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Lake Area Corn Processors, LLC

Minority Buy Out Information

On June 30, 2006, we executed an Assignment Agreement with members of the Broin family for the purchase of all of the outstanding minority interest in Dakota Ethanol, LLC, a South Dakota limited liability company. Dakota Ethanol owns and operates an ethanol plant located near Wentworth, South Dakota that has a nameplate production capacity of 40 million gallons of ethanol per year. The purchase transaction closed on June 30, 2006. We now own and operate Dakota Ethanol, LLC as our wholly-owned subsidiary. We paid to the Broins a purchase price of \$17,116,000 plus an amount representing the Broins' share of estimated net income through June 30, 2006.

In order to fund our buyout of the minority interest, we entered into a credit facility of \$19,100,000 with our senior lender, First National Bank of Omaha. The credit facility is a 120 day term note with a principal balance of \$19,100,000 accruing interest at a variable rate based on the Bank's base rate as published from time to time as its national base rate. During the term of the note, we will make interest only payments on a monthly basis. The payments commence on July 30, 2006. The principal balance and any outstanding accrued interest under the note is due upon the earlier of (i) our resale of the capital units purchased from the minority interest owners; or (ii) expiration of the note which is October 28, 2006.

The first right of refusal for LACP was exercised in this buyout as there was an offer from a third party to purchase the Broin family interest in Dakota Ethanol, LLC. Exercising the first right of refusal limited any negotiations. The decision was made not to enter into another minority ownership agreement and purchase the minority interest in Dakota Ethanol, LLC owned by members of the Broin family. As of this writing, the outstanding balance on this note is approximately \$4,500,000.00. For more details, please access www.sec.gov and search company filings under "Lake Area". You will see a recently filed 10-Q reflecting the 2nd quarter results and year to date comparison.

Enclosed please find a disbursement of \$0.10 per capital unit declared by the Lake Area Corn Processors, LLC Board of Managers. The total for this disbursement is \$2,962,000.00. This brings the total cash disbursements for the year to \$0.30 per unit, or 60% of the original investment. Since February 2002, \$36,284,500 in total cash distributions have been made to LACP members. Since February 2002, 245% of the *initial investment* or \$1.225 per share has been disbursed.

As you can see from the above information concerning the minority purchase, it is quite apparent to see where the cash from a very profitable quarter and year to date has gone. Lake Area Corn Processors, LLC became the sole owner of Dakota Ethanol, LLC on July 1, 2006. This disbursement is very significant in the fact that in less than 60 days following a minority buy out we were able to fund this disbursement.

The ethanol industry has been exceptionally good for the 2nd quarter of 2006. Due to the high demand of ethanol to replace MTBE, the normal price relationship between ethanol and unleaded was considerably different than historical values. That is the reason we saw the price of a 10% ethanol blend exceed unleaded at the pumps. This no-doubt hurt market share for ethanol as motorists usually purchase the least expensive gasoline available. There was enough ethanol, not logistically in the right place. Most all of those problems have since been resolved and you are seeing the 10% ethanol blend back in line where it should be priced about a nickel under the unleaded due to the tax structure.

"This newsletter contains forward-looking statements. We undertake no responsibility to update any forward-looking statement. When used, the words "believe," "expect," "will," "can," "estimate," "anticipate" and similar expressions are intended to identify forward-looking statements. Readers should not place undue reliance on any forward-looking statements and recognize that the statements are not predictions of actual future results, which could and likely will differ materially from those anticipated in the forward-looking statements due to risks and uncertainties, including those described in our SEC filings."

Several months have passed since the last correspondence from LACP. There has been a lot of speculation concerning the future of Dakota Ethanol, LLC and the business structure in the future. Your Board of Managers has been performing due diligence with endless hours dedicated to meetings and travel with various entities. Remember, any possible structure change of this magnitude must be approved by a majority of the members. All members are entitled to one vote, regardless of capital units ownership.



Expansion seems to be a household word these days, at least in the ethanol industry. Currently, there are approximately 35 new plants under various stages of construction and 7 major expansions ongoing. Dakota Ethanol, LLC is no exception. In any successful business, strategic planning and looking into future is a requirement. As far as expanding Dakota Ethanol, LLC, several alternatives are currently being investigated.

Trading of capital units for the trimester beginning May 1, 2006 was suspended. No capital units were traded last trimester. As of this writing, trading for the next trimester scheduled to begin September 1, 2006 is also uncertain. We would encourage you to take a look at www.agstocktrade.com for a trading update or simply call our office for the current status of future trading.

Thank you to all that attended the Lake Area Corn Processors, LLC annual meeting on June 8, 2006. The Board of Managers had two openings for 3 year terms. Elected to those terms were Ronald Alverson (incumbent) and Randy Hansen. Thank you to all that ran for the positions and thanks to all of you that took the time to vote. Gregory Van Zanten did not seek re-election. On behalf of Lake Area Corn Processors, we wish to thank Greg for his hard work and dedication since the inception of Lake Area.

The Officers and Managers of Lake Area Corn Processors, LLC are as follows:

Chairman:	Douglas Van Duyn	Manager:	Todd Brown
Vice Chairman:	Dale Thompson	Manager:	Dale Schut
Secretary:	Randy Hansen	Manager :	Brian Woldt
Treasurer:	Ronald Alverson		