No. 140, that relates to accounting for transfers of financial assets. SFAS No. 166 improves the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a continuing interest in transferred financial assets. In addition, this guidance amends various ASC concepts with respect to accounting for transfers and servicing of financial assets and extinguishments of liabilities, including removing the concept of qualified special purpose entities. SFAS No. 166 is effective for interim and annual reporting periods that begin after November 15, 2009. SFAS No. 166 must be applied to transfers occurring on or after the effective date. We are still analyzing the effects of adoption of SFAS No. 166.

In June 2009, the FASB issued FASB Accounting Standards Update (ASU) 2009-01 Topic 105 Generally Accepted Accounting Principles amendments based on the Statement of Financial Accounting Standards No. 168 - The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. ASU 2009-01 establishes the FASB Accounting Standards Codification as the single source of authoritative nongovernmental U.S. generally accepted accounting principles. ASU 2009-01 is effective for interim and annual periods ending after September 15, 2009. The adoption of this standard did not have a material impact on our financial statements.

In August, 2009, the FASB issued ASU 2009-05, Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value, which amends Subtopic 820-10, Fair Value Measurements and Disclosures Overall. ASU 2009-05 provides clarification for circumstances in which a quoted price in an active market for the identical liability is not available. The Company adopted ASU 2009-05 during the quarter ended September 30, 2009, and its application had no impact on the Company s consolidated financial statements.

In October, 2009, the FASB issued ASU 2009-13, Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements, which amends Subtopic 605-25. ASU 2009-13 addresses the accounting for multiple-deliverable arrangements and enables companies to account for products or services (deliverables) separately as opposed to a combined unit. ASU 2009-13 is effective for fiscal year ends beginning on or after June 15, 2010. The Company does not expect ASU 2009-13 to have a material impact on our financial statements or disclosures.

2. FAIR VALUE DISCLOSURES

The following methods and assumptions were used in estimating the fair value of the Company s financial instruments:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 1 assets and liabilities include cash and cash equivalents, deposits on margin accounts and exchange-traded derivative contracts.

Level 2 Inputs other than quoted prices included within Level 1 - directly or indirectly observable inputs such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and other inputs that are observable or can be substantially corroborated by observable market data by correlation or other means. Level 2 assets and liabilities include commodity inventories and contracts.

Level 3 Unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. The Company currently does not have any Level 3 financial instruments.

The following table sets forth the Company s assets and liabilities by level that were accounted for at fair value as of September 30, 2009 (in thousands):

	Fair Value Measurements at September 30, 2009		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Assets			
Cash and cash equivalents	$ 69,101	$ -	$ 69,101
Margin deposits	3,055	-	3,055
Inventories carried at market	-	3,044	3,044
Unrealized gains on derivatives	3,153	561	3,714
Total assets measured at fair value	$ 75,309	$ 3,605	$ 78,914
Liabilities			
Unrealized losses on derivatives	$ 610	$ 6,666	$ 7,276
Interest rate swap	-	246	246
Total liabilities measured at fair value	$ 610	$ 6,912	$ 7,522

3. BUSINESS COMBINATION

In May 2008, definitive merger agreements were entered into by Green Plains and VBV. At that time, VBV held majority interest in two companies that were constructing ethanol plants. These two companies were Indiana Bio-Energy, LLC (IBE) of Bluffton, IN, an Indiana limited liability company which was formed in December 2004; and Ethanol Grain Processors, LLC, (EGP) of Obion, TN, a Tennessee limited liability company which was formed in October 2004. The Merger was completed on October 15, 2008. VBV and its subsidiaries became wholly-owned subsidiaries of Green Plains. Pursuant to the terms of the Merger, equity holders of VBV, IBE and EGP received Green Plains common stock and options totaling 11,139,000 shares. Upon closing of the Merger, VBV, IBE and EGP were merged into subsidiaries of Green Plains. IBE has been renamed as Green Plains Bluffton LLC and EGP has been renamed as Green Plains Obion LLC. Simultaneously with the closing of the Merger, NTR plc (NTR), a leading international developer and operator in renewable energy and sustainable waste management and majority equity holder of VBV prior to the Merger, through its wholly-owned subsidiaries, invested $60.0 million in Green Plains common stock at a price of $10 per share, or an additional 6.0 million shares. With this investment, NTR is our largest shareholder. This additional investment is being used for general corporate purposes and to finance acquisitions.

Since the Merger occurred toward the end of our fiscal year and involved complex legal and accounting issues, Green Plains performed a tentative allocation of the purchase price using preliminary estimates of the values of the assets and liabilities. We engaged an expert to assist in the determination of the purchase price allocation. The final purchase price allocation, which was completed and recorded during the second quarter of 2009, did not result in material changes to the amounts tentatively recorded in our consolidated financial statements.

4. ACQUISITIONS

Acquisition of Blendstar LLC

On January 1, 2009, the Company acquired majority interest in Blendstar LLC, a biofuel terminal operator. The transaction involved a membership interest purchase whereby Green Plains acquired 51% of Blendstar from Bioverda U.S. Holdings LLC, an affiliate of NTR, for $8.9 million. The purchase price is comprised of a $7.5 million January 2009 payment and the assumption of a liability to the former owners of this 51% interest, payable in three annual installments of $0.5 million, beginning in July 2009. These future annual payments were recorded in debt at a present value of $1.4 million. The fair value of the noncontrolling interest was based on an equivalent unit price after consideration of a control premium of approximately $900,000.

Preliminary amounts of identifiable assets

acquired and liabilities assumed (in thousands)

Current assets	$	5,682
Property and equipment, net		7,437
Other noncurrent assets		3,136
Current liabilities		(4,849)
Total identifiable net assets		11,406
Noncontrolling interest in Blendstar		(7,891)
Goodwill		5,338
Purchase price paid	$	8,853

The amounts above are preliminary purchase price allocations. Upon completion of the final appraisal, the recorded asset and liability amounts will be finalized. We expect the finalization of the purchase price allocation to occur during the fourth quarter of 2009.

The acquisition of Blendstar is a strategic investment within the ethanol value chain. Blendstar operates terminal facilities in Oklahoma City, OK, Little Rock, AR, Nashville, TN, Knoxville, TN, Louisville, KY and Birmingham, AL and has announced commitments to build terminals in two additional cities (Collins, MS and Bossier City, LA). Blendstar facilities currently have splash blending and full-load terminal throughput capacity of over 200 million gallons per year. Blendstar s operations are included in the Marketing and Distribution segment.

Acquisitions of Ord and Central City Ethanol Plants

On July 2, 2009, the Company, pursuant to two Membership Interest Purchase Agreements (the Purchase Agreements) with AgStar Financial Services as Seller agent, and certain other entities (the Sellers), acquired all of the membership interests in RBF Acquisition VI, LLC (RBF VI) and RBF Acquisition II, LLC (RBF II), two limited liability companies that own ethanol plants in Ord, NE and Central City, NE, respectively from a lender group led by Ag Star (the Lenders). RBF VI and RBF II were renamed at closing to Green Plains Ord LLC and Green Plains

Central City LLC, respectively. The results of Green Plains Ord and Green Plains Central City s operations have been included in the consolidated financial statements since July 2, 2009.

Pursuant to the terms of the respective Purchase Agreements, the Company acquired the membership interests of RBF VI for a purchase price of $36.5 million and the membership interests of RBF II for a purchase price of $84.2 million. The Lenders provided debt financing to fund the purchase and $16.0 million in seasonal revolving loans to provide working capital for the plants. The Ord and Central City facilities have annual expected operating capacities of 50 million and 100 million gallons, respectively. These facilities, which are a part of our Ethanol Production segment, were acquired to add to the Company s overall ethanol and distillers grain production.

Preliminary amounts of identifiable assets acquired and

liabilities assumed (in thousands)

		Green Plains Ord		Green Plains Central City
Current assets	$	1,956	$	2,982
Property and equipment, net		35,222		79,333
Other noncurrent assets		1,189		3,388
Current liabilities		(1,851)		(1,515)
Total identifiable net assets (purchase price paid)	$	36,516	$	84,188

The amounts above are preliminary purchase price allocations. Upon completion of the final appraisal, which we do not believe will materially impact the preliminary amounts shown above, the recorded asset and liability amounts will be finalized. We expect the finalization of the purchase price allocation to occur during the fourth quarter of 2009.

Since the acquisition date, Green Plains Ord has had $15.9 million in revenue and $1.1 million in net income and Green Plains Central City has had $27.1 million in revenue and $2.8 million in net income. It is impracticable for the Company to present supplemental pro forma information related to the acquisitions of Green Plains Central City and Green Plains Ord. These ethanol production facilities were part of a larger consolidated company before their acquisition by the Sellers in early 2009. From the date of the acquisition by the Sellers to the date of our acquisition in July 2009 the plants were not operating and generated no revenue or income. The predecessor owner did not maintain separate financial statements for these two facilities, and any attempt by us to present pro forma information (revenue and earnings on a pro forma combined basis for the nine months ended September 30, 2008 and 2009) would be based on speculative historical results for those facilities rather than actual operating results.

5. SEGMENT INFORMATION

The Company s management reviews our operations in three separate operating segments. These segments are: (1) production of ethanol and related co-products (which we collectively refer to as Ethanol Production), (2) grain warehousing and marketing, as well as sales and related services of agronomy and petroleum products (which we collectively refer to as Agribusiness), and (3) marketing and distribution of Company-produced and third-party ethanol and distillers grains (which we refer to as Marketing and Distribution). Corporate operating expenses, primarily consisting of compensation, professional fees and overhead costs not directly related to a specific operating segment, are reflected in the table below as corporate activities.

During the normal course of business, our segments enter into transactions with one another. Examples of these intersegment transactions include, but are not limited to, Ethanol Production segment selling ethanol to the Marketing and Distribution segment and the Agribusiness segment selling grain to the Ethanol Production segment. These intersegment activities are recorded by each segment at prices approximating market and treated as if they are third-party transactions. Consequently, these transactions impact segment performance. However, revenues and corresponding costs are eliminated in consolidation, and do not impact consolidated results.

The following are revenues, gross profit and operating income (loss) for our operating segments for the periods indicated (in thousands):

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues:				
Ethanol Production	$ 205,808	$ 424	$ 495,365	$ 424
Agribusiness	44,579	-	149,547	-
Marketing and Distribution	317,915	4,854	727,477	5,113
Intersegment eliminations	(206,579)	-	(504,929)	-
	$ 361,723	$ 5,278	$ 867,460	$ 5,537
Gross profit:				
Ethanol Production	$ 16,131	$ (1,817)	$ 18,034	$ (1,817)
Agribusiness	1,876	-	11,965	-
Marketing and Distribution	3,389	(286)	8,071	(192)
Intersegment eliminations	6	-	94	-
	$ 21,402	$ (2,103)	$ 38,164	$ (2,009)
Operating income (loss):				
Ethanol Production	$ 13,509	$ (2,717)	$ 11,782	$ (3,327)
Agribusiness	(1,093)	-	3,062	-
Marketing and Distribution	1,204	(286)	1,237	(192)
Intersegment eliminations	6	-	94	-
Corporate activities	(2,872)	(1,662)	(8,424)	(4,466)
	$ 10,754	$ (4,665)	$ 7,751	$ (7,985)

		September 30, 2009	December 31, 2008
Total assets:			
	Ethanol Production	$ 682,200	$ 537,843
	Agribusiness	59,140	77,384
	Marketing and Distribution	61,314	33,867
	Corporate assets	20,238	48,128
	Intersegement eliminations	(555)	(4,156)
		$ 822,337	$ 693,066

In June 2008, VBV established a marketing and distribution business unit whereby VBV purchased, sold and marketed ethanol. In September 2008, Green Plains Bluffton commenced operations; results are reflected in the Ethanol Production segment above.

Previously, Green Plains Superior, Green Plains Bluffton and Green Plains Obion had contracted with third-party marketers to purchase all of their ethanol production. Under the agreements, we sold our ethanol production exclusively to them at a price per gallon based on a market price at the time of sale, less certain marketing, storage, and transportation costs, as well as a profit margin for each gallon sold. These agreements terminated in January and February 2009. Following completion of the Merger and prior to the termination of the agreements, nearly all of our ethanol that was sold to one of the third-party marketers was repurchased by Green Plains Trade, reflected in the Marketing and Distribution segment, and resold to other customers. Corresponding revenues and related costs of goods sold were eliminated in consolidation (see intersegment eliminations above).

6. INVENTORIES

The components of inventories are as follows (in thousands):

	September 30, 2009	December 31, 2008

Petroleum & agronomy items held for sale (1)	$	10,552	$	15,925
Grain held for sale (2)		3,044		10,574
Raw materials		14,160		9,503
Work-in-process		5,336		7,371
Finished goods		15,659		2,171
Supplies and parts		2,453		1,489
	$	51,204	$	47,033

(1) Fertilizer is carried at lower of cost or market.

(2) Readily marketable inventories at fair value are agricultural commodities inventories that are convertible to cash due to their commodity characteristics and widely available markets.

7. PROPERTY AND EQUIPMENT

The components of property and equipment are as follows (in thousands):

September 30, 2009