



**Fourth Quarter FY 2016**  
**LSCP, LLLP**  
**General Manager Comments**

The Company ended fiscal year 2016 on September 30 with an unaudited net profit for the quarter of approximately 11.657 million. Net Profit for the fiscal year totaled approximately 28.79 million. A very strong finish to a good year for the company. In the last newsletter, I estimated the company would earn about 30 million dollars in calendar 2016 so each of you would have an idea of the tax obligations you would incur with ownership in LSCP. I am going to revise the company's earnings upward for calendar 2016 to a 32-33 million-dollar profit. Please remember this is an estimate, a lot can happen between now and December 31. I will be the happiest person in the room if this number is underestimated and the company blows right through 33 million but it looks to me like a stretch at this point. Exports are very strong right now, domestic demand is decent, and to date stocks have not been overly burdensome. All good things for our business so let's hope I've been too conservative.

The 10<sup>th</sup> fermentation tank is complete and went on line mid-October. Initial results point to increased corn to ethanol conversion rates making the plant more competitive. The money spent on additional fermentation and other plant improvements over the last 2 years has done nothing but produce positive results for the company and you. In the last newsletter, I mentioned that the company was #1 in Iowa on ethanol and corn oil yield when compared to the 12 other Fagen/ ICM plants in Iowa and #2 when compared to the 42 plants reporting nationally. I also informed you about our positive 4<sup>th</sup> quarter results prior to the 3<sup>rd</sup> quarter newsletters publication. I'm pleased to report the company recorded an average ethanol conversion of 3.003 gallons per bushel and .99 pounds of corn oil for the 4<sup>th</sup> quarter ending September 30. It's been a very productive summer for the company! Benchmark results for the 4<sup>th</sup> quarter will not be available until mid-November. Look for a short announcement on our website concerning how we rank with our peers. I, like you, am very excited to see how we compare with the results we recorded. We may not end up being #1 but we should be very competitive with all those who participate. The sieve/distillation expansion remains on schedule and will come on line after our April 2017 maintenance shutdown. Once completed, it will allow us to increase our production from today's 140-million-gallon domestic rate to 150 million and beyond while giving us the capacity to produce low water specification required by the export market. Those of you who live close to the plant have probably seen the building going up and the equipment being installed on the west side of the plant. With the plant's capacity moving soon to 150 million gallons, we needed more capacity to store and market modified distiller grains. The new feed pad should be completed by late November. The new storage pad and conveying equipment will enhance our ability to serve the customers and make the plant more efficient.

Those of you that are busy harvesting already know the crop yields are very good. In fact, some have said better than 2015 which is surprising to a degree with the conditions all of you encountered last spring. Good yields make it great to be an ethanol plant even though the price offered for the crop is lackluster at best. Hopefully the plant continues to perform well for all investors and make the lower commodity price for corn and soybeans more palatable. Harvest is about half over, be careful, fatigue makes for reduced caution and possible injury.

Have a safe and productive harvest!

Steve