

MEMORANDUM

November 30, 2008

To: Official Committee of Unsecured Creditors (the “Committee”) of VeraSun Energy Corporation, et al. (the “Debtors”)
From: Akin Gump Strauss Hauer & Feld LLP (“Akin Gump”)
Re: VeraSun Energy Corporation, et al. – Summary of AgStar DIP Motion

Motion Pursuant to Bankruptcy Code Sections 105, 361, 362, 363 and 364 and Bankruptcy Rules 2002, 4001, and 9014 for Interim and Final Orders (I) Authorizing Debtors to Obtain Post-Petition Financings (II) Authorizing Debtors to Utilize Cash Collateral, (III) Granting Adequate Protection to Pre-Petition Secured Lenders and (IV) Scheduling Interim and Final Hearings [Docket No. 20] (the “AgStar DIP Motion”)

On November 3, 2008, the Debtors filed the AgStar DIP Motion for entry of interim and final orders authorizing the Debtors to, among other things, enter into six separate debtor in possession financing facilities (collectively, the “AgStar DIP Facilities”) arranged by AgStar Financial Services, PCA (“AgStar”) to fund the operations and working capital requirements of the US BioEnergy Debtors (as defined below).

(i) Prepetition Secured Financing at US BioEnergy

As of the Petition Date,¹ nine of the Debtors (collectively, the “US BioEnergy Debtors”)² owned and operated eight ethanol production facilities. AgStar is the agent under seven separate prepetition credit facilities with eight of the US BioEnergy Debtors (collectively, the “AgStar Debtors”). Each of these prepetition credit facilities (the “AgStar Credit Facilities”) is secured by liens on substantially all of the respective assets of the AgStar Debtors. As of the Petition Date, the aggregate outstanding debt obligations under the AgStar Credit Facilities were approximately \$464.9 million.³

¹ All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Term Sheet.

² The nine US BioEnergy Debtors are US BioEnergy Corporation; US Bio Marion, LLC; VeraSun Albert City, LLC; VeraSun Central City, LLC; VeraSun Dyersville, LLC; VeraSun Hankinson, LLC; VeraSun Janesville, LLC; VeraSun Ord, LLC and VeraSun Woodbury, LLC.

³ The ninth US BioEnergy Debtor – US Bio Marion, LLC (the “Marion Debtor”), which became a subsidiary of VeraSun as a result of the US BioEnergy acquisition – is a party to two prepetition credit facilities: (i)

(ii) Key Terms of the Proposed AgStar DIP Facilities⁴

Postpetition Lender: AgStar Financial Services, PCA.

Guarantor: U.S. BioEnergy Corporation.

Postpetition Revolving Credit Facility: A revolving credit facility (the “Postpetition Loan”) to be made available to the Borrower, pursuant to the terms of the Term Sheet and the Final Order in an amount not to exceed \$10,000,000⁵ as the aggregate Postpetition Loan, pursuant to the terms of the Term Sheet, the Final Order and the other Postpetition Financing Documents (the “Postpetition Commitment”). Advances under the Postpetition Loan are limited on a weekly basis to the amount for such week as set forth in the DIP Budget.

Closing Date: December 2, 2008.

Purpose: To fund the Borrower’s working capital needs as itemized in the DIP Budget.

Maturity Date: The Postpetition Loan shall mature on January 15, 2009, or on such earlier date as provided in the Final Order or the other Postpetition Financing Documents.

Security: The Borrower shall grant to the Postpetition Lender a first priority perfected Security Interest in all of the real and personal property of the Borrower, whether now owned or hereafter acquired (the “Collateral”); provided, however, that the liens and Security Interests granted to the Postpetition Lender shall not be extended to Avoidance Actions or the proceeds thereof.

During the term of the Postpetition Loan, Borrower shall not grant or permit any Security Interest in the Collateral to any other Person, other than certain permitted liens agreed to by the Postpetition Lender (the “Permitted Liens”).

The Borrower shall execute and deliver to the Postpetition Lender all such mortgages, security agreements, control agreements, deeds of trust or other documents and instruments as may be

a \$90 million term loan facility with Dougherty Funding LLC secured by the Marion Debtor’s property, plant and equipment, and (ii) a \$7 million revolving credit facility with First National Bank & Trust secured by the Marion Debtor’s inventory and receivables.

⁴ While there are six separate AgStar DIP Facilities, we have been advised that their terms are substantially identical, except for the respective commitments thereunder. In addition, while there are eight AgStar Debtors, there are only six AgStar DIP Facilities. One of the AgStar Debtors, VeraSun Janesville, is not yet operational and does not require debtor in possession financing. The eighth AgStar Debtor, USBioEnergy Corporation, is a holding company and likewise does not require debtor in possession financing.

⁵ We have only been advised that the aggregate amount of the AgStar DIP Facilities will be \$10,000,000. We do not definitively know how this amount will be divided amongst the six Borrowers.

reasonably required by the Postpetition Lender to evidence and secure the Postpetition Loan pursuant to the terms of this Term Sheet and the Final Order (collectively with the Interim Order, the “Postpetition Financing Documents”).

Interest Rate: LIBOR Rate plus 700 basis points.

Availability: Advances under the Postpetition Loan may be subject to availability of the Postpetition Loan and shall be limited as set forth in the Term Sheet, the Final Order and other Postpetition Financing Documents.

Adequate Protection & Interest Payments: Payment of Adequate Protection Payments (as defined below) and all accrued interest on the Postpetition Loan shall be paid by the Borrower on the first day of each month, beginning on December 1, 2008, and monthly thereafter, and on the Maturity Date, to the Postpetition Lender and to the Agent. “Adequate Protection Payments” means payments made by the Borrower subject to the right of any interested party other than the Debtors to later assert that such payments should be reallocated to principal pursuant to section 506 of the Bankruptcy Code, to (i) pay accrued and unpaid interest on the Prepetition Indebtedness at the times and the rate specified in the Prepetition Credit Agreement (other the Default Rate as defined in the Prepetition Credit Agreement), and (ii) reimburse all pre- and postpetition reasonable costs and expenses, including but not limited to any reasonable professionals’ fees.

Conditions Precedent to Closing: The conditions precedent to closing are (i) entry of the Final Order and (ii) execution and delivery of the Term Sheet.

Covenants: The Postpetition Financing Documents (which have not yet been drafted) shall contain affirmative and negative covenants of the Borrower acceptable to the Postpetition Lender.

Reports: So long as the Borrower’s obligations under the Postpetition Loan remain unpaid, the Borrower shall provide the Postpetition Lender with various status reports, including but not limited to, a weekly report itemizing all expenditures during the preceding week.

Events of Default: The Events of Default are: (i) failure to comply with the terms and conditions set forth in the Term Sheet, the Final Order, the Postpetition Financing Documents, and the Prepetition Credit Agreement; (ii) failure to retain and employ James Bonsall of APS Services, LLC or another person and firm acceptable to the Postpetition Lender as the Borrower’s chief restructuring officer; (iii) failure to deliver the weekly reports required in the Term Sheet; (iv) if any chapter 11 plan in the Borrower’s chapter 11 case is confirmed and becomes effective and the plan does not provide that the Postpetition Obligations shall be paid in full in cash on or before the effective date of such plan; and (v) if any Debtor seeks an order dismissing the Borrower’s chapter 11 case without the consent of the Postpetition Lender prior to

the indefeasible payment in full in cash of all obligations and indebtedness owing to the Postpetition Lender.

Commitment and Administration Fees: Borrower shall pay to Postpetition Lender on the Closing Date a fee equal to one percent (1.0%) of the aggregate Postpetition Loan Commitment. In addition, Borrower shall pay to Postpetition Lender on the Closing Date an administration fee equal to one-half of one percent (0.5%) of the aggregate Postpetition Loan Commitment. The Postpetition Lender is authorized to advance from the Postpetition Loan an amount equal to such Administration Fee.

Expenses: The Borrower shall reimburse the Postpetition Lender for all costs and expenses, including legal fees, consultant fees, appraisal fees, financial advisor fees, and other similar fees, costs and expenses in connection with the negotiation, documentation, execution, syndication and delivery of the Postpetition Loan and the Borrower's Bankruptcy.