GREEN PLAINS RENEWABLE ENERGY, INC.
Form 10-Q
April 06, 2006

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended February 28, 2006

Commission File Number 333-121321

GREEN PLAINS RENEWABLE ENERGY, INC.
(Exact name of registrant as specified in its charter)

Iowa	84-1652107
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

7945 W. Sahara Ave., Suite 107, Las Vegas, Nevada 89117
(Address of principal executive offices)

(702) 363.9307
(Issuer's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition or "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of March 3, 2006
Common Stock, $.001 par value	4,320,990 shares

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

GREEN PLAINS RENEWABLE ENERGY, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED, CONDENSED BALANCE SHEETS

ASSETS

	November 30, 2005

CURRENT ASSETS	
Cash and equivalents	$ 5,794,936
Securities	28,064,700
Prepaid expenses	-
Deposits related to option agreements	3,000
Total current assets	33,862,636
PROPERTY AND EQUIPMENT, net	786,846
OTHER ASSETS	
Recoverable rail line costs	-
Site development costs	-
Loan fees	-
Total other assets	-
Total assets	$ 34,649,482

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 170,701
Total current liabilities	170,701
Total Liabilities	170,701
Commitments and contingencies	-
STOCKHOLDERS' EQUITY	
Common stock; $.001 par value, 25,000,000 shares authorized, 4,215,990 and 4,320,990 shares issued and outstanding, respectively	4,216
Additional paid-in capital	34,922,314
Accumulated deficit	(447,749)
Total stockholders' equity	34,478,781
Total liabilities and stockholders' equity	$ 34,649,482

See accompanying notes to consolidated, condensed financial statements.

GREEN PLAINS RENEWABLE ENERGY, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED, CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended February 28,		For t From On Ju T Feb
	2006	2005	
Revenues	$ -	$ -	$
Operating expenses	123,811	110,714	
Loss from operations	(123,811)	(110,714)	
Other income			
Interest income	135,639	1,223	
Income (loss) before provision for income taxes	11,828	(109,491)	
Provision for income taxes	-	-	
Net income (loss)	$ 11,828	$ (109,491)	$
Net income (loss) per common share - basic and diluted	$ 0.00	$ (0.14)	
Weighted average common shares outstanding - Basic and diluted	4,225,712	765,000	

See accompanying notes to consolidated, condensed financial statements.

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GREEN PLAINS RENEWABLE ENERGY, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED, CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

For the Three Months Ended
February 28,

	2006	2005
Cash flows from operating activities:		
Net income (loss)	$ 11,828	$ (109,491
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Stock based compensation	50,000	-
Depreciation	2,614	72
Changes in operating assets and liabilities:		
Prepaid expenses	(88,767)	-
Accounts payable and accrued expenses	(101,569)	19,168
Net cash used by operating activities	(125,894)	(90,251
Cash flows from investing activities:		
Cash acquired in acquisition of subsidiary	210,291	-
Purchase of securities	-	-
Payment of recoverable rail line costs	(3,500,000)	
Purchase of property and equipment	(64,438)	(7,518
Deposits related to option agreements	-	-
Sale of securities	3,464,816	-
Net cash used by investing activities	(110,669)	(7,518
Cash flows from financing activities:		
Payment of loan fees	(355,150)	-
Proceeds from issuance of stock	-	-
Net cash provided by (used by) financing activities	(355,150)	-
Net change in cash and equivalents	(370,375)	(97,769
Cash and equivalents, at beginning of period	5,794,936	626,093
Cash and equivalents, at end of period	$ 5,424,561	$ 528,324
Supplemental disclosures of cash flow:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -
Non Cash Investing and Financing Activities:		
Common stock issued for subsidiary:		
Deposits related to option agreement	$ 11,000	$ -
Site development costs	778,709	-
Total non-cash consideration	$ 789,709	$ -

See accompanying notes to consolidated, condensed financial statements.

GREEN PLAINS RENEWABLE ENRERGY, INC.
(A DEVELOMENT STAGE COMPANY)
NOTES TO CONSOLIDATED, CONDENSED FINANCIAL STATEMENTS
(UNAUDTED)

1. DESCRIPTION OF BUSINESS

Green Plains Renewable Energy, Inc. (hereinafter referred to as the "Company") is a development stage company incorporated on June 29, 2004 under the laws of the state of Iowa. Green Plains Renewable Energy, Inc. was organized to construct and operate a 50 million gallon, dry mill, fuel grade ethanol plant in Shenandoah, Iowa (the "Plant").

The accompanying unaudited conslidated, condensed financial statements have been prepared in accordance with Securities and Exchange Commission requirements for interim financial statements. Therefore, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The financial statements should be read in conjunction with the consolidated, condensed financial statements included in our Form 10-K (the "Annual Report") as filed with the Securities and Exchange Commission and notes thereto and the risk factors contained therein for the fiscal year ended November 30, 2005.

The interim financial statements present the conslidated, condensed balance sheet, statements of operations, stockholders' equity and cash flows of Green Plains Renewable Energy, Inc. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The interim financial information is unaudited. In the opinion of management, all adjustments necessary to present fairly the financial position of the Company as of February 28, 2006, and the results of operations and cash flows presented herein, have been included in the financial statements. Interim results are not necessarily indicative of results of operations for the full year.

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

2. SUMMARY OF SIGNIFICANT POLICIES

Fixed assets - Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets which is primarily 3 years. The cost of repairs and maintenance is charged to expense as incurred. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operating income or loss.

Recoverable rail line costs - The Company was required by the railroad to pay the cost to renovate the spur rail line running from Red Oak, Iowa to Shenandoah, Iowa and then to its plant. The Company's shipping contract with the railroad provides that the railroad will rebate to the Company the cost of renovating the spur line on a per rail car load basis. If the Company places sufficient cars on the rail line it will be reimbursed $50 to $150 per rail car

up to a maximum of $3,500,000. This rebate will be recorded as a reduction of the cost of the rail line until the full amount has been recovered. The agreement also provides that if the rail line is sold by the railroad, the Company will be repaid the unrecovered portion of the rail line costs.

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

2. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

Stock based compensation - The Company applies SFAS No. 123 Accounting for Stock-Based Compensation for all compensation related to stock, options or warrants. SFAS 123 requires the recognition of compensation cost using a fair value based method whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. The Company uses the Black-Scholes pricing model to calculate the fair value of options and warrants issued to both employees and non-employees. Stock issued for compensation is valued using the market price of the stock on the date of the related agreement.

Principles of consolidation - The accompanying financial statements include the accounts of the Company and its wholly owned subsidiary, Superior Ethanol, LLC from its acquisition on February 22, 2006.

The Company granted no warrants or options for compensation for the period ended February 28, 2006.

3. STOCKHOLDERS' EQUITY

In July 2004, the Company issued 400,000 and 150,000 shares of common stock to the founders of the Company for cash and services, respectively. The shares were issued in consideration of cash and services totaling $100,000 and $37,500, respectively.

In August, October and November 2004, the Company issued 73,000 shares of common stock to directors for cash totaling $182,500.

In August, September, October and November 2004, the Company issued 142,000 shares of common stock to various non-related individuals and entities for cash totaling $355,000.

In November 2005, the Company issued 3,445,990 shares of common stock to various non-related individuals and entities for cash totaling $34,459,900.

In November 2005, the Company issued 5,000 shares of common stock to a director for services valued at $50,000 or $10 per share.

In January 2006, the Company issued 5,000 shares of common stock to an engineering firm for services valued at $50,000 or $10 per share.

In February 2006, the Company issued 100,000 shares to a director in exchange for 100% ownership in Superior Ethanol, LLC. Superior Ethanol, LLC has cash of approximately $210,000 in its accounts, holds options on real estate, property tax abatements and other assets in an area where the Company intends to

build an additional ethanol plant in Iowa.

4. COMMITMENTS AND CONTINGENCIES

In October 2005, the Company entered into an agreement with Fagen Engineering for design services for the Phase I and II Pre Engineering work to be done at the Plant site by the Company, prior to turning the site over to Fagen, Inc. for the construction of the Plant itself. The Company agreed to pay Fagen Engineering a lump sum fee for said engineering. However, said amount is included as part of the total cost of the Plant itself, as outlined in the Design Build Contract we have entered into with Fagen, Inc., which is anticipated to be $55,881,454. Therefore, the cost of the pre-engineering will be deducted from the total cost of Plant once we pay for the pre-engineering work. All payments are due upon receipt, and the Company is to be billed as work is completed. As of February 28, 2006, the Company had paid $27,750 of the total amount to be billed.

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In October 2005, the Company entered into an agreement with a company for air permitting and a storm water runoff plan for $11,000. The Company later hired the same consulting company to perform additional work in connection with other permits and notices needed for construction for additional nominal amounts. All payments are due upon receipt, and the Company is to be billed as work is completed. As of February 28, 2006, the Company had paid $15,645 of the total amount to be billed.

The Company entered into a construction agreement dated January 13, 2006, with Fagen Inc., under which Fagen, Inc. will provide all work and services in connection with the engineering, design, procurement, construction startup, performances tests, training for the operation and maintenance of its Plant and provide all material, equipment, tools and labor necessary to complete the Plant. As consideration for the services to be performed, Fagen, Inc. will be paid $55,881,454, subject to adjustments. The Company is required to pay an initial payment of $5,000,000, less retainage, at the time of the notice to proceed. The Company is required to make payments to Fagen, Inc. based upon monthly applications for payment.

On February 6, 2006, we entered into a Master Loan Agreement, Construction and Term Loan Supplement, Construction and Revolving Term Loan Supplement, Security Agreement and Real Estate Mortgage with Farm Credit Services of America, FLCA whereby the lenders will loan up to $47,000,000. The loan proceeds are to partially finance construction of the Plant and to provide funding for working capital purposes. The Plant is to be in production by no later than May 1, 2007 and construction costs are not to exceed an aggregate of $71,000,000, net of refundable sales taxes. The loan is comprised of a $30,000,000 amortizing term loan and a $17,000,000 revolving term facility. The interest rate on the loan will be LIBOR plus 335 Basis Points. The rate of interest can then be adjusted downward if certain performance provisions are achieved under the terms of the loan agreement.

The amortizing term loan is available for advances until July 1, 2007. Principal payments are to commence with $1,200,000 due November 20, 2007, and each quarter thereafter with a final maturity on November 20, 2013 at the latest. In addition, for fiscal years ending in 2007 and thereafter, we are also required to make a special payment equal to 65% of the available (if any) free cash flow from operations, not to exceed $2,000,000 per year, and provided, however, that if such payments would result in a covenant default under the Loan Agreements, the amount of the payments shall be reduced to an amount which would

not result in a covenant default. The free cash flow payments are discontinued when the aggregate total received from such payments exceeds $8,000,000. The interest rate on the loan will be LIBOR plus 335 Basis Points. The rate of interest can then be adjusted downward if certain performance provisions are achieved under the terms of the loan agreement. . The revolving term loan is available for advances throughout the life of the commitment. This loan requires semi-annual $2,400,000 payments or step-downs of the commitment to commence on the first day of the month beginning approximately six months after repayment of the term loan, by May 1, 2014 at the latest with a final maturity no later than November 1, 2017.

In April of 2005, we were awarded a $300,000 zero interest loan, and a $100,000 forgivable loan (grant) by the State of Iowa. We signed that agreement in August of 2005. However, we could not receive the funds until the other funding for the Plant had been secured (equity and debt financing). On March 8, 2006, the $400,000 was receipted into the accounts of the Company. We have agreed to pay the $300,000 loan back in installments of $5,000 per month over a 60 month period. The first payment on the $300,000 loan is due on October 1, 2006.

In February of 2006, we entered into an agreement with Mathiowitz Construction to do the grading and dirt work at the site in Shenandoah, Iowa to prepare the site for Fagen so construction on the Plant could commence. That contract was for approximately $1.75 million. We will be billed as the work progresses.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our condensed results of operations and financial condition. The discussion contains forward-looking statements that involve risks and uncertainties. Actual events or results may differ materially from those indicated in such forward-looking statements. The discussion should be read in conjunction with the financial statements and accompanying notes included herewith, our Annual Report for the year ended September 30, 2005, that was previously filed with the SEC, the financial statements included therewith and notes thereto and the risk factors contained therein.

Overview

We are a start-up company in development stage which was formed for the purpose of building a plant to produce ethanol and animal feed products in Shenandoah, Iowa (the "Plant"). We do not expect to operate at a profit before the ethanol Plant is completely constructed and operational.

For the 3 month period ended February 28, 2006, we realized a net income of $11,828.Our net income for the three months ended February 28, 2006 resulted from $135,639 in interest income earned from funds raised in our public offering less $123,811 in operating expenses. Our operating expenses related primarily to general and administrative costs, consulting costs, costs associated with various permits needed to build the Plant, and payments made to Fagen Engineering for the Phase I and II Pre-engineering work. We have incurred an accumulated loss of $435,921 from inception (June 29, 2004) through February 28, 2006.

We believe we will incur significant losses from this time forward until we are able complete construction of our proposed Plant in Shenandoah and

commence operations. We also have options to acquire property in Atlantic, Iowa and Dickinson County, Iowa, where we considering constructing two additional ethanol plants. We anticipate that these will both be 50 to 100 million gallon plants. However, there is no assurance that we will be successful in our efforts to build and operate an ethanol Plant in Shenandoah or elsewhere. Even if we successfully meet all of these objectives and begin operations of an ethanol Plant(s), there is no assurance that we will be able to operate profitably.

We raised gross proceeds of $34,459,900 in our initial public offering that closed in November 2005. We expect that the Shenandoah project will cost approximately $82.6 million. We raised approximately $637,500 in seed capital prior to commencing our public offering. We entered into loan arrangements whereby Farm Credit Services of America, FLCA and other participating lenders have agreed to loan us up to $47,000,000 to use for construction costs and working capital. Therefore, we have the necessary funding to commence construction of the Shenandoah Plant. However, to build at the other sites, we will need to raise additional capital. We intend to raise the needed equity through public or private offerings of our securities and/or by borrowing additional funds. There can be no assurance given that we will be able to acquire the funding necessary for these additional projects at reasonable terms or at all.

Representatives from Fagen Inc., our contractor, have informed the Company that the 50 million gallon per year Plant that we intend to build in Shenandoah will consume on an annual basis approximately 18 million bushels of locally grown corn and annually produce approximately 50 million gallons of fuel-grade, denatured ethanol, and approximately 160,000 tons of DDGS on a dry basis. We have hired RPMG of Belle Plaine, MN, an independent broker to sell our ethanol and plan to do the same to sell our DDGS. This Plant will be located in Shenandoah, Iowa, an area where we believe there are over 200 hundred thousand cattle on feeder lots within a 50 mile radius of the Plant. We believe we can sell a portion of our distillers grains in a wet form because of this, which we anticipate will save us a significant amount of money because we will not have to dry the grain before selling it.

Additionally, in discussions with representatives from Fagen, Inc. we have been informed that the Plant in Shenandoah will produce approximately 148 thousand tons of carbon dioxide that may be recovered on an annual basis. While we intend to have discussions with several companies regarding construction of a

facility to capture raw carbon dioxide prior to completion of the Plant, we presently have no agreement with any third party to capture or market the raw carbon dioxide, and the market may be too saturated in Iowa to recover the carbon dioxide profitably. We therefore may choose to vent off the C0(2) and may have no market for it of any kind.

The Plant lies adjacent to a spur line of the BNSF Railway Company (BNSF). However, the spur (the "SPUR") on which the Plant will be located is currently closed and needs to be upgraded to meet HAZMAT (Hazardous Materials) standards. Approximately 20 miles of the spur will need to be upgraded. On January 26, 2006, we entered into an Allowance Contract (the "Allowance Agreement") with BNSF which included our agreement with BNSF to renovate and maintain approximately 20 miles of track on the SPUR.

Upon signing the Allowance Agreement, we paid $3.5 million to BNSF for the SPUR renovation. The renovation work is to be done by BNSF, and BNSF will own, operate and maintain the SPUR, as long as GPRE meets certain annual volume thresholds (cars placed on the rail) as outlined in the Allowance Agreement. We are entitled to receive refund payments from BNSF to reimburse us for this

expense, but only to the extent that our usage of the line meets the annual volume thresholds. There can be no assurance that our usage will meet the annual volume thresholds or that we will be reimbursed for all or any part of the renovation costs. If BNSF were to ever sell the line to a third party (short-line), we would be entitled to repayment by BNSF. However, in the future, if there is any additional, major, renovation needed to be done to the SPUR, it is GPRE's responsibility to pay for any such additional, major, renovation. The Allowance Agreement is for a term expiring on September 14, 2015.

We entered into an agreement with RPMG of Belle Plaine, MN to sell our ethanol production in February of 2006. We also anticipate that we will have an agreement with an experienced marketer to sell our animal feed products. We will be hiring staff to handle the direct operation of the Plant, and currently expect to employ approximately 35 people. We do not intend to hire a sales staff to market our products. Third-party marketing agents will coordinate all shipping.

The following table describes our proposed use of proceeds, based upon our current cash reserves and loan arrangements. The total use of proceeds is estimated to be $82,587,384. The actual use of funds is based upon contingencies, such as the estimated cost of Plant construction, the regulatory permits required and inventory costs, which are driven by the market. Therefore, the following figures are intended to be estimates only and the actual use of funds may vary significantly from the descriptions given below depending on the contingencies described above. However, we anticipate that any variation in our use of proceeds will occur in the level of proceeds attributable to a particular use (as set forth below) rather than a change from one of the uses set forth below to a use not identified in this report.

Projected Uses and Sources of Funds

	Estimated Use of Proceeds
Estimated Sources:	
Share Proceeds	$ 34,549,884
Zero Interest Loan and Grant from State of Iowa	400,000
Seed Capital	637,500
Term Debt Financing	47,000,000
Total Estimated Sources of Funds	$ 82,587,384
Estimated Uses of Funds:	
Plant Construction and Misc. Costs	$ 59,926,300
Estimated Site Costs	4,295,000
Estimated Railroad Costs	5,600,000
Estimated Fire Protection/Water Supply Costs	2,216,000
Estimated Rolling Stock Costs	240,000
Estimated Financing Costs and Capitalized Interest	1,402,500
Estimated Pre-Production Period Costs	710,000
Estimated Inventory & Working Capital Costs	8,827,584
Total Estimated Use of Funds	$ 82,587,384

The City of Shenandoah awarded us a 15 year property tax abatement that we would be able to receive if the City annexed the Plant site into its boundaries. We asked for voluntary annexation into the City limits and were

annexed into the City on February 15, 2006. It is anticipated that it will result in significant long-term savings.

Plan for the Next 24 Months of Operations

We expect to spend the next 24 months in the design-development and construction of the Plant at Shenandoah, and thereafter commence production of ethanol and distillers grains at the Plant. We expect to have sufficient cash on hand to cover all costs associated with construction of the project, including but not limited to, utilities, construction, equipment acquisition and site development. In addition, we expect to have enough cash to cover our costs through this period, including staffing, office costs, audit, legal, compliance and staff training. We estimate that we will need approximately $82,587,384 to complete the project. We also anticipate spending considerable time in our efforts to build two additional ethanol plants, one near Superior, Iowa and the other near Atlantic, Iowa. When we acquired Superior Ethanol, it had approximately $210,000 in cash that we intend to use to fund the work we will need to do to build at the sites in Superior and Atlantic.

The tables above describing the estimated sources of funds and various costs associated with the project in Shenandoah and also describe operations at that site for the next 24 months. These tables are only estimates and actual expenses could be higher or lower due to a variety of factors described in the section of our Annual Report entitled "Risk Factors".

Proposed Superior, Iowa and Atlantic, Iowa Ethanol Plants

On February 22, 2006, we acquired all of the outstanding ownership interest in Superior Ethanol, LLC. Superior has options to acquire at least 135 acres of property in Dickinson County, Iowa, has completed a feasibility study relating to the construction of an ethanol plant on this site, the site is zoned as "heavy industrial," the site has been awarded a property tax abatement from Dickinson County, Iowa, and Superior had approximately $210,000 in cash at closing. In consideration for the acquisition of Superior as a wholly owned subsidiary of the Company, we issued 100,000 shares of our restricted common stock to Brian Peterson, a director of the Company. Prior to the acquisition, substantially all of Superior was owned by Mr. Peterson.

Operational plans continue to progress on the Superior ethanol plant project with the builder, the rail engineers, and the utility consultants. We intend to build a 50 to 100 million gallon ethanol plant at this site. The location of the plant at the site has been determined, and it is anticipated that an application for an air permit will be filed with the Iowa Department of Natural Resources (IDNR) shortly. In Iowa, such approvals usually take 60 to 90 days once filed.

It is anticipated that Agra Construction, a division of Agra Industries of Merrill, Wisconsin will be the design builder of the plant, although we have not entered into any binding arrangements with Agra Construction. It is also anticipated that Delta T will be the technology provider. If we were able to secure necessary approvals, enter into binding arrangements with our builder and obtain necessary funding by June 2006, of which there can be no assurance, it is anticipated that construction could commence by mid to late summer of 2006 with a completion date in the fall of 2007. It is anticipated that this project will require approximately $94 million to fund a 50 million gallon plant, and we have not secured any bank or other funding for this project and there can be no assurance that we will obtain the necessary funding or approvals. The projected cost for this plant is higher than the plant being built in Shenandoah because we anticipate adding a bio-mass burner at the plant in Superior that will be capable of burning distillers grains to run the plant. However, it will also be able to operate on natural gas if need be. We believe that burning distillers grains to operate the plant could result in significant savings to the Company.

Condition of Records

We recently hired an experienced general manager who will oversee Plant construction and manage the Plant in Shenandoah once construction at the site has been completed. In addition to our general manager, we currently have office staff comprised of our president, an office worker that assists our president in our Las Vegas office and an office worker that assists our general manager in our Shenandoah office. We have also engaged an accountant on a part time basis that has experience working with public companies, to help us keep our books and records, with the assistance of our general manager, our president and our CFO. We intend to hire and train additional staff well before the start of Plant operations, and we have included an expense allocation for this in our budget. However, there can be no assurance that we will be able to retain qualified individuals. It is possible that accounting or other financing functions may not be performed on time, if at all.

Operating Expenses

We will have operating expenses, such as salaries, for our president, general manager and other office staff as they are hired. We commenced paying a salary to our CEO on January 1, 2006 for his full time work on the project and to our general manager in February, 2006. Along with operating expenses, we anticipate that we will have significant expenses related to financing and interest. We have allocated funds in our capital structure for these expenses. However, there can be no assurance that the funds allocated are sufficient to cover the expenses. We may need additional funding to cover these costs if sufficient funds are not retained up-front or if costs are higher than expected.

Results of Operations

For the 3 month period ended February 28, 2006, we realized a net income of $11,828 compared to a loss of $109,491 in the same quarter of 2005. Our operating expenses were $123,811 for the 3 month period ended February 28, 2006 compared to $110,714 for the comparable period from the prior year. These expenses related primarily to general and administrative costs, consulting costs, costs associated with various permits needed to build the Plant and costs associated with the Phase I and II Pre engineering work. The increase was primarily due to increased general and administrative costs, costs associated with obtaining the needed permits and the work required to prepare the site for Fagen to commence construction. We expect to hire additional employees as construction begins on the Plant as we will need a fully trained staff to operate it once it goes on line. In 2006 our operating expenses were offset by interest earned on the funds we have invested until they are used in the construction of our Plant. We earned $135,639 of interest income in 2006 compared to $1,223 in 2005. This interest income will decrease as we pay for the construction of the Plant. We have not had any revenues through February 28, 2006 and do not expect to have any revenues through the remainder of 2006.

Liquidity and Capital Resources

At February 28, 2006 we had $5,424,561 in cash and equivalents and $24,599,884 in securities in the form of short-term US Government backed securities. We anticipate that our working capital requirements for the next twenty-four months will be as described above. We believe that we have secured sufficient funding to complete construction and begin operating our Shenandoah ethanol plant. We believe that we will need to secure approximately $84 million in new funding to build the proposed ethanol plant in Superior, Iowa, and that we would need to secure substantial additional funding in an undetermined amount

to build the proposed ethanol plant in Atlantic, Iowa. We have no funding arrangements in place for the Superior or Atlantic projects and there can be no assurance that we will obtain funding for these projects or that funding will be available on advantageous terms.

In furtherance of our business plan, on February 6, 2006, we entered into a Master Loan Agreement, Construction and Term Loan Supplement, Construction and Revolving Term Loan Supplement, Security Agreement and Real Estate Mortgage with Farm Credit Services of America, FLCA (individually and collectively, the "Loan Agreements"). A participating interest under the Loan Documents was transferred to CoBank, ACB. Under the Loan Agreements, the lenders will loan up to $47,000,000. The loan proceeds are to partially finance construction of the Plant and to provide funding for working capital purposes. The Plant is to be in production by no later than May 1, 2007 and construction costs are not to exceed an aggregate of $71,000,000, net of refundable sales taxes.

Loan Commitments and Repayment Terms

The loan is comprised of a $30,000,000 amortizing term loan and a $17,000,000 revolving term facility.

- Term Loan - This loan is available for advances until July 1, 2007. Principal payments are to commence with $1,200,000 due November 20, 2007, and each quarter thereafter with a final maturity on November 20, 2013 at the latest. In addition, for fiscal years ending in 2007 and thereafter, we are also required to make a special payment equal to 65% of the available (if any) free cash flow from operations, not to exceed $2,000,000 per year, and provided, however, that if such payments would result in a covenant default under the Loan Agreements, the amount of the payments shall be reduced to an amount which would not result in a covenant default. The free cash flow payments are discontinued when the aggregate total received from such payments exceeds $8,000,000.

- Revolving Term - This loan is available for advances throughout the life of the commitment. This loan requires semi-annual $2,400,000 payments on/step-downs of the commitment to commence on the first day of the month beginning approximately six months after repayment of the term loan, by May 1, 2014 at the latest with a final maturity no later than November 1, 2017.

Availability of Advances, Interest Rates and Fees

Advances are subject to satisfaction of specified lending conditions. Advances correlate to budget and construction timeline projections, with verification of progress by a third-party engineer. The loans will bear interest at the rate of LIBOR plus 3.35%. We paid a loan origination fee in the amount of $352,500, there is an annual administration fee in the amount of $25,000, beginning November 1, 2007, and there is an unused commitment fee equal to 1/2% of the unused revolving term. Appraisal, inspecting engineer, and title company insurance and disbursing fees are also at the Company's expense.

Security

As security for the loan, the lenders received a first-position lien on all personal property and real estate owned by us, including an assignment of

all contracts and rights pertinent to construction and on-going operation of the Plant.

Representations, Warranties and Covenants

The Loan Agreements contain representations, warranties, conditions precedent, affirmative covenants (including financial covenants) and negative covenants. One of these covenants requires that dividends or other distributions to stockholders be limited to 40% of the profit net of income taxes for each fiscal year and may be paid only where we are expected to remain in compliance with all loan covenants, terms and conditions. Furthermore, with respect to the fiscal years ending in 2008 and thereafter, an additional distribution may be made to stockholders in excess of the 40% limit for such fiscal year if we have made the required free cash flow payment for/based on such fiscal year, and will thereafter remain in compliance with all loan covenants, terms and conditions on a pro forma basis net of said potential additional payment. There can be no assurance that we can remain in compliance with all loan covenants.

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Contractual Obligations

Our contractual obligations as of February 28, 2006 were as follows:

Contractual Obligations	Payments Due by Period			
	Total	Less Than 1 Year	1-3 Years	3-5 Years
Long-Term Debt Obligations	$ 300,000			$300,000
Capital Lease Obligations				
Operating Lease Obligations				
Purchase Obligations				
Other Long-Term Liabilities	$57,631,454	$1,750,000(1)	$55,881,454(2)	
Total	$57,931,454	$1,750,000	$55,881,454	

(1) Agreement with Mathiowitz Construction to do the grading and dirt work at the site in Shenandoah, Iowa.
(2) Design Build Contract with Fagen, Inc. for the site in Shenandoah, Iowa. This amount is anticipated to be paid over a twelve to sixteen month period beginning in April 2006.

Critical Accounting Policies

The Company applies SFAS No. 123 Accounting for Stock-Based Compensation for all compensation related to stock, options or warrants. SFAS 123 requires the recognition of compensation cost using a fair value based method whereby compensation costs is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. The Company uses the Black-Scholes pricing model to calculate the fair value of options and warrants issued to both employees and non-employees. Stock issued for compensation is valued using the market price of the stock on the date of the related agreement.

The Company granted no warrants or options for compensation for the period ended February 28, 2006.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, results of operations or liquidity.

Recent Accounting Pronouncements

The Company has not adopted any new accounting policies that would have a material impact on the Company's financial condition, changes in financial conditions or results of operations.

Grant and Government Programs

In April of 2005 we were awarded a $300,000 zero interest loan and a $100,000 forgivable loan (grant) from the State of Iowa. These funds became available to us once we closed on our financing, and were receipted into the accounts of the Company in March of 2006. We believe that we are eligible for and anticipate applying for other state and federal grant, loan and forgivable loan programs. Most grants that may be awarded to us are considered paid-in capital for tax purposes and are not taxable income. Although we may apply under several programs simultaneously and may be awarded grants or other benefits from more than one program, it must be noted that some combinations of programs are mutually exclusive. Under some state and federal programs, awards are not made to applicants in cases where construction on the project has started prior to the award date. There is no guarantee that applications will result in awards of grants or loans. With the exception of the $300,000 zero interest loan and the $100,000 forgivable loan (grant) described above, we are not depending on the award of any such grants as part of our funding of the Project. However, we may be eligible to receive such grants. If we do, the amount of money we will have to borrow may be reduced by that amount. There can be no assurance that we will receive any funding under any federal or state funding initiative.

Forward-Looking Statements

Throughout this report, we make "forward-looking statements." Forward-looking statements include the words "may," "will," "estimate," "continue," "believe," "expect" or "anticipate" and other similar words. These forward-looking statements generally relate to our plans and objectives for future operations and are based upon management's reasonable estimates of future results or trends. Although we believe that our plans and objectives reflected in or suggested by such forward-looking statements are reasonable, we may not achieve such plans or objectives. Actual results may differ from projected results due, but not limited, to unforeseen developments, including developments relating to the following:

- The availability and adequacy of our cash flow to meet its requirements, including payment of loans;
- Economic, competitive, demographic, business and other conditions in our local and regional markets;
- Changes or developments in laws, regulations or taxes in the ethanol, agricultural or energy industries;
- Actions taken or omitted to be taken by third parties including our suppliers and competitors, as well as legislative, regulatory, judicial and other governmental authorities;
- Competition in the ethanol industry;

- The loss of any license or permit;
- The loss of our plant due to casualty, weather, mechanical failure or any extended or extraordinary maintenance or inspection that may be required;
- Changes in our business strategy, capital improvements or development plans;
- The availability of additional capital to support capital improvements and development; and,
- Other factors discussed under "Risk Factors" in our Registration Statement and prospectus.

You should read this report completely and with the understanding that actual future results may be materially different from what we expect. The forward looking statements specified in this report have been compiled as of the date of this report and should be evaluated with consideration of any changes occurring after the date of this report. We will not update forward-looking statements even though our situation may change in the future and we assume no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a start-up company in development stage, which was formed for the purpose of building a Plant to produce ethanol and animal feed products in southwestern Iowa, and anticipate locating other sites and building other plants in other parts of Iowa or other states within the corn-belt. We also intend to aggressively pursue that acquisition of existing ethanol plants that are already in operation. However, we are not presently conducting operations and are not presently subject to market risks. If and when we begin Plant operations, we will be exposed to the impact of market fluctuations associated with commodity prices and interest rates as discussed below. We do not expect to have exposure to foreign currency risk as all of its business is expected to be conducted in U.S. dollars.

Commodity Price Risk

We expect to produce ethanol and its co-product, distiller's dried grains with solubles (DDGS), from corn, and our business will be sensitive to changes in the price of corn. The price of corn is subject to fluctuations due to unpredictable factors such as weather, total corn planted and harvested acreage, changes in national and global supply and demand, and government programs and policies. We also expect to use natural gas in the ethanol and DDGS production process, and our business will be sensitive to changes in the price of natural gas. The price of natural gas is influenced by such weather factors as extreme heat or cold in the summer and winter, in addition to the threat of hurricanes in the spring, summer and fall. Other natural gas price factors include the U.S. domestic onshore and offshore rig count and the amount of U.S. natural gas in underground storage during both the injection and withdrawal seasons.

We anticipate that we will attempt to reduce the market risk associated with fluctuations in the price of corn and natural gas by employing a variety of risk management strategies. Strategies include the use of derivative financial instruments such as futures and options initiated on the Chicago Board of Trade

and/or the New York Mercantile Exchange, as well as the daily cash management of our total corn and natural gas ownership relative to monthly demand for each commodity, which may incorporate the use of forward cash contracts or basis contracts.

We may hedge corn with derivative instruments including futures and options contracts offered through the Chicago Board of Trade. Forward cash corn and basis contracts may also be utilized to minimize future price risk. Similarly, natural gas is hedged with futures and options contracts offered through the New York Mercantile Exchange. Basis contracts may also be utilized to minimize future price risk.

Gains and losses on futures and options contracts used as economic hedges of corn inventory, as well as on forward cash corn and basis contracts, are recognized as a component of cost of revenues for financial reporting on a monthly basis using month-end settlement prices for corn futures on the Chicago Board of Trade. Corn inventories are marked to fair value using market based prices so that gains or losses on the derivative contracts, as well as forward cash corn and basis contracts are offset by gains or losses on inventories during the same accounting period.

Gains and losses on futures and options contracts used as economic hedges of natural gas, as well as basis contracts, are recognized as a component of cost of revenues for financial reporting on a monthly basis using month-end settlement prices for natural gas futures on the New York Mercantile Exchange. The natural gas inventories hedged with these derivatives or basis contracts are valued at the spot price of natural gas, plus or minus the gain or loss on the futures or options positions relative to the month-end settlement price on the New York Mercantile Exchange.

While our hedging activities may have a material effect on future operating results or liquidity in a specific quarter of its fiscal year, particularly prior to harvest, management does not believe that such activities will have a material, long-term effect on future operating results or liquidity.

Item 4. Controls and Procedures

The Company has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures as of February 28, 2006, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There have been no significant changes in internal controls or in other factors that could significantly effect internal controls subsequent to the date of our most recent evaluation.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable

Item 1A. Rick Factors

There have been no material changes from the risk factors previously disclosed in our annual report on Form 10-K for the year ended November 30, 2005.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuance of Securities

In November 2005, we issued 5,000 shares of restricted common stock to Gary Thien for services rendered to the Company. Mr. Thien at that time was a Director of the Company and its Vice President. He was, therefore, deemed a sophisticated, accredited investor. Mr. Thien located the site in Shenandoah and had spent a significant amount of his time working on the Company's behalf from the later part of 2004 to the present. The shares were issued to Mr. Thien by the Board for work Mr. Thien had done for and on behalf of the Company. The sale of these shares of common stock was exempt from registration pursuant to Rules 504, 505 and 506 of Regulation D and Sections 4(2) and 4(6) of the Securities Act of 1933, as amended. We did not use an underwriter or pay any commissions in connection with this transaction. Mr. Thien's term as a director of the Company expired at the 2006 annual shareholders meeting and he no longer is affiliated with the Company except as a shareholder.

In January 2006, we issued 5,000 shares of restricted common stock to Antioch International, Inc., an accredited and sophisticated investor, in lieu of $50,000 (fifty thousand dollars) in fees that were owed to Antioch for designing the rail layout that we will need to build at the Plant in Shenandoah, which will allow us to effectively transport our ethanol and distillers grains. The sale of these shares of common stock was exempt from registration pursuant to Rules 504, 505 and 506 of Regulation D and Sections 4(2) and 4(6) of the Securities Act of 1933, as amended. We did not use an underwriter or pay any commissions in connection with this transaction.

On February 22, 2006, we issued 100,000 shares of common stock to Brian Peterson in consideration for the acquisition of Superior Ethanol, LLC. Mr. Peterson is a director of the Company. The sale of these shares of common stock was exempt from registration pursuant to Rules 504, 505 and 506 of Regulation D and Sections 4(2) and 4(6) of the Securities Act of 1933, as amended. We did not use an underwriter or pay any commissions in connection with this transaction.

Use of Proceeds

The Securities and Exchange Commission declared our registration statement on Form S-1 (SEC Registration No. 333-121321) effective on March 9, 2005. We commenced our initial public offering shortly thereafter. Our initial public offering was for the sale of up to 3,800,000 shares of our common stock at $10.00 per share. Each share purchased included a warrant to purchase 1/4 of an additional share of common stock from the Company at a purchase price of $30.00 per share. The offering ranged from a minimum aggregate offering amount of $29,667,000 to a maximum aggregate offering amount of $38,000,000. Our registered offering and escrow agreement required that we raise the $29,667,000 in proceeds by November 29, 2005 and secure a letter of commitment for debt financing by November 29, 2005, both of which we timely accomplished.

On November 15, 2005, we closed the offering prior to the sale of the maximum number of registered shares. The net proceeds to the Company from our offering were approximately $34,532,408. This is the amount of money raised in the offering, ($34,459,900), less $11,619 that was paid to the escrow agent for their services, less $17,476 in federal and state filing fees, less $227,563 in

commissions (7%) paid to Smith Hayes Financial Services for the money raised by them in the offering, plus $329,166 that was earned as interest while the money was held in escrow. We sold the shares without the assistance of an underwriter. The following is a breakdown of shares registered and shares sold in the

offering:

Number of Shares Registered for Sale	Aggregate Price of Shares Offered	Shares Sold	Aggregate Price of Shares Sold
3,800	$38,000,000	3,445,990	$34,459,900

On November 2005 we began releasing funds from escrow. The following table describes our use of net offering proceeds through February 28, 2006:

Railroad	$ 3,500,000
Real Property Acquisition	$ 681,461
Debt Financing Fees	$ 354,650
Miscellaneous Costs	$ 225,889
Total	$ 4,762,000

All of the foregoing payments were direct or indirect payments persons or entities other than our directors, officers, or unit holders owning 10% or more of our shares.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the security holders during the quarterly period covered by this report.

Item 5. Other Information

We held our annual meeting of stockholders on March 27, 2006, at which meeting five director nominees were submitted for approval by the shareholders. At the annual meeting, Dave Hart and Wayne Hoovestol were nominated for election to the class of directors whose term expires at the 2008 annual meeting of shareholders and Dan Christensen, Steven Nicholson, and Robert Vavra were nominated for election to the class of directors whose term expires at the 2009 annual meeting of shareholders. The shareholders elected Mr. Hart by a vote of 2,734,990 for and 26,000 withheld authority, Mr. Hoovestol by a vote of 2,731,990 for and 29,000 withheld authority, and Mr. Christensen by a vote of 2,743,490 for and 17,500 withheld authority, Mr. Nicholson by a vote of 2,734,990 for and 26,000 withheld authority, and Mr. Vavra by a vote of 2,739,490 for and 21,000 withheld authority. The terms of Barry Ellsworth, Brian Peterson, and Hersch Patton, who were not up for election at the 2006 annual meeting of shareholders, expire at the 2007 annual meeting of shareholders.

Item 6. Exhibits

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
3(i).1	Amended and Restated Articles of Incorporation of the Company (Incorporated by reference to Exhibit 3(i).1 of the Company's Registration Statement on Form S-1 filed December 16, 2004, File No. 333-121321)
3(ii).1	Bylaws of the Company (Incorporated by reference to Exhibit

3(ii).1 of the Company's Registration Statement on Form S-1 filed December 16, 2004, File No. 333-121321)

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EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.1	Option Agreement on Hilger West Property, by and between the Company and Alberta A. Bryon, dated November 12, 2004 (Incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-1 filed December 16, 2004, File No. 333-121321)
10.2	Option Agreement on Hilger East Property, by and between the Company and Alberta A. Bryon, dated October 20, 2004 (Incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-1 filed December 16, 2004, File No. 333-121321)
10.3	Letter of Intent relating to the purchase of real property from Shenandoah Chamber & Industry Association, dated November 12, 2004 (Incorporated by reference to Exhibit 10.3 of the Company's Registration Statement on Form S-1 filed December 16, 2004, File No. 333-121321)
10.4	Letter Agreement by and between the Company and U.S. Energy, Inc., dated October 5, 2004 (Incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-1 filed December 16, 2004, File No. 333-121321)
10.5	Agreement to Extend Expiration Date by and between the Company and Alberta A. Bryon, dated October 20, 2005 (Incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-1/A filed February 4, 2005, File No. 333-121321)
10.6	Letter of Intent by and between the Company and the City of Shenandoah, dated December 16, 2004 (Incorporated by reference to Exhibit 10.7 of the Company's Registration Statement on Form S-1/A filed February 4, 2005, File No. 333-121321)
10.7	Martin D. Ruikka, dba PRX Geographic(TM) Quotation, dated May 3, 2004 (Incorporated by reference to Exhibit 10.8 of the Company's Registration Statement on Form S-1/A filed February 4, 2005, File No. 333-121321)
10.8	Martin D. Ruikka, dba PRX Geographic(TM) Invoice, dated January 1, 2005 (Incorporated by reference to Exhibit 10.9 of the Company's Registration Statement on Form S-1/A filed February 4, 2005, File No. 333-121321)
10.9	Master Loan Agreement, dated January 30, 2006, by and between the Company and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, dated February 6, 2006)
10.10	Construction and Term Loan Supplement, dated January 30, 2006, by and between the Company and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.2 of

	the Company's Current Report on Form 8-K, dated February 6, 2006)
10.11	Construction and Revolving Term Loan Supplement, dated January 30, 2006, by and between the Company and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K, dated February 6, 2006)
10.12	Security Agreement, dated January 30, 2006, by and between the Company and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K, dated February 6, 2006)
10.13	Administrative Agency Agreement, dated January 30, 2006, by and between the Company, Farm Credit Services of America, FLCA and CoBank, ACB (Incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K, dated February 6, 2006)
10.14	Real Estate Mortgage and Financing Statement, dated January 30, by and between the Company and Farm Credit Services of America, FLCA (Incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K, dated November 30, 2005)

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.15	Lump Sum Design Build Agreement, dated January 13, 2006, by and between the Company and Fagen, Inc. (Incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K, dated November 30, 2005)
10.16	Allowance Contract, by and between the Company and BNSF Railway Company, dated January 26, 2006 (Incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K, dated November 30, 2005)
10.17	Share Exchange Agreement, dated February 22, 2006, by and between the Company and the parties identified therein (Incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K, dated November 30, 2005)
31.1	Certification by Barry A. Ellsworth under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Dan Christensen under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Barry A. Ellsworth pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Dan Christensen pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GREEN PLAINS RENEWABLE ENERGY, INC.

Date: April 4, 2006

By /s/ Barry A. Ellsworth

Barry A. Ellsworth
President
(Principal Executive Officer)

Date: April 4, 2006

By /s/ Dan Christensen

Dan Christensen
Treasurer
(Principal Financial Officer)