



The CORN Connection

Central Iowa Renewable Energy's Mission Statement

To successfully add value to locally grown grains which will profit our investor owners and area grain and livestock producers while benefitting our local communities through economic growth.

The Corn Connection Is
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CORN, LP
To Provide Information For
Our Owners And Investors

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Inside CORNland

By
Brad Davis
CORN, LP
General Manager



On behalf of the Board of Directors of **CORN, LP** and the entire staff of employees, I want to express our sincere thanks to all of you who were able to join us on the afternoon of June 17th for the *Grand Opening Ceremonies* and tour of **CORN, LP's** state-of-the-art ethanol production plant.

It was a most enjoyable day for all of us and, I am sure, a most interesting and enlightening one for all who were in attendance.

There were nearly 800 people joining us for the day's activities, with the gathering including a number of elected officials from both the local and state levels, representatives from the ethanol industry, officials from the Fagen/ICM Team who designed and built the facility, installed its equipment and operating systems, plus interested citizens from our local area as well as many who traveled from other communities around the state.

Undoubtedly the highlight of the *Grand Opening* was the opportunity for people to get an *Up Close & Personal* introduction to the **CORN, LP** plant, to see and hear about some of the remarkable equipment and systems that have been installed in it, to experience the various stages of production and the processes that are involved in turning some 18 million bushels of corn into ethanol each year, and of course the chance this provided everyone taking the tour to meet face to face with many of the outstanding members of the **CORN, LP Staff** who operate this amazing facility.

Members of the **CORN, LP Staff** were stationed at various key strategic areas of the plant to provide information on the different stages which are involved in operating the plant's vast array of equipment and systems, and/or at the different segments of the ethanol production process.

Station One highlighted the *Grain Handling & Milling* processes which, as noted above, include the equipment used to receive, weigh, inspect and grade the 18 million bushels of corn delivered to the plant by trucks annually, and the 2 hammer mills which mill the corn into a product similar in consistency to corn meal.

Station 2 featured the *Slurry & Cook* equipment which mix the milled corn with water and other process fluids to achieve a "mash-like" consistency that is pumped into a slurry tank system where enzymes break down the starch.

From the second of the two slurry tanks the mash goes to a

hydro heater, which introduces steam to further break down starch molecules. This process of breaking the mash down into a liquefied form so that it can enter the fermentation stage takes approximately 4 hours.

Station Three presented a detailed look at the *Fermentation* processes and equipment that utilize yeast to produce ethanol, converting the mash from a starchy mixture to a sugary mixture and ultimately to an alcohol mixture over a period of 48 hours.

Station Four highlighted the *Distillation & Evaporation* equipment and processes during which the alcohol content of the product is taken from 13% when it entered to 95% alcohol, or 190 proof when it exits.

It then enters another distillation vessel where it is heated to 300 degrees and the remaining water is removed to create pure, 200 proof ethanol. This product is condensed and sent to a storage tank where it will be tested and denatured before moving into one of the 2 one million gallon storage tanks.

At *Station Five* the plant's *Energy Center* was featured and discussed. This is where the parts of the corn kernel that remain after the starch has been removed to be fermented and distilled into ethanol are turned into the "feed" product known as DDGs.

Equipment in this area includes the centrifuges, which spin the liquid out of the corn stillage, much like the spin cycle of a washing machine, and the rotating steam dryers which dry the product.

Finally, at *Station Six* the tour groups were brought to the *Load Out* site where ethanol is pumped to the rail spur to be loaded onto 30,000 gallon tanker cars at a rate of one car every 20 minutes.

Another section of this area handles loading the DDGs into trucks or rail cars.

The power plant that drives **CORN, LP** operations is a coal-fired boiler using approximately 250 tons of coal per day that produces steam at a rate of 160,000 pounds per hour.

Everyone taking the Grand Opening Tour was presented with an informational pamphlet that provides complete detail on the

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CORN, LP Production Manager Aaron Goodell leads another tour group as Plant Manager Andy Miller looks on.



CORN's Checkbook

By
Jim Glawe
CORN, LP Controller



The second quarter of operations for **CORN, LP** started with a variety of challenges confronting the plant and production team, but I am pleased to report that the quarter ended on a strong note.

We had just barely entered the quarter in early April when, on Sunday, April 9th, a DDG fire broke out in the ductwork, as reported to you by **CORN, LP Plant Manager Andy Miller** in his *Coach's CORNer* article in the April issue.

Production was therefore suspended for eight days as repairs were made and design modifications implemented to prevent future incidents of this nature.

Once these tasks were completed, there followed the gradual process of re-starting the plant's equipment and operating systems to bring production back on line, carrying us up to the threshold of May.

Production steadily increased through the month of May, and continued right up until we arrived at a planned/scheduled shut-down period for additional service, maintenance and inspection to be performed during June.

Again, once these tasks were completed, the plant's operations and productions were once again started up and gradually brought back on line so that as the quarter came to its June 30th conclusion, production had again returned to optimum levels.

For the first six months of operations that encompasses the January 1 through June 30 period, which has included the initial start up period, several planned plant shutdowns for service and maintenance, training of the staff in operating the state-of-the-art equipment and many one-of-a-kind systems, plus encountering the unexpected along the way, total production was 18 million gallons.

For the sake of comparison, had the plant been operating at its full design capacity and capability for the same six-month period, then total production would likely be approaching 26 million gallons of ethanol at this time, thus providing added meaning to the notion of *"Learning To Walk Before We Are Able To Run"* into the plant's start up scenario.

Total sales as of the end of the first six months of operation on June 30th stood at \$25.2 million, as you can see in the abbreviated statement elsewhere on this page.

This figure can be broken down into the following volumes:
17,092,000 Gallons Of Ethanol

Corn, LP Operation Highlights

For The Period January 1, Through June 30, 2006 (Unaudited)

Total Sales	\$ 25,217,079
Cost Of Good Sold	15,905,843
Gross Profits	9,311,236
Operating Expenses	6,513,568
Income From Operations	2,797,668
Other Income	620,505
Net Income	3,418,173
Net Income Per Unit	1,092
Return On Investment	10.92%

*45,500 Tons Of Distillers Dried Grains (DDGs)
2,000 Tons Of Wet Cake*

For the first six months of operations, **CORN, LP** has ground some 6.4 million bushels of corn to be used in the manufacturing processes.

Other income that has been received for this second quarter of operations includes a \$216,643 payment that was made in May from the Commodity Credit Corporation Bio-Energy Program, plus a \$150,000 payment that was also received in May in conjunction with the USDA's Value Added Producer Grant.

As I reported to you in my **CORN's Checkbook** article in the April issue, the Commodity Credit Corporation's Bio-Energy Program had, as of press time, not been extended beyond the third quarter of 2006.

I am sorry to report that subsequent to the April issue of **The CORN Connection** it has been announced the Bio-Energy program has been terminated, thus **CORN, LP** will be receiving only one more payment from Commodity Credit as the Bio-Energy Program ceases to exist.

We are anticipating that at some point during the upcoming third quarter of operations **CORN, LP** will be receiving a settlement payment from our insurance company to provide compensation for the downtime in production we experienced as a result of the April 9th fire.

As of this writing July 24th we are still working with the claims representatives from our insurers on the amount of that settlement, so I do not have a firm figure I am able to share with you at this moment.

As the abbreviated statement below indicates, with all sources of income added into the total and with the expenses paid, **CORN, LP** has total net income for the first six months of just over \$3.4 million, thus providing its investors an approximate 11% rate of return on their investment as of the end of June.

The third quarter is well underway as I write this, and, given the optimum level of production the plant is now operating at following start up from the most recent planned shutdown, and with no planned shutdowns scheduled for this quarter, we're excited at the prospects of operating at full capacities and capabilities for the next 90 days, and thus optimistic about the volumes and revenues full production should generate for **CORN, LP**.



Dan Grandgenett, who works in Maintenance, is leading one of the tour groups through the plant.



We want to express our appreciation to the Eagle Grove Jaycees who grilled and served delicious pork burgers to all of the guests attending the Grand Opening.



Coach's CORNER By Andy Miller CORN, LP Plant Manager

As I begin my article and update this time, I am very, very pleased to be able to report to you that with us now several weeks into the third quarter of operations, all of CORN, LP's systems are purring along smoothly, the equipment is producing ethanol at design capacities, and the entire plant is running well

The first six months of operations have indeed had their share of challenges and obstacles to deal with, as we have reported to you through our previous CORN Connection articles.

And yet even though these challenges may have impeded our progress for a time, each one has also provided us with valuable learning experiences from which the entire CORN, LP Production Team has accumulated first-hand and hands-on expertise that only real-life situations can provide.

As a result, every member of the Staff & Employee Team has become more intimately familiar with the systems and the equipment, the capabilities and limitations of each part of the production process and, at the same time, has also expanded his/her own knowledge and capabilities in operating those systems, the machines and equipment, and in handling the numerous processes and components involved in their respective areas.

For example, each time we have gone through a shutdown and/or start up of the plant's equipment, CORN, LP's Production Team has become more proficient in handling the various processes involved to more efficiently, smoothly, safely and correctly bring all phases of production to a complete shutdown, and to do so in the proper sequence and in the most timely manner possible thanks to their full understanding of all that is required of them in their respective areas of responsibility.

In the unlikely event of an emergency situation, this knowledge and expertise would prove to be invaluable.

Likewise, there is a safe and proper procedure and sequence required to resume operations following a shutdown period, and with the experience and expertise they have accumulated in handling a resumption of production by bringing the plant gradually back on line on each of these occasions, CORN, LP's Production Team can get the plant back up, running at optimum capacity and producing product in the most timely and efficient manner as well.

The start up of the plant following the planned June shutdown for maintenance gave proof of that, as CORN, LP has just recently established an all new production record for ethanol, one which the entire Production Team is excited about, and which we feel

reveals the production potentials that await us as we move forward.

Even more importantly, however, is that the Number One Priority all of us share for CORN, LP's operations is SAFETY, and I am very pleased to report we have had ZERO Accidents/Injuries to any member of our Team through these first six months of operations.

Our safety record is a huge accomplishment for each person working here, one which we are dedicated to maintaining through continuous diligence and dedication, as well as to on-going training and education.

As I referred to in my Coach's CORNER article in April, the plant was scheduled for some environmental tests and inspections, and at this time I want to update you on those issues which have now been completed, or which are in various stages of completion.

The series of tests on plant emissions went very well, and at this time we're awaiting the results to be sent to us by Interpoll Labs.

Environmental issues are another top priority at CORN, LP, and we have recently participated in a fact finding tour to inspect waste water discharge into Buttermilk Creek with representatives from the Iowa Department of Natural Resources, Wright County Conservation District and various local citizen groups interested in environmental issues.

Based on conversations and feedback following this tour, all who took part were very pleased with the observations that were made on this tour.

There are 10 culverts that drain water into Buttermilk Creek along the area we toured, and our goal is to trace where the water that comes into each of these originates, to identify the nature of any contamination that may be present, and then to identify the source of any contaminants found.

Since CORN, LP does not use "processed" water, the overall quality of the water that is discharged from CORN, LP has been tested and has been found to be of better quality than the water that originally comes from the wells we obtain it from.

Concerning quality, I am pleased to note that not only does the appearance of the ethanol and DDGs being produced at CORN, LP look absolutely superior, all of the tests conducted on these products rate them as being among highest standards of quality in the industry. Ethanol has been within specification largely due to the diligence of the employees making it 24/7.

As I said at the beginning, the start of this third quarter is proving to be a very exciting time for the entire CORN, LP Production Team, and everyone is very upbeat and looking forward to the next 90 days, during which there are no planned/scheduled shutdowns.

We will therefore, at last, have a very good opportunity to give this first class, state-of-the-art ethanol production facility free reign to operate, perform and produce at or near its design capabilities and capacities, and I will be very anxious to provide you with some observations and information on what CORN, LP and the Team was able to achieve in my next article.



Members of CORN, LP's Board of Directors are shown here. At the podium is Joe Horan, with (left to right) Directors Mervin Krauss, Mark Wigans, Dean Reichter, Paul Rasmussen, Max Nedved, Clay Hansen, & Dr. John Gazaway.



This photo shows just some of the over 700 visitors and guests who gathered in the shade under the tent to listen to presentations by a group of distinguished Grand Opening speakers.



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equipment and processes in a station-by-station form, plus other interesting information, and if you were unable to attend the Grand Opening and would like to have a copy to review, please contact us and we will get one sent to you.

Again, our thanks to all of you who were able to take part in this very exciting and special day with us.

AN EXCITING ANNOUNCEMENT: As announced in a special mailing sent to all of our CORN, LP investors during June, a unique partnership has been formed between CORN, LP, the Gold-Eagle Cooperative and the North Central Cooperative in Clarion to launch Prairie Creek Ethanol, LLC, which will be erecting a 100 million gallon per year ethanol production facility on land that has been acquired near Wesley, Iowa.

Now, before going any further with information on this issue, it is necessary for me to state that what follows in this article is for the sole purpose of providing the readers of this newsletter with information relative to the formation of Prairie Creek Ethanol, LLC and the plant it is building.

It is, therefore, not to be construed or interpreted in any way as a solicitation or endorsement of investment in Prairie Creek Ethanol, LLC.

A full and detailed prospectus for Prairie Creek Ethanol, LLC is currently being prepared and it is expected to be available to present to prospective investors in December, or shortly after the first of January.

I should also point out that after completing the informational purposes of this article, we will be entering what I refer to as a "Quiet Period" in regards to Prairie Creek Ethanol, LLC, much as was done when CORN, LP was initiated, during which time further discussion of this issue will be curtailed in order that we are able to remain in full compliance with stringent Securities & Exchange Commission (SEC) requirements.

With that being said, I can move forward to tell you that Prairie Creek Ethanol, LLC will be a federal SEC filing, which among other things means it will not be limited to just Iowa in terms of investor eligibility.

Each share of stock in Prairie Creek Ethanol, LLC will be valued at \$5,000.00, with a minimum purchase of 2 shares required.

As noted a moment ago, the prospectus is not likely to be available for presentation until January, 2007, and at that time we will open up the investor solicitation process to discuss the prospectus with interested parties.

Additionally, with the large size of Prairie Creek Ethanol, LLC

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(which is double the 50 million gallon per year production capacity of CORN, LP), construction expenditures to build this plant will be significantly higher than they were for CORN, LP.

Therefore, unlike the maximum investor limit of 500 investors that was established for CORN, LP, there will be no limitations placed on the number of investors for Prairie Creek Ethanol, LLC.

In March of 2007 excavation at the site near Wesley will begin, and by August we will mobilize the construction team so that we can commence with pouring concrete on or before the first week of September, and have a planned completion date for somewhere in late 2008.

I am very pleased to report that, as of this writing July 24th, we have already made a great deal of progress on our plans and objectives for Prairie Creek Ethanol, LLC since the announcement of our plans was first made in June.

Most of the issues with utilities have been agreed to, as have long-term contract arrangements with the IC & E Railroad for shipment of the ethanol and DDGs the plant will produce.

Prairie Creek Ethanol, LLC has also been granted a 20-year tax abatement by the Kossuth County Board of Supervisors.

The Gold-Eagle Cooperative and North Central Cooperative have a combined 14 separate grain elevator locations from which to accumulate the supply of corn needed by Prairie Creek Ethanol, LLC and CORN, LP.

On a final note, one on which I hope you can appreciate I must remain necessarily vague until such time as the prospectus can be presented, let me also state that we feel that with CORN, LP being among the principles on this project, its investors should feel very good about the opportunity that will be presented to them to participate in this very exciting new ethanol production venture for our local area if they choose to do so.

And with that I will conclude my remarks on this issue and, as stated earlier, enter the Quiet Period until such time as we are able to discuss the particulars with you.



CORN, LP

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