AVENTINE RENEWABLE ENERGY HOLDINGS INC
Form S-1/A
July 11, 2006

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As filed with the Securities and Exchange Commission on July 10, 2006

Registration No. 333-132881

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 To

FORM S-1

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

AVENTINE RENEWABLE ENERGY HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**2869**	**05-0569368**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

**1300 South 2nd Street
Pekin, IL 61555
(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.
1300 South 2nd Street
Pekin, IL 61555
(309) 347-9200**

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

Copies to:

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

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ý

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. o__________

If this form is a post-effective amendment filed pursuant to Rule 462(c) 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__________

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__________

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.

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 state where the offer or sale is not permitted.

Subject to completion dated .

Prospectus

Aventine Renewable Energy Holdings, Inc.

21,179,025 Shares

Common Stock

Aventine Renewable Energy Holdings, Inc., a Delaware corporation, is a leading producer and marketer of ethanol in the United States, with production facilities in Illinois and Nebraska.

This prospectus relates to up to 21,179,025 shares of our common stock which may be offered for sale by the selling stockholders named in this prospectus or in a supplement hereto. The selling stockholders acquired the shares of common stock offered by this prospectus in private equity placements. We are registering the offer and sale of the shares of common stock to satisfy registration rights we have granted.

We are not selling any shares of common stock under this prospectus and will not receive any proceeds from the sale of common stock by the selling stockholders. The shares of common stock to which this prospectus relates may be offered and sold from time to time directly from the selling stockholders or alternatively through underwriters or broker dealers or agents. The shares of common stock may be sold in one or more transactions, at fixed prices, at prevailing market prices at the time of sale or at negotiated prices. Please read "Plan of Distribution."

Our common stock is listed on The New York Stock Exchange under the symbol "AVR." The last reported sales price of our common stock on the New York Stock Exchange on July 7, 2006 was $39.95 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 11 of this prospectus for some risks regarding an investment in our common stock.

You should rely only on the information contained in this prospectus or any prospectus supplement or amendment. We have not authorized anyone to provide you with different information. We and the selling stockholders are not making an offer of these securities in any state where the offer is not permitted.

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

The date of this prospectus is .

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See "Risk Factors" beginning on page 11 for a description of some important factors relating to an investment in the shares of our common stock offered by this prospectus, including information about our business. We are not making any representation to you regarding the legality of an investment by you under appropriate investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the shares of our common stock.

INDUSTRY AND MARKET INFORMATION AND FORECASTS

We obtained the industry, market and competitive position data and forecasts used throughout this prospectus from our own research, internal surveys and surveys or studies conducted by third parties, independent industry or general publications and other publicly available information. In particular, we have based much of our discussion of the ethanol industry, including government regulation relevant to the industry and forecasted growth in demand, on information published by the Renewable Fuels Association ("RFA"), the national trade association for the United States ethanol industry, of which Ronald H. Miller, our President and Chief Executive Officer, is Chairman. Independent industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Further, because the RFA is a trade organization for the ethanol industry, it may present information in a manner that is more favorable to the ethanol industry than would be presented by an independent source. While we believe that each of these studies and publications is reliable, we have not independently verified such data. Forecasts are particularly likely to be inaccurate, especially over long periods of time. For example, in 1983, the United States Department of Energy forecast that oil would cost $75 per barrel in 1995. In 1995, however, the price of oil was actually $17 per barrel. Similarly, we believe our internal research is reliable, but it has not been verified by any independent sources.

AVAILABLE INFORMATION

We have filed with the SEC, under the Securities Act, a registration statement on Form S-1 with respect to the common stock offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement, portions of which are omitted as permitted by the rules and regulations of the SEC. Statements made in this prospectus regarding the contents of any contract or other documents are summaries of the material terms of the contract or document. With respect to each contract or document filed as an exhibit to the registration statement, reference is made to the corresponding exhibit. For further information pertaining to us and to the common stock offered by this prospectus, reference is made to the registration statement, including the exhibits and schedules thereto, copies of which may be inspected without charge at the public reference facilities at the SEC at 100 F Street, NE, Washington, D.C. 20549. Copies of all or any portion of the registration statement may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website that contains reports, proxy and information statements and other information that is filed electronically with the SEC. The web site can be accessed at www.sec.gov.

After effectiveness of the registration statement, which includes this prospectus, we will be required to comply with the informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and, accordingly, will file current reports on Form 8-K, quarterly reports on Form 10-Q, annual reports on Form 10-K, proxy statements and other information with the SEC. Those reports, proxy statements and other information will be available for inspection and copying at the public reference facilities and internet site of the SEC referred to above.

FORWARD LOOKING STATEMENTS

All statements, other than statements of historical facts, included in this prospectus, are forward looking statements. In particular, statements that we make under the headings "Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business" relating to our overall volume trends, industry forces, margin trends, anticipated capital expenditures and our strategies are forward looking statements. When used in this document, the words "believe," "expect," "anticipate," "estimate," "project," "plan," "should," "would," "could" and similar expressions are intended to identify forward looking statements.

These statements are based on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward looking statements are not guarantees of our future performance and are subject to risks and uncertainties that could cause actual results, developments and business decisions to differ materially from those contemplated by such forward looking statements. We disclaim any duty to update any forward looking statements. 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 risk factors discussed under the heading "Risk Factors" and the following:

- changes in or elimination of laws, tariffs, trade or other controls or enforcement practices such as: national, state or local energy policy; federal ethanol tax incentives; regulation currently under consideration pursuant to the passage of the Energy Policy Act of 2005, which contains a renewable fuel standard and other legislation mandating the usage of ethanol or other oxygenate additives; state and federal regulation restricting or banning the use of Methyl Tertiary Butyl Ether, a fuel derived from methanol ("MTBE"); environmental laws and regulations applicable to our operations and the enforcement thereof;
- changes in weather and general economic conditions;
- overcapacity within the ethanol and petroleum refining industries;
- total United States consumption of gasoline;
- availability and costs of products and raw materials, particularly corn, coal and natural gas;
- labor relations;
- fluctuations in petroleum prices;
- 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;
- 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; and

other factors described elsewhere in this prospectus.

SUMMARY

This summary highlights information contained elsewhere in this prospectus. It does not contain all the information that you may consider important in making your investment decision. Therefore, you should read the entire prospectus carefully, including, in particular, the "Risk Factors" section and the consolidated financial statements and related notes appearing at the back of this prospectus.

As used in this prospectus, unless the context otherwise requires or indicates, references to "Aventine," "Aventine Renewable Energy Holdings, Inc," "Company," "we," "our," and "us," refer to Aventine Renewable Energy Holdings, Inc., and its subsidiaries, pro forma for this offering of common stock.

AVENTINE RENEWABLE ENERGY HOLDINGS, INC.

Business Overview

We are a leading producer and marketer of ethanol in the United States based both on the number of gallons produced and sold. Through our production facilities, marketing alliances with other producers and purchase and resale operations, we marketed and distributed 529.8 million gallons of ethanol in 2005 and 164.9 million gallons in the three months ended March 31, 2006. For the year ended December 31, 2005, we sold approximately 13.5% of the total ethanol volume in the United States. We market and distribute ethanol to many of the leading energy companies in the United States. 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 corn gluten feed, corn germ and brewers' yeast, which generate incremental revenue and recapture a portion of our corn costs. Our revenue and operating income for the year ended December 31, 2005 were $935.5 million and $65.9 million, respectively, and for the three months ended March 31, 2006 were $313.5 and $24.6 million, respectively.

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

Equity Production. We own and operate one of the few coal fired corn wet milling plants in the United States in Pekin, Illinois, which we refer to as the "Illinois facility," and 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. Our facilities have a combined total annual ethanol production capacity of 150.0 million gallons with corn processing capacity of approximately 56.0 million bushels per year. We are expanding our Illinois facility by adding a new dry mill facility, which we expect to complete in early 2007. We expect this prefunded expansion to increase our total annual production capacity by approximately 56.5 million gallons, or 37.7%, to 206.5 million gallons. (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.)

For the year ended December 31, 2005 and the three months ended March 31, 2006, we generated approximately $192.4 million and $55.3 million of revenue, respectively, from the sale of ethanol produced at our facilities, which we refer to as "equity production revenue." Although revenues from ethanol sourced from our equity production operations represented approximately 20.5% and 17.6% of our total revenues for the year ended December 31, 2005 and the three months ended March 31, 2006, respectively, equity production operations represented the substantial majority of our operating income.

For the year ended December 31, 2005 and the three months ended March 31, 2006, we also generated approximately $60.4 million and $14.8 million, respectively, of revenue from the sale of co-products and bio-products, allowing us to recapture approximately 44.6% of our aggregate corn costs.

Non-Equity Production. In addition to our equity production, we source ethanol from our marketing alliance and purchase ethanol from unaffiliated producers and marketers. These additional sources of ethanol enable us to meet major ethanol consumer needs by providing us with a nationwide market presence and leveraging our marketing expertise and distribution systems. We believe we have one of the largest marketing alliance networks in the ethanol industry which in 2005 allowed us to distribute 13.5% of total production in the United States. Two of our alliance partners (VeraSun Fort Dodge, LLC and VeraSun Aurora Corporation with annual ethanol production of 230.0 million gallons) have elected not to renew their marketing alliance agreement with us upon termination on March 31, 2007. Our marketing alliance partners pay us a commission of approximately 1% of net sales price. In addition they reimburse us for certain costs, including freight, storage, inventory carrying cost and indirect marketing costs.

We also purchase ethanol on an opportunistic basis from unaffiliated producers and marketers when we can leverage our infrastructure to derive additional profit. These transactions are driven by our ability to purchase ethanol and then, through our distribution network and customer relationships, to resell the ethanol at a premium price. The margin from such purchase and resale could be very volatile.

We generated approximately $553.6 million and $129.1 million of gross revenue from sales of gallons sourced from our marketing alliance and purchase and resale operations, respectively, in the year ended December 31, 2005 and $212.5 million and $30.9 million, respectively, in the three months ended March 31, 2006. Although revenues from our non-equity production represented approximately 73.0% and 77.6% of our total revenues for the year ended December 31, 2005 and the three months ended March 31, 2006, respectively, our non-equity production contribution to our operating income was limited.

Industry Overview

Ethanol is a grain alcohol, equivalent to that found in alcoholic beverages which is primarily used in the United States as gasoline blendstock since the 1930s. It is produced through the fermentation of starch and sugar based feedstocks and then denatured so it is not fit for human consumption.

According to industry reports, over 95.0% of domestic ethanol is produced from corn fermentation and as such is primarily produced in the Midwestern corn-growing states.

Ethanol is marketed across the United States as an oxygenate (meaning that it adds oxygen to the fuel mixture) to reduce vehicle emissions as part of federal and state clean fuel programs which require the use of oxygenated gasoline in areas with certain levels of air pollution. Ethanol is also marketed as an octane enhancer to improve vehicle performance and reduce engine knock. We believe substantially all United States ethanol production is currently used as a fuel additive in gasoline, while the remaining production is used for industrial purposes.

According to reports from the U.S. Environmental Protection Agency ("EPA") and others, due to their availability and cost, ethanol and MTBE are the two primary additives used to meet the federal oxygenate requirements. In recent years, there has been growing public concern about MTBE contamination of water supplies. These concerns have resulted in twenty-five states banning or significantly limiting the use of MTBE. See "Risk Factors Risks Relating to Our Business The United States 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."

On August 8, 2005, the Energy Policy Act of 2005 was adopted. The comprehensive energy legislation includes a nationwide renewable fuels standard ("RFS") and eliminates the oxygenate requirement for reformulated gasoline in the Reformulated Gasoline ("RFG") program included in the Clean Air Act. The RFS establishes minimum nationwide levels of renewable fuels (ethanol, biodiesel, which is a renewable fuel in which soy oil is blended with standard diesel fuel and other additives, or any other liquid fuel produced from biomass, which is plant matter such as trees, grasses, agricultural crops or other biological matter, or biogas, which is a combustible gas derived from decomposing biological waste) to be included in gasoline, increasing from 4.0 billion gallons of RFS mandated usage in 2006 to 7.5 billion gallons by 2012. The Renewable Fuels Association ("RFA") expects that ethanol should account for the largest share of renewable fuels produced and consumed under an RFS. According to the RFA, the existing United States ethanol production capacity was approximately 4.8 billion gallons and the capacity under construction was approximately 2.0 billion gallons as of June 2006. See "Risk Factors Risks Relating to Our Business The United States 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."

Competitive Strengths

We believe that our competitive strengths include the following:

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, 2005, we produced 134.3 million gallons, sold 413.2 million gallons of ethanol from non equity production, and added 17.7 million gallons of ethanol to our inventory for a total sales volume of 529.8 million gallons, representing approximately 13.5% of all ethanol sold in the United States during that period.

Diversified Supply Base. Our two facilities are diversified across geography, fuel source and technology, allowing us to capitalize on multiple opportunities and limit our exposure to any one input. We also generate revenue from multiple sources (equity (or produced), non-equity (or marketed but not produced) and co-products (or from our production)).

Extensive Distribution System. We control and operate an extensive distribution system 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 typically pay a higher price) and also allows us to use alternative modes of transportation from multiple supply points to obtain and 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 believe our extensive distribution system and the aggregate volumes we provide through our marketing alliances and purchase and 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 one of the lowest cost producers of ethanol in the United States. Our Illinois facility generates 58.0% of its own electricity and 93.0% 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 facility, through its wet mill production process, generates higher margin co-products and bio-products, which allowed us to recapture 55.3% of our corn cost in the year ended December 31, 2005, 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 36.7% of our total corn costs.

Experienced and Proven Management Team. 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 2001 and Vice Chairman from 2001 to 2005. Bobby L. Latham, the Chairman of our Board of Directors, previously ran a methanol (the raw material used to produce MTBE, a competing oxygenate) business for Morgan Stanley Capital Partners.

Business and Growth Strategy

We pursue the following business strategies:

Add Production Capacity to Meet Expected Demand for Ethanol. We are continually exploring opportunities to increase our production capacity, including through acquisitions, greenfield development (which is development on lands that have yet to be built upon outside of agriculture or forestry use) and brownfield development (which is the development of an abandoned, idled, or under-used industrial and commercial facility). In addition to the currently underway 56.5 million gallon dry mill expansion of our Pekin, Illinois facility which we expect to complete in early 2007, we are developing a further 110.0 million gallon dry mill expansion in Pekin which we expect to complete by the end of 2008. We also recently signed a letter of intent with the Aurora Cooperative to develop a second 220.0 million gallon plant adjacent to our Nebraska facility, which we anticipate completing by the end of 2009. Furthermore, we have entered into a non-binding letter of intent regarding a potential 220.0 million gallon brownfield development, which, if we decide to pursue, we believe could be completed in 2009. We recently entered into memorandums of understanding with a construction firm, Kiewit Energy Company, and a technology provider, Delta-T, pursuant to which they have agreed to enter into negotiations to design and build these three ethanol plants. Other than with respect to the 56.5 million gallon dry mill expansion of our Pekin, Illinois facility, we do not have environmental or other permits, designs or engineering, procurement and construction contracts with respect to any of such potential expansions and accordingly cannot assure you that they will be completed on a timely basis or at all or that we will realize the benefits we anticipate. In addition, we cannot be sure that we will be able to obtain additional financing for these transactions on attractive terms or at all.

Expand Marketing Alliances. We established our first marketing alliance in 2001 and through March 2006 have increased the program to twelve alliance contracts with third party plants that have the capacity to produce 490.0 million gallons of ethanol per year.

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, due to various political and regulatory factors, twenty-five states, notably California and New York, have banned or significantly limited the use of MTBE as a gasoline additive, and other states are expected to continue to follow, which may increase the demand for ethanol. Additionally, the Energy Policy Act of 2005 created the RFS which according to the RFA, is expected to increase demand for ethanol and other renewable fuels.

Research into Cellulosic Ethanol. As described by the RFA and in other reports, cellulosic plant biomass represents an untapped potential feedstock for the generation of fuel ethanol from renewable resources. Five years ago, we teamed up with Purdue University and the USDA's National Center for Agriculture Utilization Research in Peoria, Illinois to develop and scale up an efficient and economical pretreatment process for corn fiber and corn stover (the stalks and husks left over after harvest). Although the amount of funds we spent on research in this area in 2004 and 2005 (approximately $100,000) was minimal, we maintain our commitment to continue our research of the potential benefits associated with cellulosic ethanol.

Risks Associated with our Business

Our business is subject to numerous risks, as more fully described in the section entitled "Risk Factors." Our business is highly sensitive to corn prices and we generally cannot pass on increases in corn prices to our customers. Though the current spread between ethanol and corn prices is historically high, we do not expect it to continue at its current level. Moreover, 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. The United States 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.

We may not successfully acquire or develop additional production capacity. In addition, any acquisitions or greenfield developments we complete could dilute your ownership interest in us or have a material adverse effect on our financial condition and operating results. Moreover, our results of operations may be adversely affected by technological advances.

Metalmark Capital LLC

Through their ownership of Aventine Renewable Energy Holdings, LLC, which we refer to as "Aventine Holdings LLC," the MSCP funds beneficially own approximately 28.3% of our outstanding common stock. See "Principal Stockholders." Investment funds managed by Morgan Stanley Capital Partners have invested over $7.0 billion of equity capital across a broad range of industries during their 20-year history. In July 2004, Morgan Stanley Investment Management Inc. entered into definitive agreements under which Metalmark Subadvisor LLC, an affiliate of Metalmark Capital LLC ("Metalmark"), an independent private equity firm established by former principals of Morgan Stanley Capital Partners, manages the existing MSCP funds on a sub-advisory basis. As a result, Metalmark may be deemed to control our management and policies. Metalmark is expected to make new private equity investments across a broad range of industries, including its focus sectors of healthcare, energy and natural resources, financial services and industrials. Neither the MSCP funds nor Metalmark have any obligations with respect to the common stock nor any obligation to provide us with any financial support.

Organization

We are a Delaware corporation organized in February 2003. We and our predecessors have been engaged in the production and marketing of ethanol since 1981.

Recent Developments

Initial Public Offering

On July 5, 2006, we completed an initial public offering of 9,058,450 shares of our common stock, of which 6,410,256 shares were issued and sold by us and 2,648,194 were sold by selling stockholders. We received net proceeds from the sale of the common stock offered by us of approximately $260.6 million after deducting underwriting discounts and commission and estimated expenses. We intend to use $168.9 million of the net proceeds to finance our outstanding tender for all $160,000,000 aggregate principal amount of our outstanding senior secured floating rate notes due 2011 (including the payment of a tender premium and related fees and expenses). As of June 29, 2006, approximately 97% of the bonds had been tendered. We intend to use the remaining net proceeds for general corporate purposes, including the expansion of production capacity through acquisitions and construction of additional production capacity. We did not receive any of the proceeds from the sale of the shares of common stock by the selling stockholders.

April 2006 Letter of Intent with Aurora Cooperative

On April 24, 2006, we announced that we signed a letter of intent with the Aurora Cooperative to develop a 220.0 million gallon per year ethanol plant. The $300.0 million site will also include grain, fertilizer and seed warehouse facilities. The letter of intent is subject to a number of significant conditions, including the negotiation and approval of definitive documentation for the transaction.

December 2005 Private Placement

On December 30, 2005, we completed a private offering of 21,179,025 shares of our common stock exempt from registration under the Securities Act for $13.00 per share. We received net proceeds from that sale of approximately $256.1 million after deducting the initial purchasers' discount of approximately $19.3 million. We used all of the net proceeds of the offering to repurchase an equal number of shares of our common stock from our existing stockholders. Of the $1.8 million of offering expenses, $1.5 million were reimbursed by Metalmark and $0.3 million were paid and expensed by the Company.

General

Our corporate offices are located at 1300 South 2nd Street, P.O. Box 10, Pekin, IL 61555-0010. We were incorporated in Delaware in February 2003. Our website address is http://www.aventinerei.com and our telephone number is 309-347-9200. Information on our website is not incorporated into this prospectus and should not be relied upon in determining whether to make an investment in the common stock.

The Offering

Common stock offered by selling stockholders	21,179,025 shares(1)
Use of Proceeds	We will not receive any of the proceeds from the sale of the shares of common stock by the selling stockholders.
New York Stock Exchange symbol	AVR
Dividend Policy	We do not anticipate that we will pay cash dividends in the near future.

References in this prospectus to the number of shares offered, do not include 3,453,329 shares subject to outstanding options at a weighted average exercise price of $5.52 per share.

(1) See "Selling Stockholders" for more information on the selling stockholders.

Risk Factors

You should carefully consider all of the information contained in this prospectus prior to investing in the common stock. In particular, we urge you to carefully consider the information set forth under "Risk Factors" beginning on page 11 for a discussion of risks and uncertainties relating to us, our subsidiaries, our business and an investment in the common stock.

Summary Historical Consolidated Financial Data

The following table sets forth summary historical consolidated financial information. The summary historical consolidated financial data for the seven months ended December 31, 2003, the year ended December 31, 2004 and for the year ended December 31, 2005 have been derived from our audited historical financial statements. The summary consolidated financial data as of and for the three months ended March 31, 2005 and 2006 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus.

The summary historical consolidated financial information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Historical Consolidated Financial Data" and the consolidated financial statements and notes thereto included elsewhere in this prospectus.

	Period from May 31 to December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
	(in thousands, except per share data)				
Income Statement Data:					
Sales	$ 404,389	$ 858,876	$ 935,468	$ 197,030	$ 313,520
Cost of sales	375,042	793,070	848,053	178,184	282,925
Gross profit	29,347	65,806	87,415	18,846	30,595
Selling, general and administrative expenses	6,986	16,236	22,500	3,598	6,266
Other income (expense) (1)	161	3,196	989	559	265
Operating income	22,522	52,766	65,904	15,807	24,594
Interest income	4	19	2,218	387	655
Interest expense	419	2,035	16,510	3,868	4,365
Minority interest (expense) income	(1,025)	(2,148)	(2,404)	(898)	(1,266)
Other non-operating income (loss) (2)	(2,560)	(924)	1,781	(352)	555
Income before income taxes	18,522	47,678	50,989	11,076	20,173
Income taxes	7,473	18,433	18,807	4,441	7,986
Net income	$ 11,049	$ 29,245	$ 32,182	$ 6,635	$ 12,187
Per Share Data:					
Net income per common share					
Basic	$ 0.32	$ 0.84	$ 0.93	$ 0.19	$ 0.35
Diluted	0.32	0.82	0.89	0.19	0.34
Weighted average number of common shares outstanding					
Basic	34,643	34,684	34,686	34,684	34,684
Diluted	34,643	35,768	36,052	35,827	36,019
Other Financial Data:					
EBITDA (3) (4)	$ 19,718	$ 51,281	$ 67,555	$ 15,131	$ 24,929
Capital expenditures	2,952	4,653	20,672	1,334	13,016

	As of March 31, 2006
	Actual

		As of March 31, 2006
Balance Sheet data:		
Cash & cash equivalents	$	10,153
Restricted cash (5)		47,285
Total assets		239,600
Total debt		160,000
Total stockholders' equity (deficit) (6)		(7,159)

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(1) Other income for the three months ended March 31, 2006 and for the years ended December 31, 2005 and 2004 includes our receipt of approximately $0.09 million, $0.2 million and $2.0 million, respectively, under the United States Department of Agriculture Commodity Credit Corporation Bioenergy Program. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Year Ended December 31, 2004 as Compared to Seven Months Ended December 31, 2003 Other Income."

(2) Other non-operating income (loss) represents the effect of marking our derivative instruments to market which are not designated as hedges under SFAS 133 *Accounting for Derivatives and Hedging Activities*.

(3) EBITDA is defined as earnings before net interest expense, income tax expense, depreciation and amortization. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered an alternative to net earnings or any other measure of performance under accounting principles generally accepted in the United States as a measure of performance or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. EBITDA has its limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under generally accepted accounting principles. Some of the limitations of EBITDA are:

- EBITDA does not reflect our cash used for capital expenditures;
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized often will have to be replaced and EBITDA does not reflect the cash requirements for such replacements;
- EBITDA does not reflect changes in, or cash requirements for, our working capital requirements;
- EBITDA does not reflect the cash necessary to make payments of interest or principal on our indebtedness; and
- EBITDA includes non-recurring payments to us which are reflected in other income.

The following table reconciles our EBITDA to net income for each period presented:

	Period from May 31 to December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
			(in thousands)		
Net income	$ 11,049	$ 29,245	$ 32,182	$ 6,635	$ 12,187
Plus: Income taxes	7,473	18,433	18,807	4,441	7,986
Plus: Interest expense	419	2,035	16,510	3,868	4,365
Less: Interest income	(4)	(19)	(2,218)	(387)	(655)
Plus: Depreciation	781	1,587	2,274	574	1,046
EBITDA	$ 19,718	$ 51,281	$ 67,555	$ 15,131	$ 24,929

We have included EBITDA primarily as a performance measure because management uses it as a key measure of our performance and ability to generate cash necessary to meet our future requirements for debt service, capital expenditures, working capital and taxes. Management also uses EBITDA (subject to certain adjustments) to measure our compliance with important financial covenants under our revolving credit facility.

(4)

EBITDA for the five months from January 1, 2003 to May 30, 2003, computed on the basis of the audited historical financial statements of our predecessor included in the back of this prospectus would have been negative. Cash flows from operating activities for the five months from January 1, 2003 to May 30, 2003 were $1.2 million, which is significantly below what our adjusted interest expense would have been in that period. However, since these financial results represent those of our predecessor company, which was a division of The Williams Companies, Inc. and subject to allocations of corporate costs, they are not comparable to the results of operations and cash flow of our Company for periods subsequent to May 30, 2003.

(5)

Represents cash held in escrow for the benefit of the holders of our senior secured floating rate notes due 2011 pending application to the construction of an expansion of our Pekin facility, which will be released upon the successful consummation of our tender offer for our senior secured floating rate notes.

(6)

Negative stockholder's equity reflects the net distribution to stockholders of a $139.7 million payment in 2004.

RISK FACTORS

Risks Relating to Our Business

We operate in a competitive industry

In the United States, we compete with other corn processors and refiners, including Archer-Daniels-Midland Company, 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 June 2006, the top ten domestic producers accounted for approximately 46.3% of all production capacity. In addition, many of the new ethanol plants under development across the country are driven by farmer ownership.

We also face increasing competition from international suppliers. Although there is a tariff on foreign produced ethanol that is roughly equivalent to the federal ethanol tax incentive, ethanol imports equivalent to up to 7.0% of total domestic production from certain countries were exempted from this tariff under the Caribbean Basin Initiative to spur economic development in Central America and the Caribbean. See " The United States 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 Certain countries can import ethanol into the United States duty free, which may undermine the ethanol industry in the United States."

Our business is highly sensitive to corn prices and we generally cannot pass on increases in corn prices to our customers

The principal raw material we use to produce ethanol and ethanol by products is corn. Corn costs for the year ended December 31, 2005 comprised about 12.7% of our total cost of sales. As a result, changes in the price of corn can significantly affect our business. In general, rising 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 where the use of fuel oxygenates is not mandated. This happened in 1996. The price fluctuation in corn prices over the eighteen year period from 1986 through December 2005, based on the Chicago Board of Trade daily futures data, has ranged from a low of $1.43 per bushel in 1987 to a high of $5.48 per bushel in 1996.

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. Corn bought by ethanol plants represents approximately 13% of the 2005 total corn supply according to 2005 results reported by the National Corn Growers Association. The increasing ethanol capacity could boost demand for corn and result in increased price for corn.

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

The current spread between ethanol and corn prices is historically high and we do not expect it to continue at its current level

Our gross margins are principally dependent on the spread between ethanol and corn prices. The current spread between ethanol and corn prices is currently at a historically high level, driven in large part by high oil prices. We do not expect the spread between ethanol and corn prices to continue at the current level. 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 expected increase in ethanol demand does not occur, or if the demand for ethanol otherwise decreases, there may be excess capacity in our industry

Domestic capacity has increased steadily from 1.7 billion gallons per year in January of 1999 to 4.8 billion gallons per year at June 2006. In addition, there is a significant amount of capacity being added to our industry. According to the RFA, as of June 2006 approximately 2.0 billion gallons per year of production capacity is currently under construction. This capacity is being added to address anticipated increases in demand. Moreover, under the USDA's CCC Bioenergy Program, which is scheduled to expire September 30, 2006, the federal government makes payments of up to $150.0 million annually to ethanol producers that increase their production. This could create an additional incentive to develop excess capacity. However, demand for ethanol may not increase as quickly as expected or to a level that exceeds supply, or 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 United States 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 United States gasoline prices have increased.

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.

The market for natural gas is subject to market conditions that create uncertainty in the price and availability of the natural gas that we utilize in our manufacturing process

We rely upon third parties for our supply of natural gas which is consumed in the manufacture of ethanol. The prices for and availability of natural gas are subject to volatile market conditions. These market conditions often are affected by factors beyond our control such as weather conditions (including hurricanes), overall economic conditions and foreign and domestic governmental regulation and relations. Significant disruptions in the supply of natural gas could temporarily impair our ability to manufacture ethanol for our customers. Further, increases in natural gas prices or changes in our natural gas costs relative to natural gas costs paid by competitors may adversely affect our results of operations and financial condition. The price fluctuation in natural gas prices over the six year period from 1999 through December 31, 2005, based on the New York Mercantile Exchange, or Nymex, daily futures data, has ranged from a low of $1.63 per MMBtu in 1999 to a high of $15.38 per MMBtu in December 2005. We currently use approximately 2.0 million MMBtu's of natural gas annually, depending upon business conditions, in the manufacture of our products. Our usage of natural gas will increase based upon the expansion of our production capacities at our facilities in Nebraska and Illinois.

In an attempt to minimize the effects of fluctuations in natural gas costs on operating profits, we may take hedging positions in the natural gas futures markets, however, these hedging transactions also involve risk to our operations. Since natural gas prices are volatile should we not take hedging positions, as occurs from time to time, our results could be adversely affected by an increase in natural gas prices. See " We engage in hedging transactions which involve risks that can harm our business."

Fluctuations in the selling price and production cost of gasoline may reduce our profit margins

Ethanol is marketed both as 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 prices are influenced by the supply and demand for gasoline and if gasoline demand decreases, our results of operations and financial condition may be materially adversely affected.

Our fixed price contracts for ethanol may be at a price level lower than the prevailing price

At any given time, our fixed price contracts for ethanol may be at a price level different from the prevailing price, and such a difference could materially adversely affect our results of operations and financial condition. These fixed price contracts typically provide for delivery six to nine months later. As of April 1, 2006 we have contracted 287.0 million gallons at an average fixed price of $2.12, and 132.9 million gallons at an average $0.47 per gallon positive spread to the gasoline spot market price on the Nymex at the time of delivery. These contracts provide for delivery throughout 2006. These averages are volume weighted across all contracts throughout 2006 and there can be significant variations from quarter to quarter.

We are substantially dependent on our two facilities and our alliance partner facilities and any operational disruption could result in a reduction of our sales volumes and could cause us to incur substantial expenditures

The substantial majority of our net income is derived from the sale of ethanol and the related bio-products and co-products that we manufacture at our Illinois facility and our Nebraska facility. Our operations may be subject to significant interruption if either the Illinois facility or Nebraska facility experiences a major accident or is damaged by severe weather or other natural disaster. In addition, our operations may be subject to labor disruptions and unscheduled downtime, or hazards inherent in our industry. Some of those hazards may cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension or termination of operations and the imposition of civil or criminal penalties. As protection against these hazards we maintain property, business interruption and casualty insurance which we believe is in accordance with customary industry practices, but we cannot provide any assurance that this insurance will be adequate to fully cover the potential hazards described above or that we will be able to renew this insurance on commercially reasonable terms or at all.

Any disruptions at our alliance partners' facilities could have a material adverse effect on our results of operations and financial condition. We agree through our alliance partner agreements to purchase all fuel grade ethanol produced by our alliance partners and title to the product transfers to us when product is loaded. Any disruptions at the alliance partners' facilities could affect our ability to meet our customers' demands. As a result of a disruption at an alliance facility we may have to purchase ethanol from the spot market.

Our Illinois facility plant workers are covered by a collective bargaining agreement

All hourly employees employed at the Illinois facility are covered by a collective bargaining agreement between our subsidiary, Aventine Renewable Energy, Inc., and United Steelworkers International Union, Local 7-662, which is effective until 2009. Our existing labor agreement may not prevent a strike or work stoppage in the future, and any such work stoppage could have a material adverse affect on our business, financial condition and results of operations.

The United States 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 cost of producing ethanol has historically been significantly higher than the market price of gasoline. 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 who blend ethanol with gasoline to receive a federal excise tax rate reduction for each blended gallon they sell regardless of the blend rate. The current federal excise tax on gasoline is $0.184 per gallon, and is paid at the terminal by refiners and marketers. 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 assure you, however, that the federal ethanol tax incentives will be renewed in 2010 or if renewed, on what terms they will be renewed. The elimination or 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 United States, or that there is inadequate supply to meet the requirement. In addition, the Department of Energy was directed under the Energy Policy Act of 2005 to conduct a study by January 2006 to determine if the RFS will have a severe adverse impact on consumers in 2006 on a national, regional or state basis. Based on the results of the study, the Secretary of Energy must make a recommendation to the EPA as to whether the RFS should be waived for 2006. Any waiver of the RFS with respect to one or more states or with respect to 2006 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 and eliminates the oxygenate requirement for reformulated gasoline in the RFG program included in the Clean Air Act

The RFG program's oxygenate requirements contained in the Clean Air Act, which accounted for approximately 1.95 billion gallons of ethanol use in 2004, was completely eliminated on May 5, 2006 by the Energy Policy Act of 2005. 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. We cannot assure you 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 United States duty free, which may undermine the ethanol industry in the United States

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 available under the federal excise tax incentive program for refineries that blend ethanol in their fuel. 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 7.0% of United States production per year (with additional exemptions for ethanol produced from feedstock in the Caribbean region over the 7.0% limit). In May 2006, bills were introduced in both the U.S. House of Representatives and U.S. Senate to repeal the $0.54 per gallon tariff. We do not know the extent to which the volume of imports would increase or the effect on United States prices for ethanol if this proposed legislation is enacted or if the tariff is not renewed beyond its current expiration in December 2007. 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 Industry Overview Legislative Drivers The federal ethanol tax incentive program" and " Federal tariff on imported ethanol." Imports from the exempted countries have increased in recent years and are expected to increase further as a result of new plants under development. In particular, the ethanol industry has expressed concern with respect to a new plant under development by Cargill, Inc., the fifth largest ethanol producer in the United States, in El Salvador that would take the water out of Brazilian ethanol and then ship the dehydrated ethanol from El Salvador to the United States duty-free. Since production costs for ethanol in Brazil are estimated to be significantly less than what they are in the United States, the import of the Brazilian ethanol duty free through El Salvador or another country exempted from the tariff may negatively impact the demand for domestic ethanol and the price at which we sell our ethanol.

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. 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. In addition, we have made, and expect to make, significant capital expenditures on an ongoing basis to comply with these stringent environmental laws, regulations and permits.

We are 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. For instance, soil and groundwater contamination has been identified at our Illinois facility. If these or other materials have been or are disposed of or released at sites that undergo investigation and/or remediation by regulatory agencies, we may be responsible under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or "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 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, new laws and regulations, new interpretations of existing laws and regulations, increased governmental enforcement of environmental laws and regulations or other developments could require us to make additional significant expenditures. For example, our Illinois facility is subject to an EPA National Emissions Standards for Hazardous Air Pollutants ("NESHAP") requirement which comes into effect September 13, 2007. Based on engineering conducted to date and available information, we could incur capital costs of between $7.0 million and $9.0 million to bring the facility into compliance with the NESHAP. Also, in 2005, the Nebraska facility was required to obtain a permit which will require it to treat its wastewater prior to discharge to a publicly owned treatment system. We expect to incur $1.3 million in capital costs relating to this issue. Continued government and public emphasis on environmental issues can be expected to result in increased future investments for environmental controls at our ongoing operations. Present and future environmental laws and regulations (and interpretations thereof) applicable to our operations, more vigorous enforcement policies and discovery of currently unknown conditions may require substantial expenditures and may have a material adverse effect on our results of operations or financial condition.

Federal and state environmental authorities have been investigating alleged excess volatile organic compound ("VOC") and other air emissions from United States ethanol plants, including our Illinois 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 and pay a $.04 million fine. While the matter relating to our Illinois facility is still pending, like the Nebraska facility and like other ethanol companies which have already resolved their VOC emission issues with the relevant authorities, we could be subject to penalties and be required to install additional air pollution control equipment, or take other measures to control air pollutant emissions at our Illinois facility. Based on currently available information, we expect to incur approximately $5 million in costs to install various pollution control equipment at our Nebraska facility required by, and otherwise meet the requirements of, the consent decree. We expect this equipment will be installed by September 2006 based on currently available information. As for our Illinois facility, we cannot at this time accurately estimate the capital costs we will be expected to incur. If controls are ultimately required, however, costs could be higher than those expected at our Nebraska facility due to the facility's larger size. In addition to these possible costs, 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 these or any other environmental matters affecting us will not have a material adverse effect on our results of operations or financial condition.

We currently generate revenue from the sale of carbon dioxide which is a co-product of the ethanol manufacturing process at both 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.

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 and customary 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 is not fully covered by insurance could have a material adverse impact on our results of operations and financial condition.

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 Capital Expenditures" and "Business Environmental Matters."

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

In an attempt to minimize the effects of the volatility of corn, natural gas, electricity and ethanol ("commodities") and interest rates on operating profits, we may take hedging positions in the commodities and interest rates futures options and swaps. 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 may not successfully acquire or develop additional production capacity. In addition, any acquisitions or greenfield developments we complete could dilute your ownership interest in us or have a material adverse affect on our financial condition and operating results

We are continually exploring opportunities to increase our production capacity, including through acquisitions, greenfield development and brownfield development. In addition to the currently underway 56.5 million gallon dry mill expansion of our Pekin, Illinois facility which we expect to complete in early 2007, we are developing a further 110.0 million gallon dry mill expansion in Pekin which we expect to complete by the end of 2008. We also recently signed a letter of intent with the Aurora Cooperative to develop a second 220.0 million gallon plant adjacent to our Nebraska facility, which we anticipate completing by the end of 2009. Furthermore, we have entered into a non-binding letter of intent regarding a potential 220.0 million gallon brownfield development, which, if we decide to pursue, we believe could be completed in 2009. Other than with respect to the 56.5 million gallon dry mill expansion of our Pekin, Illinois facility, we do not have environmental or other permits, designs or engineering, procurement and construction contracts with respect to any of such potential expansions and accordingly cannot assure you that they will be completed on a timely basis or at all or that we will realize the benefits we anticipate. In addition, we cannot be sure that we will be able to obtain additional financing for these transactions on attractive terms or at all.

The integration of any acquisition, greenfield or brownfield development into our business may result in unforeseen operating difficulties and may require significant financial and managerial resources that would otherwise be available for the ongoing development or expansion of our existing operations. Future acquisitions, greenfield or brownfield developments may involve the issuance of our equity securities as payment or in connection with financing the business or assets acquired. Consummating these transactions could also result in the incurrence of additional debt and related interest expense, as well as unforeseen liabilities, all of which could have a material adverse effect on our financial condition and operating results.

We depend on our marketing alliance contracts for a majority of our revenues and significant synergies

Revenues attributable to ethanol sourced from our marketing alliance partners represented 59.2% and 67.8% of our total revenues for the year ended December 31, 2005 and the three months ended March 31, 2006, respectively. Although their contribution to our operating income is limited, these marketing alliance contracts contribute significantly to our market presence and enable us to meet major ethanol consumer needs and leverage our marketing expertise and distribution systems. Our marketing alliance contracts are relatively short term in nature and most have a remaining term of less than one year. We cannot assure you that we will be able to renew these contracts or enter into similar contracts with other ethanol producers. In fact, two of our alliance partners (VeraSun Fort Dodge, LLC and VeraSun Aurora Corporation formerly VeraSun Energy Corporation) which represent 230.0 million gallons of capacity have notified us in writing that they have elected not to renew their marketing alliances with us upon termination on March 31, 2007. Although we believe that the loss of this capacity will be substantially offset by the addition of 208.0 million gallons of capacity announced or under construction by three new alliance partners and by increased volume of purchase and resale activity, we cannot assure you that this additional capacity will be constructed on time or at all.

We are controlled by principal stockholders whose interests may differ from your interests and who will be able to exert significant influence over corporate decisions of the Company

Through their ownership of our parent company, Aventine Holdings LLC, the MSCP funds beneficially own approximately 28.3% of our outstanding common stock. See "Principal Stockholders." In July 2004, Morgan Stanley Investment Management Inc. entered into definitive agreements under which Metalmark Subadvisor LLC, an affiliate of Metalmark, an independent private equity firm established by former principals of Morgan Stanley Capital Partners, manages the existing MSCP funds on a sub-advisory basis. Two of our directors, Messrs. Abramson and Hoffman, currently are employees of Metalmark. Our amended and restated certificate of incorporation provides that directors may not be removed from office by the stockholders except for cause and only by the affirmative vote of the holders of not less than 85.0% of the voting power of the issued and outstanding shares of our capital stock entitled to vote generally at an election of directors. As a result, Metalmark may be deemed to control our management and policies. In addition, Metalmark may be deemed to control all matters requiring stockholder approval, including the election of our directors, the adoption of amendments to our certificate of incorporation and the approval of mergers and sales of all or substantially all our assets. These stockholders may have an interest in pursuing transactions that, in their judgment, enhance the value of the MSCP funds' equity investment in our Company, even though those transactions may involve risks to you as a minority stockholder. In addition, circumstances could arise under which the interests of Metalmark could be in conflict with the interests of our other stockholders or you, a minority stockholder. For example, our existing stockholders have and may in the future make significant investments in other companies, some of which may be competitors. None of our existing stockholders are obligated to advise us of any investment or business opportunities of which they are aware, and they are not restricted or prohibited from competing with us.

In addition, we are party to an Expense Agreement with the MSCP funds, which is further described under "Certain Relationships and Related Party Transactions Aventine Renewable Energy, Inc. Expense Agreement and Monitoring Fee Agreement," pursuant to which we are required to reimburse expenses those funds incur related to various matters including: (a) accountants, attorneys, recruitment firms and other consultants the MSCP funds may hire, (b) governmental and regulatory filings they may make, (c) review of our equity plans, acquisitions and financing transactions, and (d) monitoring our affairs. The MSCP funds are not required to obtain our approval or consult with us before they incur such expenses and the Expense Agreement is not terminable without the MSCP funds' consent.

Our less than 100.0% ownership of our Nebraska subsidiary and the supermajority provisions contained in the operating agreement that governs that subsidiary may restrict our ability to govern and manage our business

We own 78.4% of Nebraska Energy LLC, the subsidiary that owns our Nebraska facility. The other 21.6% is owned by Nebraska Energy Cooperative, an agricultural cooperative comprised of over 200 corn producers. Our Nebraska subsidiary is governed by an operating agreement which, among other things, requires a vote of holders of at least 80.0% of the outstanding member interests before our Nebraska subsidiary may undertake certain actions, including, but not limited to the following:

- loans or advances to or investments in any other person, other than in the ordinary course of business;

- acquisitions of capital assets or other capital expenditures during any taxable year in excess of certain specified thresholds;

- the sale, lease or disposition of the property having a fair market value in excess of certain specified thresholds;

- borrowings (including under capitalized leases, but excluding trade payables in the ordinary course of business) or the grant or creation of any security interest or other lien on any of the Nebraska subsidiary's property;

- the guarantee or assumption of any liability or obligation of any person, except in the ordinary course of business;

- except as provided in the operating agreement, the acquisition of any member's interests in the Nebraska subsidiary by redemption or otherwise;

- the engagement of any member or affiliate of any member to provide any services or perform any functions to or for the Nebraska subsidiary (such as renting office space, providing accounting services, providing self-insurance or allocations of any member overhead to the Nebraska subsidiary); and

- any transaction not in the "ordinary course of business or affairs" or "in the usual way of business and affairs" of the Nebraska subsidiary.

The operating agreement also contains provisions which require the Nebraska subsidiary to obtain the approval of holders of at least 80.0% of the membership interests in order to distribute an amount in excess of 60.0% of its annual taxable income (as defined in the operating agreement).

These provisions may limit our ability to quickly and adequately respond to changes in the business environment and may restrict our ability to manage the Nebraska facility in a manner that benefits our Company as a whole. For example, we may not be able to access additional financing unless we can obtain the guarantee of our Nebraska subsidiary or a pledge of its assets, and the other members of the Nebraska subsidiary may not approve such a guarantee or pledge. These provisions also limit our ability to transfer cash from the Nebraska facility to meet our obligations. See " Risks Relating to this Offering We are a holding company and there may be limitations on our ability to receive distributions from our subsidiaries."

Our results of operations may be adversely affected by technological advances

The development and implementation of new technologies may result in a significant reduction in the costs of ethanol production. We cannot predict when new technologies may become available, the rate of acceptance of new technologies by our competitors or the costs associated with such new technologies. In addition, advances in the development of alternatives to ethanol could significantly reduce demand for or eliminate the need for ethanol as a fuel oxygenate.

Any advances in technology which require significant capital expenditures to remain competitive or which otherwise reduce demand for ethanol will have a material adverse effect on our results of operations and financial condition.

The requirements of complying with the Exchange Act and the Sarbanes-Oxley Act may strain our resources and distract management

As a result of our recent initial public offering, we are a public company and are subject to the reporting requirements of the Exchange Act, and the Sarbanes-Oxley Act, including Section 404. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act will require that we maintain effective disclosure controls and procedures, corporate governance standards and internal controls over financial reporting. Pursuant to Section 404 of the Sarbanes-Oxley Act, our management will be required to deliver a report that assesses the effectiveness of our internal control over financial reporting, and we will be required to deliver an attestation report of our auditors on our management's assessment of and operating effectiveness of internal controls. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required as we may need to devote additional time and personnel to legal, financial and accounting activities to ensure our ongoing compliance with public company reporting requirements. We are not currently prepared for Sarbanes-Oxley and Exchange Act obligations and might not be able to complete the documentation and management assessment required by Section 404 of the Sarbanes-Oxley Act when it becomes applicable to us. Our attestation will be for the year ended December 31, 2007. In addition, the effort to prepare for these obligations may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge, and might not be able to do so in a timely fashion.

We are a holding company and there may be limitations on our ability to receive distributions from our subsidiaries

We conduct all of our operations through subsidiaries and are dependent upon dividends or other intercompany transfers of funds from our subsidiaries to meet our obligations. Moreover, our Nebraska subsidiary is currently limited in its ability to pay dividends by the terms of its operating agreement. See " Risks Relating to Our Business Our less than 100.0% ownership of our Nebraska subsidiary and the supermajority provisions contained in the operating agreement that governs that subsidiary may restrict our ability to govern and manage our business."

Risks Relating to this Offering

The trading price for the shares of our common stock may be volatile

The liquidity of any market for the shares of our common stock will depend on a number of factors, including:

- the number of stockholders;
- our operating performance and financial condition;
- the market for similar securities; and
- the interest of securities dealers in making a market in the shares of our common stock.

Historically, the market for common stock has been subject to disruptions that have caused substantial volatility in the prices of these securities, which may not have corresponded to the business or financial success of the particular company. We cannot assure you that the market for the shares of our common stock will be free from similar disruptions. Any such disruptions could have an adverse effect on stockholders. In addition, the price of the shares of our common stock could decline significantly if our future operating results fail to meet or exceed the expectations of market analysts and investors.

Some specific factors that may have a significant effect on the market price of the shares of our common stock include:

- actual or expected fluctuations in our operating results;
- actual or expected changes in our growth rates or our competitors' growth rates;
- conditions in our industry generally;
- conditions in the financial markets in general or changes in general economic conditions;
- our inability to raise additional capital;
- changes in market prices for our product or for our raw materials; and
- changes in stock market analyst recommendations regarding the shares of our common stock, other comparable companies or our industry generally.

Shares eligible for sale could adversely affect the price of the shares of our common stock

The market price of the shares of our common stock could decline as a result of sales by our existing stockholders or the perception that such sales might occur after the termination of applicable lock-up restrictions, which apply to certain stockholders and certain members of management. These sales also might make it difficult for our equity securities to be sold in the future at a time and price that we deem appropriate. Following the expiration of the applicable lock-up periods, substantially all of our outstanding shares will be freely tradeable or held by holders that have the right to require us to register the resale of their shares. If, following the expiration of the lock-up period, any of our existing stockholders sell a significant number of shares, the market price of our common stock could be adversely affected.

Provisions of our amended certificate of incorporation and bylaws and our stockholder rights plan could delay or prevent a takeover of us by a third party

Provisions in our amended certificate of incorporation and bylaws and of Delaware corporate law and our stockholder rights plan may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt that is opposed by our management and board of directors. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change of control or change our management and board of directors. For example, our amended and restated certificate of incorporation authorizes our board of directors to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock, without any vote or action by our stockholders. Thus, our board of directors can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock. These rights may have the effect of delaying or deterring a change of control of our Company. In addition, a change of control of our Company may be delayed or deterred as a result of our having three classes of directors (each class elected for a three year term) or as a result of any stockholders' rights plan that our board of directors adopted. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock. See "Description of Capital Stock."

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the shares of common stock offered by this prospectus. Any proceeds from the sale of the shares offered by this prospectus will be received by the selling shareholders.

DIVIDEND POLICY

We currently intend to retain earnings, if any, to finance the growth and development of our business and we do not expect to pay any cash dividends on our common stock in the foreseeable future. Payment of future dividends, if any, will be at the discretion of our board of directors and will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition, legal requirements and other factors as our board of directors deems relevant. In addition, our Amended Revolving Credit Facility limits our ability to pay dividends, and we may in the future become subject to debt instruments or other agreements that further limit our ability to pay dividends. See "Description of Certain Indebtedness."

CAPITALIZATION

The following table sets forth, as of March 31, 2006, our cash and cash equivalents and capitalization on an actual basis. This table should be read in conjunction with our historical financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information that is included elsewhere in this prospectus.

Cash and equivalents (1)	$	10,153
Debt		
Revolving credit facility (2)	$	
Senior secured notes		160,000
Total debt		160,000
Stockholders' equity (deficit)		
Common stock ($0.001 par value; 185,000,000 shares authorized; 35,145,253 shares issued and outstanding)		
Additional paid in capital		5,534
Retained earnings (deficit)		(11,826)
Accumulated other comprehensive loss		(867)
Total stockholders' equity (deficit) (3)		(7,159)
Total capitalization	$	152,841

(1) Cash and equivalents was $10.2 million at March 31, 2006. Cash and equivalents excludes restricted cash of $47.3 million at March 31, 2006.

(2) Borrowing availability under our $60.0 million revolving credit facility is subject to a borrowing base calculation and is also reduced by outstanding loans and outstanding irrevocable letters of credit. Available borrowing under the credit facility totaled $57.8 million and $52.1 million as of March 31, 2006 and December 31, 2005, respectively.

(3) Negative stockholder's equity reflects the net distribution to stockholders of a $139.7 million payment in 2004.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth selected historical consolidated financial information. The selected predecessor historical consolidated financial data for the year ended December 31, 2001 and the year ended December 31, 2002 are unaudited. The five months ended May 30, 2003 selected predecessor historical consolidated financial data and the seven months ended December 31, 2003 selected successor historical consolidated financial data are derived from our audited historical financial statements. The selected historical consolidated financial data for the year ended December 31, 2004 and December 31, 2005 have been derived from our audited historical financial statements. The selected historical consolidated financial data for the three months ended March 31, 2005 and March 31, 2006 are unaudited.

The historical consolidated financial data set forth below should be read in conjunction with, and is qualified in its entirety by, reference to our historical consolidated financial statements and the accompanying notes thereto and other financial information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	Unaudited Year Ended December 31, 2001	Unaudited Year Ended December 31, 2002	Period from January 1, 2003 through May 30, 2003	Period from May 31 to December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
	Predecessor Historical(1)	Predecessor Historical(1)	Predecessor Historical(1)					
	(in thousands, except per share data)							
Income Statement Data:								
Sales	$ 428,489	$ 458,570	$ 271,379	$ 404,389	$ 858,876	$ 935,468	$ 197,030	$ 313,520
Cost of sales	395,505	445,789	270,242	375,042	793,070	848,053	178,184	282,925
Gross profit	32,984	12,781	1,137	29,347	65,806	87,415	18,846	30,595
Selling, general and administrative expenses	13,883	13,086	6,278	6,986	16,236	22,500	3,598	6,266
Other income (expense)	(324)	(3,176)	(210)	161	3,196	989	559	265
Provision for asset impairment(5)	0	(195,784)	0	0		0		0
Operating income (loss)	18,777	(199,265)	(5,351)	22,522	52,766	65,904	15,807	24,594
Interest income	0	0	3	4	19	2,218	387	655
Interest expense	9,509	7,250	4,226	419	2,035	16,510	3,868	4,365
Minority interest	0	6,070	378	(1,025)	(2,148)	(2,404)	(898)	(1,266)
Other non-operating income (loss)	(4,747)	(1,340)	1,024	(2,560)	(924)	1,781	(352)	555
Income (loss) before income taxes	4,521	(201,785)	(8,172)	18,522	47,678	50,989	11,076	20,173
Income tax expense (benefit)	(2,447)	(1,498)	(3,269)	7,473	18,433	18,807	4,441	7,986
Net income (loss)	$ 6,968	$ (200,287)	$ (4,903)	$ 11,049	$ 29,245	$ 32,182	$ 6,635	$ 12,187
Balance Sheet Data (at period end):								
Total assets(8)	275,923	98,251	89,805	$ 106,449	$ 163,598	$ 224,352	$ 168,650	$ 239,600

	Unaudited Year Ended December 31, 2001	Unaudited Year Ended December 31, 2002	Period from January 1, 2003 through May 30, 2003	Period from May 31 to December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
Total debt(2)(7)	175,405	162,159	162,169	3,922	172,791	161,514	166,060	160,000
Per Share Data:								
Net income per common share(6)								
Basic	$ 0.20	$ (5.78)	$ (0.14)	$ 0.32	$ 0.84	$ 0.93	$ 0.19	$ 0.35
Diluted	0.20	(5.78)	(0.14)	0.32	0.82	0.89	0.19	0.34
Weighted Average number of common shares outstanding								
Basic	34,643	34,643	34,643	34,643	34,684	34,686	34,684	34,684
Diluted	34,643	34,643	34,643	34,643	35,768	36,052	35,827	36,019
Other financial data:								
Cash flow from operating activities	N/A	N/A	N/A	$ 21,831	$ 49,573	$ 28,827	$ 8,920	$ 8,073
EBITDA(3)(4)	N/A	N/A	N/A	19,718	51,281	67,555	15,131	24,929
Capital expenditures	N/A	N/A	N/A	2,952	4,653	20,672	1,334	13,016

(1) The financial statements for the year ended 2001, the year ended 2002 and for the period from January 1, 2003 to May 30, 2003 were prepared using the historical basis of accounting applied by the subsidiary of The Williams Companies, Inc. which owned and operated our business prior to May 30, 2003. These financial statements are designated as "Predecessor" because they are not comparable to our operating and cash flow results subsequent to our acquisition by the MSCP funds. See "Management's Discussion and Analysis of Financial Condition and Results of Operation" for a discussion of differences.

(2) Total debt includes amounts outstanding under our revolving credit agreement and senior secured notes outstanding.

(3) EBITDA is defined as earnings before net interest expense, income tax expense, depreciation and amortization. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered an alternative to net earnings or any other measure of performance under accounting principles generally accepted in the United States as a measure of performance or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. EBITDA has its limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under generally accepted accounting principles. Some of the limitations of EBITDA are:

- EBITDA does not reflect our cash used for capital expenditures;
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized often will have to be replaced and EBITDA does not reflect the cash requirements for such replacements;
- EBITDA does not reflect changes in, or cash requirements for, our working capital requirements;
- EBITDA does not reflect the cash necessary to make payments of interest or principal on our indebtedness; and
- EBITDA includes non recurring payments to us which are reflected in other income.

The following table reconciles our EBITDA to net income for each period presented:

	Period from May 31 to December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
	(in thousands)				
EBITDA	$ 19,718	$ 51,281	$ 67,555	$ 15,131	$ 24,929
Depreciation	(781)	(1,587)	(2,274)	(574)	(1,046)
Net interest expense	(415)	(2,016)	(14,292)	(3,481)	(3,710)
Income taxes	(7,473)	(18,433)	(18,807)	(4,441)	(7,986)
Net income	$ 11,049	$ 29,245	$ 32,182	$ 6,635	$ 12,187

We have included EBITDA primarily as a performance measure because management uses it as a key measure of our performance and ability to generate cash necessary to meet our future requirements for debt service, capital expenditures, working capital and taxes. Management also uses EBITDA (subject to certain adjustments) to measure our compliance with important financial covenants under our revolving credit facility.

(4)

EBITDA for the five months from January 1, 2003 to May 30, 2003, computed on the basis of the audited historical financial statements of our predecessor included in the back of this prospectus, would have been negative. Cash flows from operating activities for the five months from January 1, 2003 to May 30, 2003 were $1.2 million, which is significantly below what our adjusted interest expense would have been in that period. However, since these financial results represent those of our predecessor company, they are not comparable to the results of operations and cash flow of our Company for periods subsequent to May 30, 2003.

(5)
Provision for asset impairment was the result of writing down the fixed assets of Williams Bio-Energy LLC on the financial statements of The Williams Companies, Inc.

(6)
Pro forma net income (loss) per common share of our predecessor is based upon the weighted average number of shares of common stock outstanding at the inception of the Company.

(7)
In the periods prior to May 31, 2003, our predecessor's business was financed by its parent company. Therefore, the only debt incurred by our predecessor was inter-company debt, which we have disclosed in this schedule as Total debt for periods prior to May 31, 2003.

(8)
In the periods prior to May 31, 2003, our predecessor's Total assets disclosed excludes intercompany receivables.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and the related notes appearing elsewhere in this prospectus.

We were acquired by the MSCP funds from a subsidiary of The Williams Companies, Inc. on May 30, 2003. The acquisition was accounted for as a purchase in accordance with SFAS No. 141 and, accordingly, our results of operations for periods prior to May 31, 2003 are not directly comparable to our results of operations for subsequent periods.

Executive Overview

Revenues

We derive our revenues from the sale of ethanol and the sale of co products (corn gluten feed and meal, corn germ, condensed corn distillers solubles, carbon dioxide, DDGS (dry distillers grain with solubles) and WDGS (wet distillers grains with solubles)) and bio products (brewers' yeast) we produce as by products during the production of ethanol at our plants, which we refer to as by product revenues. We source ethanol as follows:

- Ethanol we manufacture at our plants, which we refer to as equity production;
- Ethanol we purchase from our marketing alliance partners, which we refer to as marketing alliance; and
- Ethanol we purchase on the spot market, which we refer to as purchase and resale.

Revenue from sales of products is recognized at the time title and the risks and rewards of ownership pass. This occurs when the products are shipped per the customer's instructions, the sales price is fixed and determinable and collection is reasonably assured.

Because we market and sell ethanol without regard to whether we produced it, are reselling it, or are marketing it for our marketing alliance partners, our general ledger system does not track or report our ethanol revenue by gallons or the gallons of ethanol we sell. We determine an approximate amount of gallons sold and revenue contributed by each source based on the assumption that customers are performing within the stated terms of their contracts and the change in our ethanol inventory. Accordingly, the amounts reported in this section and elsewhere in this prospectus with respect to the breakdown of equity production, marketing alliance and purchase and resale revenues and gallons have been derived as follows:

- Marketing alliance revenues have been determined by multiplying the number of gallons contracted by the average selling price;
- Purchase and resale revenues have been determined by multiplying the actual gallons sold by the actual selling price; and
- Equity production revenues have been determined as the amount of revenues remaining after deducting the amount of total marketing alliance revenue and total purchase and resale revenue (determined as described above) from total ethanol revenues. To the extent that the amount of equity production revenues determined in this manner exceeds the amount of ethanol produced during the period (per our production records), the difference is attributed to the sale in the current period of ethanol inventory produced in previous periods. To the extent that the amount of equity production revenues determined in this manner is less than the amount of ethanol produced during the current period (per our production records), the difference is attributed to ethanol produced and added to inventory during the current period.

As a result of this methodology, the information presented with respect to each of these sources of revenues above are only directionally indicative of gallon and revenue performance by source.

Generally, we sell ethanol through contracts which are typically six months in duration. The pricing for these contracts is either fixed, primarily based on the spot market price of ethanol at the time the contracts are entered into or indexed to quoted gasoline prices.

The principal factors affecting the price of ethanol are:

The price of gasoline. since ethanol is sold in the discretionary market in addition to the mandatory market for oxygenates and competes with other oxygenates as well as gasoline, the price of ethanol over the long term has been correlated to the price of gasoline, which closely follows the price of oil;

Federal ethanol tax incentives. the federal ethanol tax incentives, which were recently extended to 2010 in the form of an excise tax credit for ethanol refiners, enable refiners to pay a premium to the price of gasoline or ethanol. As a result, over the long term the spread between the price of gasoline and ethanol has trended towards the historical tax incentive which was $0.52 per gallon until it was reduced to $0.51 per gallon as of January 1, 2005; and

Ethanol industry fundamentals (i.e. capacity and demand). the ethanol industry has had significant increases in both capacity and demand in recent years, although not always in tandem. Demand has been driven largely by (1) regulatory changes in the mandatory market, in

particular, state legislation banning or limiting the use of MTBE as a gasoline oxygenate and (2) the spread between ethanol and gas prices in the discretionary market. Annual domestic capacity has increased steadily from 1.7 billion gallons per year at January 31, 1999 to 4.8 billion gallons in June 2006. The decline in ethanol prices in 2002 (as shown in the table on page 29) was largely the result of capacity increases in 2000 and 2001 in anticipation of an MTBE ban in California (which alone used approximately 600.0 million gallons of ethanol in 2003), which was delayed in early 2002 by California's energy commission until January 1, 2004. The significantly higher price for 2004 was due to a more balanced supply and demand situation and much higher gasoline prices. The higher prices may not continue if supply exceeds demand even if gasoline prices remain high.

Equity production revenues are driven by the volume of ethanol that we produce and wholesale ethanol prices. Our plants typically operate at or near 100.0% capacity except for scheduled outages that typically average approximately one week each year. Since we have not increased our production capacity in recent years, with the exception of the expansion of the Nebraska facility, which was completed in November, and modest improvements from operational changes, the volume of ethanol we produce has remained relatively constant. The increase in 2003 was attributable to permanent operational improvements (mainly the shift to a continuous fermentation process at our Nebraska facility) and the absence of any maintenance outages. The increase in 2004 was due to operational improvements that increased the yield of ethanol per bushel of corn. The decrease in 2005 was due to both planned and unplanned outages at our Nebraska facility.

As discussed under " Liquidity and Capital Resources Capital Expenditures," we intend to increase the capacity of our Illinois facility by approximately 56.5 million gallons. The prefunded expansion at the Illinois facility has been underway since August 2005 and is expected to be completed in early 2007.

The market price of ethanol also drives equity production revenue.

We also generate revenue by selling ethanol that we purchase from our marketing alliance partners, which we refer to as "marketing alliance revenue." Our marketing alliance partners are third party producers (including producers in which we have a minority interest, each of which are less than

8.0%), which sell their ethanol production to us on an exclusive basis. Our marketing alliance contracts require us to purchase all of the production of these facilities and resell it at contract or prevailing market prices. Although the purchase price we pay our marketing alliance partners is based on the price at which we resell the ethanol, marketing alliance revenues include the gross revenues from such sales and not merely the net amount because we take title to the inventory, we are the primary obligor in the sales arrangement with the customer, and assume all the credit risk. As a result, marketing alliance revenues are driven by the volume of ethanol that our marketing partners produce and wholesale ethanol prices. Since we are obligated to purchase all of the production of our marketing alliance partners, and since they typically operate at or near capacity, the volume of ethanol we purchase from our marketing alliance partners is driven by the capacity of their plants. We signed our first marketing alliance agreement in 2001 and as of March 2006 have increased the program to twelve alliance contracts with third party plants that have the capacity to produce 490.0 million gallons of ethanol per year. Additionally, three new alliance partners currently have an additional 208.0 million gallons per year of capacity announced or under construction.

Two of our alliance partners with the capacity to produce 230.0 million gallons per year (VeraSun Fort Dodge, LLC and VeraSun Aurora Corporation formerly VeraSun Energy Corporation) represented by the parent company VeraSun Energy Corporation have notified the Company in writing that they have elected not to permit automatic renewal of their marketing alliance agreement with the Company on March 31, 2007. Although we believe that the loss of this capacity will be substantially offset by the addition of 208.0 million gallons of capacity announced or under construction by three new alliance partners and by increased volume of purchase and resale activity, we cannot assure you that this additional capacity will be constructed on time or at all.

We also resell ethanol that we purchase from unrelated producers and marketers which we refer to as "purchase and resale revenue." These transactions are done on an opportunistic basis and allow us to leverage our distribution network and storage logistics. Purchase and resale revenues are driven by the volume of ethanol we purchase and wholesale ethanol prices.

We generate additional revenue through the sale of by products (both bio-products and co-products) that result from our ethanol production process. These by products include brewers' yeast, corn gluten feed and meal, corn germ, condensed corn distillers solubles, carbon dioxide, DDGS and WDGS. Since we typically operate at or near capacity, the volume of by products we produce has remained relatively constant. However, we have shifted the mix of these by products to optimize our revenue. We have made a higher volume of yeast which has reduced the amount of condensed corn distillers solubles ("CCDS") made. This allowed us to replace CCDS sold at approximately $0.02 cents per pound with yeast sold at $0.22 cents per pound. (One pound of yeast replaces 1.6 pounds of CCDS) By product revenues have been driven by the market prices for our by products which generally track the price of corn.

The table set forth below summarizes certain information such as the ethanol produced at our facilities, wholesale ethanol prices, volume of ethanol sourced from our alliance partners and volume of ethanol repurchased and sold for the periods indicated.

	Year ended December 31,					Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
	2001	2002	2003	2004	2005		
Average ethanol spot market sales price per gallon (1)	$ 1.50	$ 1.13	$ 1.35	$ 1.54	$ 1.87	$ 1.61	$ 2.30
Average corn price per bushel (2)	$ 2.11	$ 2.34	$ 2.33	$ 2.56	$ 2.11	$ 2.06	$ 2.22
Equity production ethanol volume (millions of gallons)	129.7	128.8	132.2	139.4	134.3	36.3	36.6
Volume of ethanol sourced from Alliance Partners (millions of gallons)	34.3	110.4	230.9	297.2	344.4	77.2	120.7
Ethanol purchase and resale volume sold (millions of gallons)	117.0	107.9	95.7	62.9	68.8	14.4	14.4
Number of functioning alliance partners (at period end)	4	10	10	9	12	12	12

(1) Source: Oil Price Information Service. These are spot prices rather than the company's realized prices.

(2) Average wholesale corn prices based on the daily Chicago Board of Trade corn settlement prices for the period presented.

Gross margin

While we derive revenues from four sources, equity production operations and the sale of co-products and bio-products generate the substantial majority of our gross margin. Although our marketing alliances and purchase and resale operations are key elements of our operating strategy, permitting us to leverage our distribution system and enhance our market position, their contribution to our operating income is limited.

Our gross margin from the manufacture and sale of ethanol and by products at our plants is principally determined by the spread between ethanol and corn prices and, to a lesser extent, market prices for the by products we produce and the manufacturing costs of converting corn to ethanol. Corn is our most significant raw material cost, representing 12.7% of our cost of sales, including all costs associated with purchase and resale and marketing alliance volumes. The amount of corn we use is directly related to the volume of ethanol we produce. The wet milling process produces approximately 2.6 gallons of ethanol from each bushel of corn and the dry milling process produces approximately 2.8 gallons of ethanol from each bushel of corn. The cost of corn is principally driven by weather and government policy.

During the years ended December 2003, 2004 (particularly in the fourth quarter), 2005 and the first quarter of 2006 we enjoyed a wide spread between ethanol and corn prices and as a result, recognized record gross margins. Conversely, during 2002, the spread between ethanol and corn prices was substantially tighter, in part, due to the excess capacity created in anticipation of the MTBE ban in California which went into effect later than anticipated, and as a result our margins were substantially worse than those achieved in 2003 and 2004. Based on our results of operations for the year ended December 31, 2005, a 1.0% decrease in the average ethanol sales price would have resulted in a $2.0 million decrease in our operating income and a 1.0% per bushel increase in the price of corn would have resulted in a $0.5 million decrease in our operating income. The spread between ethanol and corn prices is at a historically high level, driven in large part by ethanol demand outpacing supply, high oil prices and high corn production which led to a significant drop in the average price of corn in the fourth quarter of 2004 and 2005.

We also incur manufacturing costs for the natural gas and coal used to fuel the conversion process, which represented 2.8% of our cost of sales for the year ended December 31, 2005. The Illinois facility is fueled 93.0% by coal. During the year ended December 31, 2005, the average Illinois basin coal spot price was $2.13 per MMBtu and the average Henry Hub spot gas price was $9.04 per MMBtu. A 1.0% increase in the cost of coal and natural gas would have resulted in a $0.2 million decrease in our operating income in the year ended December 31, 2005.

Our most volatile manufacturing costs are natural gas and corn. See "Risk Factors Risks Relating to Our Business Our business is highly sensitive to corn prices and we generally cannot pass on increases in corn prices to our customers" and " The market for natural gas is subject to market conditions that create uncertainty in the price and availability of the natural gas that we utilize in our manufacturing process." Since both natural gas and ethanol are energy related products, there is a significant, although not perfect, correlation between their market prices. As a result, at times when natural gas prices are increasing, thereby increasing our costs, ethanol prices are typically increasing, thereby increasing our revenues and offsetting some of the impact on our results of operations.

The purchase price we pay our marketing alliance partners is based on the price at which we resell the ethanol less a pre-negotiated margin. Our marketing alliance partners pay us a commission of approximately 1% of net sales price. In addition they reimburse us for certain costs, including freight, storage, inventory carrying cost and indirect marketing costs. Accordingly, our marketing alliance gross margin is driven primarily by the volume of ethanol we purchase from our marketing alliance partners and not changes in the wholesale price of ethanol. The volume of ethanol we purchase from our marketing alliance partners is driven by the capacity of their plants.

Our purchase and resale transactions are opportunistic and the margin we are able to capture varies based on market dynamics. Because these transactions typically have narrow margins, our purchase and resale activity is not typically a significant source of operating income.

Summary of Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our Consolidated Financial Statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. Note 3 to the consolidated financial statements contained in this prospectus contains a summary of our significant accounting policies, many of which require the use of estimates and assumptions. We believe that of our significant accounting policies, the following are noteworthy because they are based on estimates and assumptions that require complex, subjective judgments by management, which can materially impact reported results. Changes in these estimates or assumptions could materially impact our financial condition and results of operation.

Income Taxes

Deferred income taxes are provided on all temporary differences between the financial basis and the tax basis of our assets and liabilities. Deferred tax assets include the excess tax basis in assets over the corresponding book basis as a result of the purchase of such assets from The Williams Companies, Inc. on May 30, 2003. We established a valuation allowance against certain deferred tax assets related to the tax basis in fixed assets, goodwill, bad debt and employee benefits. We determined, after weighing all available evidence, that a portion of the deferred tax assets would not be realized due to limitations imposed by Internal Revenue Code Section 382. Because of the ownership change on May 30, 2003, Section 382 imposes an annual limitation on the amount of pre-transaction losses that can offset post-transaction income for the five-year period following the transaction. Deductions related to depreciation, goodwill amortization, bad debt write-offs, and accrued vacation are considered losses under Section 382, subject to the limitation. Based upon our analysis of the Section 382 limitations, we established an initial valuation allowance at the acquisition date, as we concluded that it is more likely than not that a portion of our deferred tax assets would not be realized.

We have implemented tax planning strategies which have allowed us to take tax return filing positions to deduct certain depreciation and amortization deductions that would otherwise have been subject to Section 382 limitations. As we have realized the benefit of certain deferred tax assets on our income tax returns, we have reduced the associated valuation allowance. However, we have considered such tax planning strategies in our analysis of the need for our remaining valuation allowance and tax contingency reserves. We believe our valuation allowance and contingency reserves are appropriate in the circumstances.

Derivative Instruments and Hedging Activities

We account for derivative instruments and hedging activities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." Under this standard, the accounting for changes in the fair value of a derivative depends upon whether it has been designated in a hedging relationship and, further, on the type of hedging relationship. To qualify for designation in a hedging relationship, specific criteria must be met and appropriate documentation maintained.

Derivative instruments held by us consist primarily of futures contracts, options and swap agreements. Fair value of these contracts is based on quoted prices in active exchange traded or over-the-counter markets. The fair value of these derivatives is continually subject to change due to changing market conditions. We do not formally designate these instruments as hedges and therefore mark these instruments to market on a monthly basis. The net effect of the realized and unrealized gains and losses related to futures contracts for the year ended December 31, 2005 was a $1.4 million gain of the total $1.8 million of other non-operating income. During 2004, we entered into an interest rate cap agreement to fix the interest rate on a portion of our senior secured notes. This agreement effectively caps our interest rate on $120 million of the senior secured notes at 10.0 percent. The interest rate agreement has not been designated as a hedge. The net effect of the unrealized gains and losses related to this derivative instrument for the year ended December 31, 2005 resulted in $0.4 million of other non-operating income.

SFAS No. 133 requires a company to evaluate its contracts to determine whether the contracts are derivatives. Certain contracts that literally meet the definition of a derivative may be exempted as normal purchases or normal sales. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that meet the requirements of normal are documented as normal and exempted from the accounting and reporting requirements of SFAS No. 133.

New Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share Based Payment" (FAS 123R), which requires companies to measure compensation cost in the income statement for all share based payments (including employee stock options) at fair value for interim or annual periods. We adopted this standard on January 1, 2006 using the prospective transition method. The Company does not expect the adoption of this statement to have a material impact on its financial statements. Effective January 2004, we adopted the fair value recognition provision of SFAS No. 123 "Accounting for Stock Based Compensation" using the modified prospective method under the provision of SFAS No. 148 "Accounting for Stock Based Compensation Transition and Disclosure." Under the provisions of FAS 123R, we will be unable to use the minimum value method to calculate fair value under FAS 123R.

In March 2005, the FASB issued Interpretation Number 47, "Accounting for Conditional Asset Retirement Obligations, and Interpretation of FASB Statement No. 143" (FIN 47). FIN 47 clarifies that the term, conditional asset retirement obligation, as used in SFAS 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. However, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. FIN 47 clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. We adopted FIN 47 in December 2005 and it had no impact on the consolidated financial position, results of operations, or cash flows.

Stock Based Compensation Expense

We grant stock options to certain of our employees and officers to purchase our common stock. Through December 31, 2005, we accounted for this stock based compensation using the minimum value method under the fair value recognition provisions of SFAS No. 123 using the Black Scholes method which requires us to estimate the fair value of our common stock. The aggregate compensation expense related to these awards including awards granted subsequent to December 31, 2005 of approximately $17.2 million will be recognized as the options vest over the two to five year vesting schedule applicable to these awards.

Aventine Renewable Energy Holdings, Inc.
Consolidated Statements of Operations

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2006
	(in thousands)	
Sales	$ 197,030	$ 313,520
Cost of sales	(178,184)	(282,925)
Gross profit	18,846	30,595
Selling, general, and administrative expenses	(3,598)	(6,266)
Other income	559	265
Operating income	15,807	24,594
Interest income	387	655
Interest expense	(3,868)	(4,365)
Minority interest	(898)	(1,266)
Other non-operating income (loss)	(352)	555
Income before income taxes	11,076	20,173
Income tax expense	(4,441)	(7,986)
Net income	$ 6,635	$ 12,187

Acceleration of vesting of certain options

In order to permit certain members of management to sell in our initial public offering, we accelerated the vesting of options to acquire 71,488 shares of our common stock on June 6, 2006, including options to acquire 54,168 shares held by our Chief Financial Officer, Ajay Sabherwal. Mr. Sabherwal only sold 19,848 of such shares in our initial public offering. As a result we expect to record a special charge of approximately $0.4 million in the quarter ended June 30, 2006 reflecting the acceleration of compensation expense that would have otherwise been recorded in future periods.

Results of Operations

Three Months Ended March 31, 2006 as Compared to Three Months Ended March 31, 2005

Sales. Net sales in the three months ended March 31, 2006 were $313.5 million compared to $197.0 million for the three months ended March 31, 2005, an increase of $116.5 million or 59.1%. This increase was mainly the result of an increase in the average gross ethanol price from $1.55 per gallon for the quarter ended March 31, 2005 to $1.79 per gallon for the quarter ended March 31, 2006 and increased demand for ethanol, largely due to the tightening of gasoline supplies and higher prices. The sales increase was also driven by a 36.1% increase in the volume of ethanol sold from 121.2 million gallons in the three months ended March 31, 2005 to 164.9 million gallons in the same period in 2006. Of the 164.9 million gallons sold in the three months ended March 31, 2006, we produced 36.6 million gallons (of which we added 6.8 million gallons to our inventory), we purchased 120.7 million gallons from our marketing alliance partners, and purchased 14.4 million gallons from unaffiliated producers and marketers. Of the 121.2 million gallons sold in the three months ended March 31, 2005, we produced 36.3 million gallons, (of which we added 6.6 million gallons to our inventory), purchased 77.2 million gallons from our marketing alliance partners, and purchased 14.4 million gallons from unaffiliated producers and marketers.

Sales during the three months ended March 31, 2006 for Aventine's byproducts were $14.8 million from our sale of 248.3 thousand tons compared to $14.9 million of byproduct revenue from our sale of 214.7 thousand tons of byproducts in the three months ended March 31, 2005. This decrease in byproduct revenue is mainly the result of changing our sales mix along with reducing our price per ton for byproducts in the first quarter ended March 31, 2006 as compared to the same quarter ended in 2005.

Cost of Sales. Cost of sales for the quarter ended March 31, 2006 was $282.9 million, compared to $178.2 million for the quarter ended March 31, 2005. The cost of sales in the quarter ended March 31, 2006 increased by approximately $104.7 million, or approximately 58.8%, above the cost of sales for the first quarter ended March 31, 2005. The increase in cost of sales is mainly attributed to the increase in purchased ethanol sales and is consistent with the 59.1% increase in sales for the same period.

Gross Margin. Our gross margin remained stable at 9.8% for the three months ended March 31, 2006 compared to 9.6% for the three months ended March 31, 2005. Our stable gross margin was largely a result of sustained ethanol prices and a favorable spread between ethanol prices and net corn costs.

Selling, General and Administrative Costs. Selling, general and administrative expenses in the three months ended March 31, 2006 were approximately $6.3 million, which was 74.2% higher than selling, general and administrative expenses in the three months ended March 31, 2005. The increase was mainly due to increased costs associated with recording non-cash expense for stock option compensation of $1.3 million in the quarter ended March 31, 2006 compared to $0.03 million in the quarter ended March 31, 2005, $0.8 million of fees associated with our current Registration Statement filings with the SEC, enhancement of our ORACLE information system, and costs associated with preparing of internal control requirements related to the Sarbanes-Oxley Act. We expect to incur additional expenses once we are a public company, including, without limitation, compliance with the remaining elements of the Sarbanes-Oxley Act, establishing an internal audit function, and additional liability insurance premiums for our directors and executive officers.

Other Income. The $0.3 million decrease in other operating income in the three months ended March 31, 2006 as compared to three months ended March 31, 2005 was principally due to a collection of written off account receivable in the first quarter of 2005 for approximately $0.3 million. The account receivable was written off by Williams Company, Inc prior to the purchase (May 30, 2003).

Operating Income. Operating income for the three months ended March 31, 2006 was $24.6 million compared to $15.8 million for the three months ended March 31, 2005. The operating income increased in the period ended March 31, 2006 primarily as a result of increase in the price and demand of ethanol.

Interest Expense. Interest expense for the period ended March 31, 2006 was $4.4 million compared to $3.9 million for the period ended March 31, 2005, a difference of $0.5 million. This increase was mainly the result of higher interest costs to service the Senior Secured Notes. These Notes bear a floating rate of interest which is tied to LIBOR. The rate of interest on these Notes paid in the three months ended March 31, 2006 was 10.5% compared to a rate of 8.5% paid for the three months ended March 31, 2005. Since we are using a portion of the net proceeds of our initial public offering to tender for all of our outstanding Senior Secured Notes, interest expense related to the Senior Secured Notes is expected to cease in the third quarter when the tender is expected to be consummated. In addition, as of March 31, 2006, we had no outstanding borrowings under the revolving credit facility.

Minority Interest. The minority interest for the three months ended March 31, 2006 was a $1.3 million charge to income compared to a $0.9 million charge to income for the three months ended March 31, 2005. This increase reflects the higher operating results of our Nebraska subsidiary for the three months ended March 31, 2006.

Other Non-Operating Income. Other non-operating income increased for the three months ended March 31, 2006 by approximately $0.9 million as compared to the three months ended March 31, 2005. Other non-operating income for the three months ended March 31, 2006 was $0.6 million as compared to a $0.3 million loss for the three months ended March 31, 2005. Other non-operating income for the three months ended March 31, 2006 mainly consists of a settlement for $0.8 million as the result of recovery on an investment previously written off through the purchase price allocation offset by realized and unrealized gains or losses on corn hedges and mark to market impact on the interest rate cap agreement as required by SFAS 133 Accounting for Derivative and Hedging Activities.

Income Taxes. Income taxes for the three months ended March 31, 2006 was $8.0 million compared to $4.4 million for the same three months ended March 31, 2005. This increase was mainly the result of the increase in taxable income for the three months ended March 31, 2006 in comparison to the same period ended March 31, 2005, which reflects our overall higher operating income in the fiscal 2006 period. Our effective tax rate decreased from 40.1% for the three months ended March 31, 2005 to 39.6% for the three months ended March 31, 2006 due to the tax benefit from the Domestic Production Activities Deduction.

Working Capital

Working capital has increased approximately $15.0 million from December 31, 2005 to March 31, 2006. This is primarily due to the increase in cash and inventory offset by the decrease in accounts receivable.

Aventine Renewable Energy Holdings, Inc.
Consolidated Statements of Operations

	Year Ended December 31, 2005	Year Ended December 31,2004
	(in thousands)	
Sales	$ 935,468	$ 858,876
Cost of sales	(848,053)	(793,070)
Gross profit	87,415	65,806
Selling, general, and administrative expenses	(22,500)	(16,236)
Other income (expenses)	989	3,196
Operating income (loss)	65,904	52,766
Interest income	2,218	19
Interest expense	(16,510)	(2,035)
Minority interest	(2,404)	(2,148)
Other non-operating income	1,781	(924)
Income (loss) before income taxes	50,989	47,678
Income tax benefit (expense)	(18,807)	(18,433)
Net income (loss)	$ 32,182	$ 29,245

Year Ended December 31, 2005 as Compared to Year Ended December 31, 2004

The following sections describe the changes in key operating factors, and other changes and events that have affected our consolidated revenues and expenses for the year ended December 31, 2005 in comparison to our consolidated revenues and expenses for the year ended December 31, 2004.

Sales. Our sales for the year ended December 31, 2005 were $935.5 million, compared to $858.9 million for the year ended December 31, 2004, an increase of $76.6 million or 8.9%. This increase was mainly the result of an increase in the average gross ethanol price from $1.55 per gallon in 2004 to $1.63 in 2005 and increased demand for ethanol, largely due to the tightening of gasoline supplies and higher prices. The sales increase was also driven by a 4.6% increase in the volume of ethanol sold from 505.3 million gallons in 2004 to 529.8 million gallons in 2005. Of the 529.8 million gallons sold in the year ended December 31, 2005, we produced 116.6 million gallons (in addition, we produced another 17.7 million gallons which were added to our inventory), we purchased 344.4 million gallons from our marketing alliance partners and purchased 68.8 million gallons from unaffiliated producers and marketers. Of the 505.3 million gallons sold in the year ended December 31, 2004, we produced 139.4 million gallons (in addition, we sold another 5.8 million gallons which decreased our inventory), we purchased 297.2 million gallons from our marketing alliance partners and purchased 62.9 million gallons from unaffiliated producers and marketers.

Pricing varied throughout 2005 with lower prices occurring in the second quarter due to a temporary oversupply situation, escalating in the third quarter as a result of tight gasoline supplies brought on by the disruption of the oil supply caused by hurricanes in the US Gulf Coast and, then normalizing in the fourth quarter. The lower pricing in the second quarter of 2005 negatively influenced the pricing on fixed price contracts for the October 2005 through March 2006 delivery period which constituted approximately 55% of contracted volume for the period. Sharp increases in prices in the third quarter 2005 and declines in the fourth quarter 2005 resulted in higher margins in the third quarter 2005 and lower margins in the fourth quarter 2005.

We had $60.4 million of by product revenue in the year ended December 31, 2005 from our sale of 885.0 thousand tons of by products compared to $65.6 million of by product revenue in the year ended December 31, 2004 from our sale of 867.3 thousand tons of by products. This decrease in by product revenue is a reflection of the overall reduction in the cost of corn.

Cost of Sales. Cost of sales for the year ended December 31, 2005 was $848.1 million, compared to $793.1 million for the year ended December 31, 2004, an increase of $55.0 million or 6.9%. This increase was mainly the result of higher purchased ethanol prices and higher natural gas costs offset by lower corn costs. Our average corn cost was $2.08 per bushel for the year ended December 31, 2005 compared to $2.68 per bushel for the year ended December 31, 2004. The decrease in corn costs reflects the oversupply of corn from the strong 2004 United States harvest. Increased energy costs reflected the higher cost of natural gas, which was up approximately $2.4 million, or 20.2% when compared to the same period of 2004.

Our gross margin increased from 7.7% for the year ended December 31, 2004 to 9.3% for the year ended December 31, 2005. This increase was largely a result of higher ethanol prices and the resulting favorable spread between ethanol prices and corn costs offset by substantially higher marketing alliance revenues, which generally have a lower margin in comparison to our ethanol production revenues.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the year ended December 31, 2005 were $22.5 million compared to $16.2 million for the year ended December 31, 2004, an increase of $6.3 million or 38.9%. Our selling, general and administrative expenses were higher in the year ended December 31, 2005 compared to the same period of 2004 due primarily to additional staffing, payment of the final installment of a special management bonus in the fourth quarter of $3.3 million, and recording non-cash expense for stock option compensation of $1.9 million in 2005 compared to $0.1 million in 2004 respectively. In addition, other higher costs were associated with fees related to our annual audit, enhancement of our ORACLE information system, costs associated with preparing for implementation of internal control requirements related to the Sarbanes-Oxley Act, and various factors related to increased marketing and sales activities, and a logistical study. We expect to incur additional expenses once we are a public company, including, without limitation, related to compliance with the remaining elements of the Sarbanes-Oxley Act, establishing an internal audit function, and additional liability insurance premiums for our directors and executive officers.

Other Income. Other income for the year ended December 31, 2005 was $1.0 million compared to $3.2 million for the year ended December 31, 2004. Other income decreased in the year ended December 31, 2005 mainly due to a reduction of $1.9 million in receipts from the USDA under the CCC Bioenergy Program. The USDA credits are based upon production from the prior year of 2004. Under the CCC Bioenergy Program, the USDA makes cash payments to companies that increase their purchases of corn, other specified commodities, fats, oils and greases derived from an agricultural product or any animal by product to expand production of ethanol, biodiesel or other biofuels of fuel grade ethanol. See "Business Industry Overview Legislative Drivers Federal Farm Legislation." Based on our current expectations with respect to our proposed expansion of our Illinois facility, we do not expect to receive additional funds under this program since it expires September 30, 2006 and in order to be eligible to receive funds under this program, an expanded facility must be complete and operational for over a year.

Operating Income. Operating income for the year ended December 31, 2005 was $65.9 million compared to $52.8 million for the year ended December 31, 2004. Operating income increased in the year ended December 31, 2005 primarily as a result of an increase in the price of ethanol, increased demand for ethanol, and decreased corn prices, as discussed above.

Interest Expense. Interest expense for the year ended December 31, 2005 was $16.5 million compared to $2.0 million for the year ended December 31, 2004, a difference of $14.5 million. This increase was mainly the result of the issuance of the Senior Secured Notes in December 2004. In addition, as of December 31, 2005, $1.5 million was outstanding under the revolving credit facility.

Minority Interest. The minority interest for the year ended December 31, 2005 was a $2.4 million charge to income compared to $2.1 million charge to income for the year ended December 31, 2004. This increase reflects the higher operating results of our Nebraska subsidiary in the year ended December 31, 2005.

Other non-operating income. Other non-operating income increased in the year ended December 31, 2005 by approximately $2.7 million. Other non-operating income was $1.8 million for the year ended December 31, 2005 compared to $0.9 million loss for the year ended December 31, 2004 as a result of marking our derivative instruments to market as required by SFAS 133 Accounting for Derivative and Hedging Activities. Other non-operating income consists of realized or unrealized gain or loss on corn hedges and mark to market on the interest rate cap agreement.

Income Taxes. Income taxes for the year ended December 31, 2005 was $18.8 million compared to $18.4 million for the year ended December 31, 2004. This increase was mainly the result of the increase in taxable income in the year ended December 31, 2005 in comparison to the year ended December 31, 2004 which reflects our overall higher operating income in the 2005 period. Our effective tax rate decreased to 36.9% in 2005 from 38.7% in 2004 due to the tax benefit from the domestic manufacturing deduction as a result of the Jobs Creation Act of 2004, reconciliation of our filed tax return to our prior year provision, and reduced state tax expense. We have recorded a valuation allowance against our deferred tax assets based on management's judgment that these deferred tax assets may not be realized and a contingency reserve for tax benefits which may not be realized due to limitations imposed by the Internal Revenue Code. To the extent we are able to realize all or a portion of the deferred tax assets currently subject to the valuation allowance, our effective tax rate in future periods may be lower.

Aventine Renewable Energy Holdings, Inc.
Consolidated Statements of Operations

	Year Ended December 31, 2004	Period From May 31 to December 31, 2003	Predecessor Period From January 1 to May 30, 2003
		(in thousands)	
Sales	$ 858,876	$ 404,389	$ 271,379
Cost of sales	(793,070)	(375,042)	(270,242)
Gross profit	65,806	29,347	1,137
Selling, general, and administrative expense	(16,236)	(6,986)	(6,278)
Other income (expense)	3,196	161	(210)
Operating income (loss)	52,766	22,522	(5,351)
Interest income	19	4	3
Interest expense	(2,035)	(419)	(4,226)
Minority interest	(2,148)	(1,025)	378
Other non-operating income	(924)	(2,560)	1,024
Income (loss) before income taxes	47,678	18,522	(8,172)
Income tax benefit (expense)	(18,433)	(7,473)	3,269
Net income (loss)	$ 29,245	$ 11,049	$ (4,903)

Year Ended December 31, 2004 as Compared to period from May 31 to December 31, 2003

The following sections describe the changes in key operating factors, and other changes and events that have affected our consolidated revenues and expenses for the year ended December 31, 2004 in comparison to our consolidated revenues and expenses for the period from May 31 to December 31, 2003. Therefore, a comparison of the dollars, quantities and volumes discussed in the following section must be qualified. We were acquired by the MSCP funds from a subsidiary of Williams on May 30, 2003 therefore from May 31 forward our basis of accounting is comparable. There will inherently be significant variations when comparing a twelve month period for 2004 with a seven month period for 2003.

Sales. Our sales for the year ended December 31, 2004 were $858.9 million, compared to $404.4 million for the period from May 31 to December 31, 2003, a difference of $454.5 million or 112.4%. This increase was mainly the result of the increased number of months of activity in 2004 compared to 2003. In addition, an increase in the average gross ethanol price from $1.30 per gallon in 2003 to $1.55 per gallon in 2004 and increased demand for ethanol, largely due to the increased demand in California, New York and Connecticut as a result of the MTBE ban. The sales increase was also driven by a 45.4% increase in the volume of ethanol sold from 275.7 million gallons in 2003 to 505.3 million gallons in 2004. Of the 505.3 million gallons sold in the year ended December 31, 2004, we produced 139.4 million gallons (we also sold an additional 5.8 million gallons which decreased our inventory), purchased 297.2 million gallons from our marketing alliance partners and purchased 62.9 million gallons from unaffiliated producers and marketers. Of the 275.7 million gallons sold in the seven months ended December 31, 2003, we produced 82.7 million gallons, sold 7.7 million gallons from inventory, purchased 138.1 million gallons from our marketing alliance partners and purchased 47.2 million gallons from unaffiliated producers and marketers. We had $65.6 million of by product revenue in the year ended December 31, 2004 from our sale of 867.3 thousand tons of by products compared to $35.1 million of by product revenue in the period from May 31 to December 31, 2003 from our sale of 505.3 thousand tons of by products. This increase in by product revenue is a result of the increase in the volume of our ethanol production.

Cost of Sales. Cost of sales for the year ended December 31, 2004 was $793.1 million, compared to $375.0 million for the period from May 31 to December 31, 2003, a difference of $418.1 million or 111.5%. This increase was mainly the result of the increased number of months of activity in 2004 compared to 2003. In addition, volume of ethanol sales increased in the year ended December 31, 2004 and average corn costs were higher for the year. Our average corn cost was $2.68 per bushel for the year ended December 31, 2004 compared to $2.40 per bushel for the period from May 31 to December 31, 2003. Our average corn costs were significantly lower in the fourth quarter of 2004 than in the first three quarters due to a record corn harvest in the Fall of 2004 which lead to a decrease in corn prices.

Our gross margin increased from 7.3% for the period from May 31 to December 31, 2003 to 7.7% for the year ended December 31, 2004. This increase was largely a result of higher ethanol prices and the resulting favorable spread between ethanol prices and corn costs offset by substantially higher marketing alliance revenues, which generally have a lower margin in comparison to our ethanol production revenues.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the year ended December 31, 2004 were $16.2 million compared to $7.0 million for the period from May 31 to December 31, 2003, a difference of $9.2 million or 131.4%. Our selling, general and administrative expenses were higher in the year ended December 31, 2004 than in the period from May 31 to December 31, 2003, because of the increased number of months of activity in 2004 compared to 2003. In addition, we awarded a $2.3 million special bonus to our management in December 2004 in conjunction with our offering of senior secured notes.

Other Income (Expense). Other income (expense) for the year ended December 31, 2004 was $3.2 million compared to $0.2 million for the period from May 31 to December 31, 2003. Other income increased in the year ended December 31, 2004 mainly due to our receipt of approximately $2.0 million from the USDA under the CCC Bioenergy Program as a result of our increase in our ethanol production capacity. Under the CCC Bioenergy Program, the USDA makes cash payments to companies that increase their purchases of corn, other specified commodities, fats, oils and greases derived from an agricultural product or any animal by product to expand production of ethanol, biodiesel or other biofuels of fuel grade ethanol. We received $0.3 million of other income during the year ended December 31, 2004 as a result of our sale to another facility of NOx credits that were allocated to the Illinois facility in 2004 but unused. The NOx program is a program monitored by the EPA to regulate the amount of nitrogen oxides that a facility can emit into the air from May through September of each year. To the extent a facility does not use its NOx credits, it can sell those credits to another facility.

During the third quarter of 2004, we received $0.4 million in a favorable litigation settlement.

Operating Income. Operating income for the year ended December 31, 2004 was $52.8 million compared to $22.5 million for the period from May 31 to December 31, 2003. Operating income increased in the year ended December 31, 2004 primarily as a result of the increased number of months of activity in 2004 compared to 2003. In addition, there was an increase in the price of ethanol as well as increased volume in ethanol sales, particularly sales of ethanol purchased from our marketing alliance partners. This increase was partially offset by an increase in the price of corn. See " Sales" and " Cost of Sales."

We experienced particularly strong operating results in the fourth quarter of 2004 with above average monthly earnings due to strong sales volumes and above average commodity spreads. Ethanol prices strengthened considerably over the fourth quarter of 2004 due to high gasoline prices and new fall/winter contracts that became effective in October 2004. In addition, corn costs abated during the fourth quarter as record production from the new harvest was realized.

Interest Expense. Interest expense for the year ended December 31, 2004 was $2.0 million compared to $0.4 million for the period from May 31 to December 31, 2003, a difference of $1.6 million. This increase was mainly the result of increased borrowings under our revolving credit facility and our issuance of $160 million aggregate principal amount of senior secured notes in December 2004. We borrowed $17.5 million under our revolving credit facility in May 2003 in connection with the acquisition of our Company by the MSCP funds and repaid these borrowings in January 2004. On March 19, 2004, we amended our revolving credit facility and on April 13, 2004 we borrowed $23.0 million under the credit facility (which was used to fund a portion of a $35.0 million distribution to our stockholders). We repaid the majority of these revolving credit facility borrowings from operating expenses in 2004 but borrowed an additional $13.6 million in December in connection with our senior secured notes offering to fund a distribution to our stockholders and management option holders. As a result of the issuance of the $160.0 million of senior secured notes on December 17, 2004, our interest expense has increased substantially.

Minority Interest. The minority interest for the year ended December 31, 2004 was a $2.1 million charge to income compared to $1.0 million charge to income for the period from May 31 to December 31, 2003. This change reflects the increased number of months of activity in 2004 compared to 2003, and the increased operating results of our Nebraska subsidiary in the year ended December 31, 2004.

Other Non-Operating Income (loss). Other non-operating loss increased in the year ended December 31, 2004 by approximately $1.7 million. Other non-operating loss was $0.9 million for the year ended December 31, 2004, compared to a loss of $2.6 million for the period from May 31, 2003 to

December 31, 2003 as a result of marking our derivative instruments to market as required by SFAS 133. Other non-operating income consists of realized or unrealized gain or loss on corn hedges and mark to market interest rate cap agreement.

Income Taxes. Income taxes for the year ended December 31, 2004 were $18.4 million compared to $7.5 million for the period from May 31 to December 31, 2003. This increase was mainly the result of the increase in taxable income in the year ended December 31, 2004 in comparison to the period from May 31 to December 31, 2003. Our effective tax rate was comparable for 2004 and 2003.

We recorded a valuation allowance against our deferred tax assets and a contingency reserve based on management's judgment that these tax benefits may not be realized due to limitations imposed by the Internal Revenue Code. To the extent we are able to realize all or a portion of the deferred tax assets currently subject to the valuation allowance, our effective tax rate in future periods may be lower. The deferred tax assets include the excess of tax basis in fixed assets over the corresponding book basis and other deductible temporary differences.

Predecessor Period Five Months Ended May 30, 2003

The Williams Companies, Inc. owned and operated our business prior to May 30, 2003. Financial statements for that period are designated as "Predecessor" in this prospectus because they are not comparable to our operating and cash flow results subsequent to our acquisition by the MSCP funds.

The predecessor period five months ended May 30, 2003:

(1) Represents the audited statement of operations for the period from January 1, 2003 through May 30, 2003 prepared on the historical basis of accounting of Williams and does not reflect the impact of the purchase accounting adjustments recorded in connection with our acquisition and includes overhead allocation and interest charges described in (3) below.

(2) Represents a reduction in depreciation expense for the period from January 1, 2003 though May 30, 2003 to reflect the reduction in the carrying value of property, plant and equipment as a result of the acquisitions.

(3) Represents, prior to the acquisition, that we obtained certain services from Williams for which we were allocated corporate overhead charges which are included in selling, general, and administrative expenses.

As part of the acquisition, we negotiated an agreement with The Williams Companies, Inc. to provide information technology services for six months after the acquisition. Subsequently, we established our own information technology resources to perform this function.

Trends and Factors that May Affect Future Operating Results

Third Quarter Charges Related to Debt Tender

We intend to use approximately $168.9 million of the net proceeds of our initial public offering to finance the outstanding tender for all $160.0 million aggregate principal amount of our outstanding senior secured floating rate notes due 2011 (including the payment of a tender premium, fees and expenses). As a result, we expect to recognize the following in the third quarter when the debt tender is expected to be consummated: (1) one-time charges of approximately $8.9 million ($5.5 million after tax) representing the tender premium and fees and expenses, (2) a one-time charge of approximately $5.1 million ($3.1 million after tax) reflecting the write off of unamortized debt issuance costs related to our senior secured floating rate notes and (3) a one-time non-income impacting cash receipt of approximately $0.8 million we will recognize in connection with terminating an interest swap agreement we entered into in connection with the senior secured floating rate notes.

Fixed Price Contracts

As of April 1, 2006 we have contracted 287.0 million gallons at an average fixed price of $2.12, and 132.9 million gallons at an average $0.47 cents positive spread to the gasoline spot market price on the Nymex at the time of delivery. These contracts provide for delivery throughout 2006. These averages are volume weighted across all contracts throughout 2006 and there can be significant variations from quarter to quarter.

Ethanol Supports

We receive significant benefits from federal and state statutes, regulations and programs and the trend at the governmental level appears to be to continue to try to provide economic support to the ethanol industry. Notwithstanding the above, changes to federal and state statutes, regulations or programs could have an adverse effect on our business. Recent federal legislation, however, has benefited the ethanol industry. In 2005, the Energy Policy Act was passed which contained a new support program, the RFS, which requires fuel refiners to use a certain minimum amount of renewable fuels (including ethanol) which will rise to 7.5 billion gallons by 2012. The VEETC, provides a volumetric ethanol excise tax credit of $0.51 per ethanol gallon. This change reduces the barrier to higher blend rates.

Competition and Product Demand

Ethanol demand in the United States in 2005 was approximately equal to ethanol production in the United States in 2005 at 4.3 billion gallons. Plans to construct new ethanol plants or expand existing plants have been announced which would increase ethanol production (if all announced plants and expansions are completed) to approximately 6.8 billion gallons.

Ethanol demand is influenced primarily by its cost in relation to availability and cost of gasoline and other octane enhancing products, and also by availability of alternative oxygenates (where oxygenated fuels are required). The dramatic increase in gasoline prices in 2005 has increased demand for ethanol as a fuel extender, as the net cost of ethanol to blenders became less than unblended gasoline. With continued strong oil prices, and a corresponding increase in gasoline pricing, ethanol has become a much more competitive product in the marketplace. While a similarly dramatic decrease in the price of oil would have a negative effect on ethanol demand, such a decrease is not currently anticipated by most industry analysts. This increasing interest in ethanol could result in additional demand for ethanol and also additional production capacity being planned and built. According to the RFA approximately 2.0 billion gallons per year of production capacity is currently under construction. This additional production will come both from new plants already under construction and existing plants that are currently expanding.

Negative publicity received by a competing oxygenate of ethanol, MTBE, in California and other states has also affected ethanol demand. Based on the discovery of MTBE in local water supplies, then California Governor Gray Davis issued an executive order in March of 1999 calling for the elimination of MTBE from California gasoline supplies by December 31, 2002. During 2004 and 2005, we shipped a significant quantity of ethanol to California. Other states have also legislated restrictions on the use of MTBE on the basis that the environmental risk of its use outweighs the air quality benefit. Under the provisions of the federal 1990 Clean Air Act, gasoline used in certain air quality "non-attainment" areas must contain a certain oxygen content during the wintertime months of September through March. Ethanol and MTBE are the two most common oxygenates. When MTBE use is limited, ethanol demand and usage will be substantially increased. The east coast areas of New York and Connecticut began using ethanol blended gasoline as of January 1, 2005, thus further increasing demand.

We have traditionally sold a majority of our fuel ethanol production based on six month contracts. We are now attempting to make greater use of mixed-term contracts to reduce the volatility of the contracting cycle and earnings to take advantage of the relatively higher price for ethanol. We believe that this strategy will provide a better basis for long-term planning, especially in the areas of production and margin predictability.

Commodity Prices

Our primary grain feedstock is corn. The cost of corn is dependent upon factors that are generally unrelated to those affecting the price of ethanol. Corn prices generally vary with international and regional grain supplies, and can be significantly affected by weather, planting and carryout projections, government programs, exports, and other international and regional market conditions.

Due to the significant expansion of the ethanol industry, corn futures have recently started to respond to this new demand. This trend is likely to continue but certainly is not the only factor. Factors such as USDA estimates of acres planted, export demand and domestic usage also have significant effects on the corn market. Ultimately, weather has and will probably continue to weigh the heaviest on the corn market; however, the new more reliant hybrid varieties of corn are helping to mitigate the impact of weather. Current USDA estimates show a 2 billion bushel excess supply of corn from 2005. This large amount of excess corn has helped limit the volatility of, and increases in, corn prices to date in the 2006 spring planting season. Other factors such as acres planted and weather could start to have more of an impact and lead to potentially volatile and higher corn prices.

Natural Gas Prices

Natural gas is an important input in our manufacturing process. We use natural gas to dry distillers grains for storage and transportation over longer distances. This allows us to market distillers grains to broader livestock markets in the United States. Throughout 2005, natural gas prices were available at prices exceeding historic average prices. Our current natural gas usage is approximately 166,000 MMBtus per month. We expect natural gas prices to remain high in the second half of 2006.

Transportation and Other Operating Expenses

With higher oil prices, we are experiencing increased costs directly related to the transportation industry and other operating supplies. Our cost for freight and certain operating expenses used in the manufacturing process of ethanol and by products (such as denaturant and enzymes) are expected to increase with oil prices.

Liquidity and Capital Resources

The following table is presented as a measure of the Company's liquidity and financial condition:

	31 March 2006	31 December 2005
	(Dollars in Thousands)	
Cash and cash equivalents	$ 10,153	$ 3,750
Working capital	64,829	49,878
Amounts available under credit agreement	57,825	52,100
Notes payable and long-term debt	160,000	160,000
Stockholders' equity (deficit)	(7,159)	(20,654)

At March 31, 2006 the Company had increased working capital by $15.0 million, equivalent to a 30.0% increase, in the three months ended March 31, 2006. This increase in working capital resulted in an increase in the current ratio, defined as current assets divided by current liabilities, of 2.0 as of March 31, 2006 from 1.8 as of December 31, 2005. The increase in working capital is primarily related to the increase in inventory. Inventory at March 31, 2006 was approximately $16.4 million higher than at December 31, 2005 due to a build-up of inventory in preparation for the elimination of MTBE from gasoline in the second quarter 2006.

Cash Flow. Cash flow from operations decreased by approximately $0.8 million during the three months ended March 31, 2006 compared to the three months ended March 31, 2005. This decrease resulted from a combination of factors. The Company experienced an increase in total inventories of approximately $16.4 million in the three months of fiscal 2006 compared to $15.2 million in the three months of fiscal 2005. The incremental increase in the three months ended March 31, 2006 compared to the same period in fiscal 2005 is due to the higher price per gallon during the three months ended March 31, 2006 and a build-up of inventory in preparation for the elimination of MTBE from gasoline in the second quarter of 2006. The primary source of the increase in inventories was higher ethanol production by Aventine's marketing alliance partners. Aventine has contracted to purchase all the production from its alliance partners. Accounts receivable decreased approximately $5.0 million for the three months ended March 31, 2006 compared to approximately a $9.9 million decrease for the three months ended March 31, 2005. Accounts payable increased by approximately $1.1 million for the three months of fiscal 2006 compared to an increase of approximately $4.1 million in the three months of fiscal 2005. The Company invested approximately $13.0 million in property and equipment in fiscal 2006 and had net cash used in financing activities of $1.7 million which resulted primarily from repayments of amounts borrowed under the Company's revolving credit agreement. As of March 31, 2006 the Company had no outstanding borrowings on the revolving credit agreement.

Capital Expenditures. Capital expenditures of $13.0 million during the three months ended March 31, 2006 were mainly attributable to the Illinois facilities plant expansion.

Our cash flow from operating activities for the year ended December 31, 2005 was approximately $28.8 million, compared to $49.6 million for the year ended December 31, 2004, a decrease of $20.8 million or 42%. The decrease in cash from operating activities reflects an increase of $29.8 million in inventories (a 120% increase year over year), and an increase of $13.9 million in receivables (a 50% increase year over year), both of which were partially offset by an increase in accounts payable of $26.7 million (a 108% increase year over year).

The increase in inventory reflects several factors. First, Days Sales in Inventory increased from 10.8 days at December 31, 2004 to 15.0 days at December 31, 2005, an increase of 39% year over year. Inventory levels at December 31, 2004 were below levels which the Company considers adequate to service customer needs, and therefore the Company managed to build higher inventory levels in 2005 in order to better service customers.

Secondly, the Company's sales capacity increased in late 2005 with the addition of two new alliance partner plants which began ethanol production in the fourth quarter of 2005. These two new plants added approximately 150 million gallons of annual sales capacity for the Company. Gallons sold in December 2005 were 26% higher than gallons sold in December 2004, and accordingly inventory gallons on hand rose to reflect this volume increase.

Thirdly, the cost per gallon of inventory on hand at December 31, 2005 increased by 7% compared to the prior year, reflecting higher ethanol prices which affected the cost at which the Company purchased ethanol from its alliance partners.

The increase in receivables resulted primarily from increased sales volumes as the Company's sales capacity increased with the addition of two new alliance partner plants which began ethanol production in the fourth quarter of 2005. Gallons sold in December 2005 were 26% higher than gallons sold in December 2004, and the average price per gallon sold increased by 6% year over year for the month of December. The Company's Days Sales in Receivables improved from 13.7 days as of December 31, 2004 to 12.3 days as of December 31, 2005.

The increase in accounts payable reflects higher volumes of gallons for which the company owes its alliance partners as of December 31, 2005 compared to December 31, 2004 as well as the related higher price per gallon which the Company paid for that inventory. Gallons sold in December 2005 were 26% higher than gallons sold in December 2004, and the average price per gallon sold increased by 6% year over year for the month of December. The Company's ratio of Days Sales in Payables increased from 11.0 as of December 31, 2004 to 14.6 as of December 31, 2005, an increase of 33%.

Net cash used in investing activities for the year ended December 31, 2005 was $18.5 million. This reflects $20.7 million of capital expenditures offset by a $2.0 million decrease in restricted cash. The net decrease in restricted cash reflects $4.1 million in payments to fund the plant expansion of our Illinois dry mill facility offset by $2.0 million investment income earned within the escrow account.

Net cash used in financing activities for the year ended December 31, 2005 was $13.7 million reflecting an $11.3 million reduction in borrowings under the Company's revolving credit facility, and $2.6 million in distributions by our Nebraska subsidiary to its minority stockholders. On December 30, 2005 we completed an equity offering of 21.2 million shares of our common stock. All of the net proceeds of $256.1 million were used to repurchase an equal number of shares from existing stockholders.

Our principal sources of liquidity have been, and are expected to be, cash flow from operations, borrowings under our revolving credit facility and the use of the funds in our escrow account, which are restricted in use to fund the plant expansion at our Illinois facility. In addition to funding operations, our principal uses of cash have been, and are expected to be, the expansion of our Illinois facility and other capital expenditures, described below. In addition, during the year ended December 31, 2005, we repaid $11.3 million of indebtedness under our revolving credit facility. As of December 31, 2005, there were $1.5 million of borrowings against the revolving credit facility.

As of December 31, 2005, we had total long term debt of $160 million and approximately $52.1 million of borrowings available under our revolving credit facility.

Revolving credit facility. We have a $60.0 million revolving credit facility. The borrower under the revolving credit facility is our indirect subsidiary, Aventine Renewable Energy, Inc., and the obligations under the revolving credit facility are guaranteed by our subsidiary, Aventine Renewable Energy LLC, and all of its present and future domestic subsidiaries (excluding our Nebraska subsidiary, unless and until Aventine Renewable Energy, LLC obtains the consent of the requisite equity holders of the Nebraska subsidiary or increases its ownership of the Nebraska subsidiary to 80.0% or more), and are secured by a second lien on the plant, property and equipment that constitutes the Illinois Facility (subject to the first lien in favor of the senior secured noteholders) and a first lien on substantially all of Aventine Renewable Energy, Inc.'s and the guarantors' other assets.

The revolving credit facility will terminate on December 31, 2008. Loans under the revolving credit facility bear interest at LIBOR or a base rate, at our option, plus a margin that varies between 1.25% and 2.25% over LIBOR, or between 0.00% and 0.50% over the base rate, based on the fixed charge coverage ratio set forth in the revolving credit facility. At December 31, 2005 the Company had $1.5 million outstanding on the revolver, which bore an interest rate of 7.3% per annum. Although the company paid off all balances on the revolver as of March 31, 2006, if the Company had incurred any outstanding debt on the revolver at March 31, 2006, the debt would have born an interest rate of 7.8% per annum. Both of these interest rates reflected U.S. bank's prime rate as of their respective dates. The revolving credit facility contains covenants which require us to, among other things, maintain a minimum fixed charge coverage ratio, minimum availability and maximum capital expenditures and restrict Aventine Renewable Energy, LLC's and its subsidiaries' ability to, among other things, incur or guarantee additional indebtedness, grant liens and make restricted payments and investments.

Capital Expenditures. We started expanding our Illinois and Nebraska facilities in 2005. All budgeted capital expenditures associated with the Illinois facility expansion have been prefunded by our senior secured notes offering in December 2004. All cash associated with future expenditures related to the expansion of our Illinois facility is held in our restricted cash account. As of December 31, 2005, we have spent $6.7 million on the expansion of the Illinois facility and $7.7 million on the recently completed expansion of the Nebraska facility. See "Business Facilities Nebraska Facility Capacity." Furthermore, in 2006, we anticipate spending an additional $51.0 million on the expansion of the Illinois facility, which is expected to be completed in early January 2007.

In addition to the expansion of our Illinois and Nebraska facilities as described above, other capital expenditures for the year ended December 31, 2005 were $6.3 million. The aforementioned other capital expenditures were spent to maintain our existing facilities and included approximately $2.8 million for non recurring environmental compliance costs and a discretionary project relating to our wastewater treatment at our Illinois facility. See "Business Environmental Matters."

We anticipate that our operating cash flow, together with the restricted escrow funds (to be used for the expansion of our Illinois facility), and borrowings under the revolving credit facility, will be sufficient to meet our anticipated future operating expenses, capital expenditures for this year, and debt obligations as they become due. However, our ability to pay dividends on the shares of our common stock will depend upon our future operating performance, which will be affected by general economic, financial, competitive, legislative, environmental, regulatory, business and other factors beyond our control.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2005 and the effect such obligations are expected to have on our liquidity and cash flow in future periods (dollars in thousands):

	Due in						
	2006	**2007**	**2008**	**2009**	**2010**	**Thereafter**	**Total**
Revolving credit facility	$ 1,514	$	$	$	$	$	$ 1,514
Senior secured notes due 2011(1)						160,000	160,000
Interest expense(1)(2)	17,611	17,787	17,836	17,787	17,787	16,959	105,767
Corn	4,951	100					5,051
Natural gas	1,085						1,085
Coal	9,430	2,160					11,590
Railcar leases	7,974	10,024	7,764	6,822	6,082	18,131	56,797
Storage leases	2,398	601	18	10	10	1	3,038
Purchased ethanol(3)	716,213	471,796	394,033	277,643	202,143	224,065	2,285,893
Total contractual obligations	$ 761,176	$ 502,468	$ 419,651	$ 302,262	$ 226,022	$ 419,156	$ 2,630,735

(1) We intend to use approximately $168.9 million of the net proceeds of our initial public offering to finance our outstanding tender for all $160.0 million aggregate principal amount of our outstanding senior secured floating rate notes due 2011 (including the payment of a tender premium, fees and expenses).

(2)

The computed interest expense is applicable to our senior secured notes due 2011. The following assumptions were used in computing the interest expense: the interest rate of 10.965% represents the assumed interest rate for future periods and is based upon the bond interest rate assuming three month LIBOR rate in effect as of March 24, 2006 and the senior secured notes will not be retired early.

(3)

The dollar value of our commitments under these contracts is estimated based on the volume commitment under the contracts, purchased ethanol contracts not being renewed upon termination and an estimated ethanol purchase price of $1.51. Under these contracts, we are generally obligated to purchase a set volume of ethanol at a purchase price that is based upon the price at which we sell the ethanol less a pre-negotiated margin. As a result, our exposure to market risk under these contracts as a result of fluctuations in ethanol prices is limited. The estimated ethanol price used in this disclosure should not be relied upon as a forecast of ethanol prices in future periods.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to market risk with respect to the price and availability of corn, the principal raw material we use to produce ethanol and ethanol by products. In general, rising corn prices result in lower profit margins and, therefore, represent unfavorable market conditions. This is especially true when market conditions do not allow us to pass along increased corn costs to our customers. The availability and price of corn is subject to wide fluctuations due to unpredictable factors such as weather conditions, farmer planting decisions, governmental policies with respect to agriculture and international trade and global demand and supply. The price fluctuation in corn prices over the nineteen year period from 1986 through December 2005, based on the Chicago Board of Trade daily futures data, has ranged from a low of $1.43 per bushel in 1987 to a high of $5.48 per bushel in 1996. Corn costs for the year ended December 31, 2005 comprised about 12.7% of our total cost of sales and corn costs for the three months ended March 31, 2006 comprised about 10.3% of our total cost of sales.

We are also subject to market risk with respect to our supply of natural gas which is consumed in the manufacture of ethanol and has historically been subject to volatile market conditions. Natural gas prices and availability are affected by weather conditions, overall economic conditions and foreign and domestic governmental regulation and relations. The price fluctuation in natural gas prices over the six year period from 1999 through December 2005, based on the New York Mercantile Exchange daily futures data, has ranged from a low of $1.63 per MMBtu in 1999 to a high of $15.82 per MMBtu in 2003. Natural gas costs comprised about 1.7% of our total cost of sales for the year ended December 31, 2005 and 1.4% of our total cost of sales for the three months ended March 31, 2006.

To reduce price risk caused by market fluctuations in the commodities and interest rates, we may enter into exchange traded commodities futures, options and swaps. These 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.

We account for these derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". Under this standard, the accounting for changes in the fair value of a derivative depends upon whether it has been designated in a hedging relationship and, further, on the type of hedging relationship. To qualify for designation in a hedging relationship, specific criteria must be met and appropriate documentation maintained.

The fair value of the futures and options contracts we use is based on quoted prices in active exchange traded or over the counter markets. The fair value of these derivatives is continually subject to change due to changing market conditions. We do not formally designate these instruments as hedges and therefore we mark these instruments to market on a monthly basis. The net effect of the realized and unrealized gains and losses related to these derivative instruments for the year ended December 31, 2005 was a $1.4 million increase to pretax income. The net effect of the realized and unrealized gains and losses related to these derivative instruments for the three months ended March 31, 2006 was a $0.3 million decrease to pretax income.

We have prepared a sensitivity analysis to estimate our exposure to market risk with respect to our corn and natural gas requirements, ethanol contracts and the exchange traded contracts that we used to hedge portions of our equity production revenues as of December 31, 2005. Market risk is estimated as the potential loss in fair value, resulting from a hypothetical 10.0% adverse change in the fair value of our corn and natural gas requirements and ethanol contracts (based on average prices as of December 31, 2005) net of the corn and natural gas futures and options contracts used to hedge our market risk with respect to our corn and natural gas requirements. The results of this analysis, which may differ from actual results, are as follows:

	Volume Requirements (in millions)	Units	Hypothetical Adverse Change in Price	Average Price	$ Change in Operating Income (in millions)
Corn	50.1	bushels	10.0%	$ 2.08	$ 5.1(1)
Ethanol(2)(3)	138.1	gallons	10.0%	1.46	20.1
Natural Gas	1.6	MMBtu	10.0%		