

CELEBRATING **5** YEARS  
of Fueling America



**East Kansas  
Agri-Energy**

LLC

*Fuel for the Future*



August 2010

Dear Neighbor,

Five years ago we celebrated many firsts here at East Kansas Agri-Energy. We accepted our first load of corn, produced and shipped our first gallon of ethanol and delivered our first shipment of distillers grains, a high protein livestock feed.

Since that time we've worked tirelessly to produce fuel and feed from the bounty produced by local corn farmers. Along the way we've made many friends and appreciate the tremendous support we've received from those we do business with and others in the community. What a great place to produce ethanol. What a great place to call home!

Ethanol is America's – and the world's – most successful renewable fuel. This didn't happen overnight. It took real people, organizations, communities, farmers, investors and more to make it happen. We consider ourselves fortunate to be involved in producing a fuel that directly replaces oil derived from parts of the world that don't always appreciate the American way of life.

Ethanol provides jobs for many people – those who work directly with us plus the numerous indirect jobs that are required to bring our products to market. Doing business locally is good for our economy and local community

So, as we mark our first five years of producing ethanol, we'd like to say thank you for your commitment to biofuels—farmers, customers, employees, investors, our board of directors, industry organizations, service providers and the community as a whole—everyone. Without your continued support and interest in our efforts to produce both food and fuel we would not be where we are today.

Thank you!

East Kansas Agri-Energy

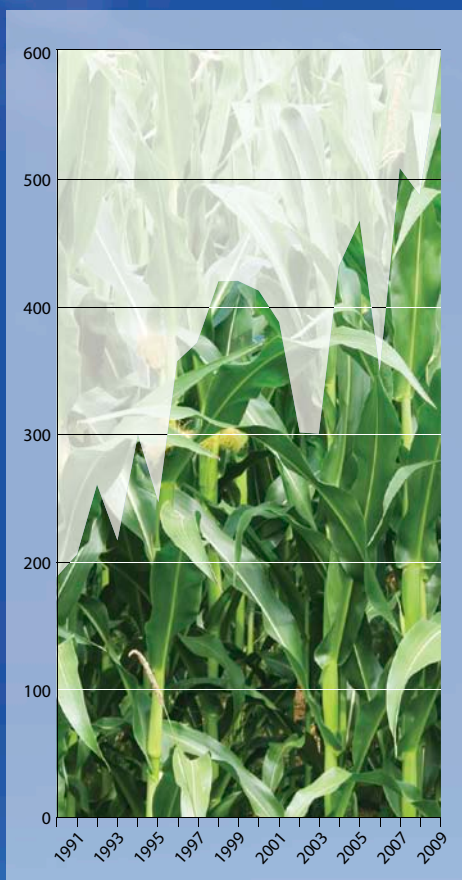


Sending hundreds of billions of dollars overseas every year just to satisfy our demand for petroleum just doesn't make sense when we have the capabilities and know-how to keep some of those dollars right here in the United States.

With corn yields continuing to trend upward – faster than traditional markets could use the growing surplus – it makes sense to put that corn to use in other ways. As it turns out, the ethanol industry went through a significant modernizing effort in the 1990s and as we rolled into the new millennium all the pieces came together.

## The right time, right place for ethanol

### Kansas corn production



Corn production in Kansas, like other corn-producing states, continues to trend upwards thanks to the farmer's ability to produce more corn on each acre planted.

The country was hungry for new sources of fuel, corn farmers were looking for new markets, rural communities were in need of economic development and the ethanol industry had been transformed by more efficient facilities and improved techniques, which continue today.

### Growing jobs and tax revenues

Planning for East Kansas Agri-Energy goes back to late 2000 where community members saw an opportunity. After careful planning and backing by investors, we broke ground in October 2004 and were producing ethanol less than a year later.

This opportunity and optimism were repeated many times over across the country and the ethanol industry grew from producing 1.6 billion gallons of ethanol in 2000 to 3.9 billion in 2005 to an estimated 13.0 billion gallons today. Along the way it created thousands and thousands of jobs – mostly in rural communities – and new markets for farmers.

Those jobs and related economic activity contributed \$53.3 billion to the country's Gross Domestic Product in 2009 while adding \$16 billion to household income. That, in turn, generated an estimated \$8.4 billion in tax revenue for the Federal government and some \$7.5 billion of additional tax revenue for state and local governments – tax money that helps fund schools, roads and more in many rural communities.

### Replacing oil with a clean alternative

As corn ethanol production increases each year, it displaces a significant and increasing amount of oil in the fuel market. In 2009 alone, ethanol displaced more than 360 million barrels of imported oil. Consider that most gallons of gasoline sold in the United States include 10 percent ethanol – without ethanol we'd be looking at a lot more oil and the future wouldn't be nearly as bright for all renewable fuels.

Just like farmers get more efficient every year at producing corn, ethanol producers get more efficient at converting that corn into ethanol and livestock feed.

A recent report produced by the U.S. Department of Agriculture noted corn-based ethanol has a net energy ratio of 2.3 to 1. This means for every unit of energy it takes to make ethanol, 2.3 units of energy are produced as ethanol. This figure has grown over time and will continue to do so, because corn farmers and ethanol producers get more efficient at what they do every year.

## Ethanol producers becoming more efficient

In less than a decade, a recent study noted, ethanol production has seen a 28 percent reduction in energy use, a 32 percent reduction in water use and a 5.3 percent increase in ethanol yields. A separate study reported that between 10 and 19 gallons of ethanol are produced for every gallon of petroleum used in the entire corn to ethanol production life-cycle. These are great numbers – and like the rest of the industry, East Kansas Agri-Energy has gotten more efficient over time, too.

### Beyond the nameplate

While our nameplate capacity calls for 35.0 million gallons of ethanol, we now convert 15 million bushels of corn a year into more than 42 million gallons of fuel grade ethanol. Along the way we produce more than 200,000 tons of distiller grains, in both wet and dry form, for livestock producers every year. In May 2009, we started producing corn oil, another value-added product, at the rate of 15,000 pounds per day.

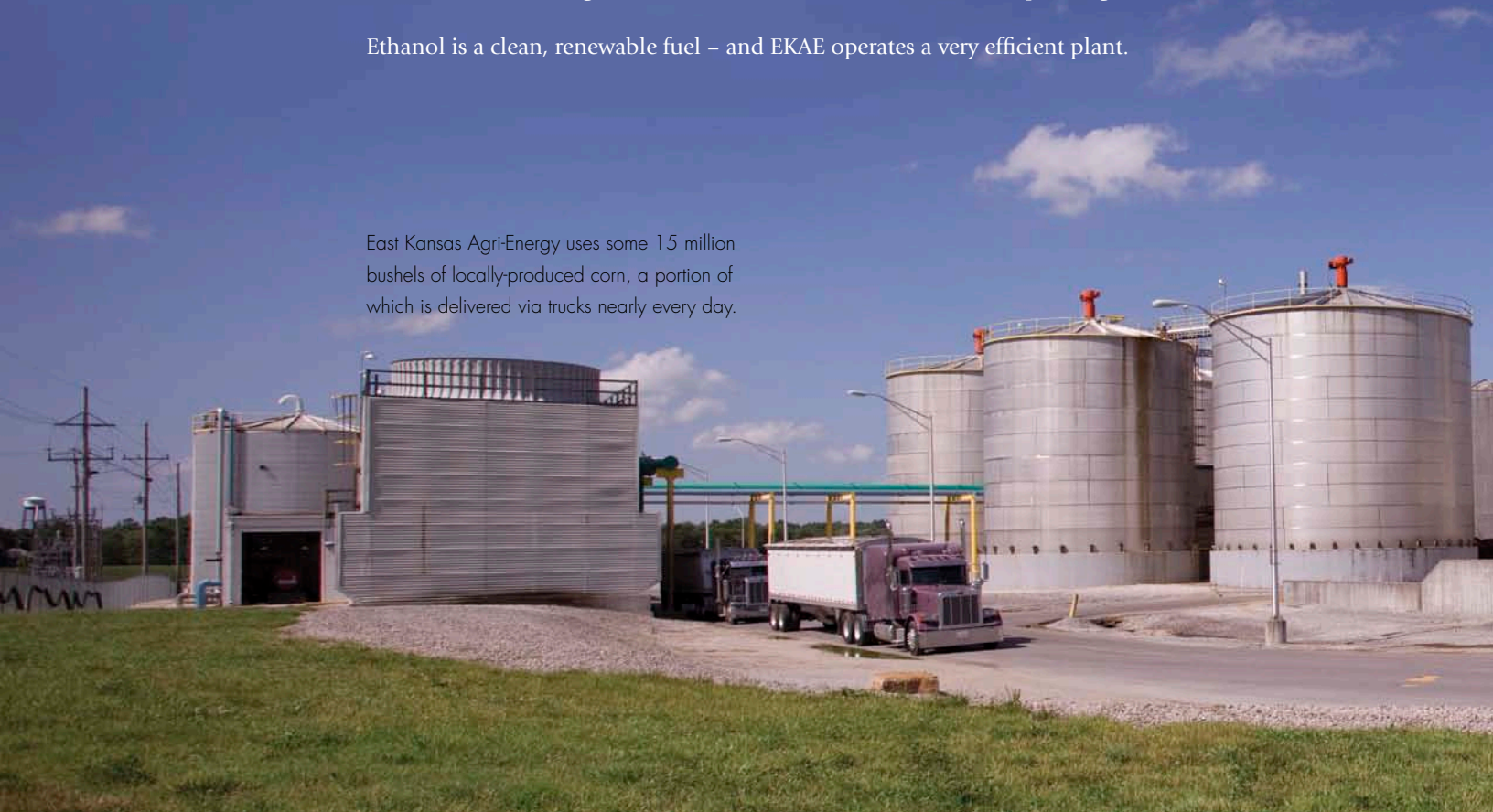
We've increased our capacity and diversified our product line, while at the same time we've been recognized by the Environmental Protection Agency for reducing energy consumption and greenhouse gas emissions.

### Energy efficient operation

East Kansas Agri-Energy received an Energy Star award from the EPA in 2008 because our steam turbine system generates about 20 percent of our electrical power demands and requires about 23 percent less fuel than typical thermal generation and purchased electricity. The EPA said that based on this comparison, the plant reduces carbon dioxide emissions by an estimated 14,500 tons per year, which is like removing the annual emissions from 2,400 cars and planting 3,000 acres of forest.

Ethanol is a clean, renewable fuel – and EKAE operates a very efficient plant.

East Kansas Agri-Energy uses some 15 million bushels of locally-produced corn, a portion of which is delivered via trucks nearly every day.



## EKAE by the numbers

FIRST GALLON PRODUCED

June 22, 2005

NAMEPLATE ETHANOL CAPACITY

35 million gallons per year

ETHANOL PRODUCTION TODAY

42 million gallons per year

CORN USE

15 million bushels per year

DISTILLERS GRAINS PRODUCED

200,000 tons per year  
(wet and dry)

CORN OIL PRODUCTION

15,000 pounds a day

## Safety first

While East Kansas Agri-Energy prides itself in being one of several ethanol producers in Kansas – and one of the most energy efficient plants in the country – we also take a lot of pride in maintaining a safe and clean work environment. This is important for our employees and our many business partners who work in the facility every day. Simply said, it's just how we do business.

In 2007, EKAE received a coveted Safety and Health Achievement Recognition Program (SHARP) award from the Occupational Safety and Health Administration (OSHA). We were the second ethanol plant in the country to receive accreditation under this safety program, which recognizes small businesses that operate an exemplary safety and health management system.

The certification award involves a consultation visit that involves a complete hazard identification survey, and requires EKAE to implement and maintain a high-quality safety and health management system that meets or exceeds OSHA guidelines.

In 2009, EKAE again received two-year SHARP certification, placing us among an elite group of the 60 plants that are part of the inspection program. We have also received the Excellence in Safety award over the last two years from the consulting group that performs our safety inspections.



Like at all dry mill ethanol plants, every 56-pound bushel of corn that comes into East Kansas Agri-Energy produces more than just clean-burning ethanol. That's because the ethanol process only uses starch from the kernel – and those kernels come from #2 yellow field corn, not sweet corn that is grown for people to eat.

## Feed and fuel from the same bushel

After we convert the starch to ethanol, the rest of the kernel's components – fiber, protein and oil (or 17 pounds of each bushel) – have other valuable uses. Chiefly among those, of course, is distillers grains, a high-protein and valuable feed ingredient for livestock. At EKAE, we dry some of those distillers grains so they can be stored longer or shipped further. Most though, are sold "wet." That means we don't use energy to dry the mash and livestock producers, especially cattle producers, can mix them directly into feed.

### Adding value – twice

Research has shown – and feed yard experience has proven – that distillers grains is a tremendous feed ingredient. Cattle perform well on feed that contains distillers grains, and it often lowers the feed bill, too. In essence, ethanol production adds value to corn twice – once as renewable ethanol and again through livestock. It's an economic loop that provides fuel and feed and pays big dividends across the region and across the country.

Cattle find distillers grains, produced by corn ethanol plants like East Kansas Agri-Energy, to be a nutritious feed ingredient. Cattle perform very well when distillers grains is included in their ration, while it also makes a positive impact on the livestock operation's bottom line.



In 2009, ethanol production utilized the starch in 3.8 billion bushels of corn to produce 10.6 billion gallons of ethanol – but the remaining components of the kernel produced some 30.5 million metric tons of distillers grains – equivalent to the total amount of grain fed to cattle in the nation's feedlots last year.

East Kansas Agri-Energy produces about 200,000 tons of wet and dry distillers grains every year. Distillers grains is the portion of the corn kernel left after using the kernel's starch to produce ethanol. It's a high-quality feed ingredient.

### Even more from the same bushel

Of course, there's another product produced at EKAE: corn oil. This product is separated from the process and sold in various markets, including animal feed and biodiesel. It's another way we add value to commodity corn.

Corn-based ethanol is a process that produces fuel and feed – it's not one or the other. We can – and are – doing *both* everyday.



Ethanol is rich in oxygen. It contains 35 percent oxygen, which enriches the fuel and ensures there is more complete combustion in the engine, helping to reduce tailpipe emissions. At the same time, renewable ethanol displaces other hazardous components found in gasoline, all while being non-toxic and water soluble.

## Clearing the air with ethanol

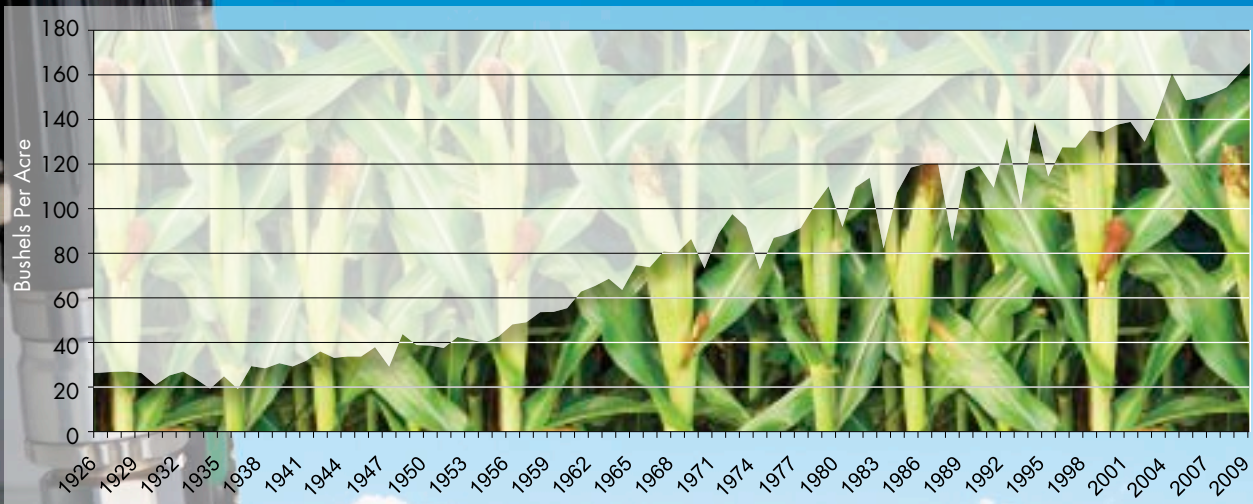
Like ethanol produced by East Kansas Agri-Energy, most ethanol produced in the United States is derived from corn plants – specifically the kernels harvested from those plants in the fall. As those corn plants grow through the spring and summer, they absorb carbon dioxide and offset what is produced by your car. In fact, one acre of corn absorbs some 8 tons of greenhouse gases – that is more than your car produces every year. You can't say that about petroleum, which is a major contributor of carbon dioxide emissions in every step of the chain.

### Reducing emissions

The production and use of 10.6 billion gallons of ethanol last year reduced carbon dioxide equivalent greenhouse gas emissions by some 16.5 million metric tons across the United States. That's like removing more than 2.7 million cars from the road!

Ethanol also reduces tailpipe carbon monoxide emissions by as much as 30 percent, toxins by 13 percent and tailpipe fine particulate matter by 50 percent. Ethanol is clean and green – and it's made right here in the United States of America. Right here at EKAE.

### Average corn yields



Source: Corn Fact Book.

Corn yields continue to advance rapidly, allowing farmers to produce more corn per acre. This increases corn supplies and allows corn to be used in a multitude of ways, from feed to fuel.

## Where will the next five years take us? Or the next decade?

This is an exciting time to be in the biofuels business. Never have we worked so hard to move towards domestically produced, clean burning renewable fuels. Certainly we will continue to convert locally-produced corn into ethanol, livestock feed and other value-added products – and we can't wait to see the biofuels industry continue to evolve as a whole. Thank you for these first five great years – we're looking forward to being a part of the community for many years to come.



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