



**Third Quarter 2016  
LSCP, LLLP  
General Manager Comments**

The Company ended the 3rd quarter of the fiscal year on June 30, 2016 with a net profit for the quarter of \$11.115 million. The net profit through the first 3 quarters of this fiscal year totaled \$17.146 million. The grind margins improved substantially in the third quarter which is evidenced by the profit reported. The 4th quarter of this fiscal year is about over and we will finish it in a very strong fashion. Since all of you report your tax obligations on a calendar year I will attempt to estimate the calendar year for you. Please keep in mind it's just an estimate, a lot can happen over the next 90 days that can push results in either direction. At this point (thru August) the company has recorded a profit of approximately \$21.766 million. My estimate for calendar year 2016 is in the \$30 million range. September is almost complete and the results are positive, but the last 3 calendar months can be hazardous to business like yours. Production continues to escalate ever higher, exports are decent through November, but December right now to be blunt is a dog. With summer driving being over, inventories tend to build and margins get tight. Will it this year, no one can say with certainty. We have taken a stance on the 4th quarter by hedging 37% of our production locking in 26 cents per gallon margin. Hopefully this is the lowest margin we record and the company finishes stronger than I suspect.

The 10th fermentation tank is almost complete and will be on line right after our fall maintenance shutdown the first week of October. The 8th and 9th fermenter did nothing but give us positive results on production and yield. I do not see any reason the 10th tank will not produce the same result. The money spent on additional fermentation and other plant improvements has done nothing but produce good results for the company and you. I posted our yield results for the 3rd fiscal quarter on our website and wrote a short commentary on how we compared to other plants on a state and national level. We were #1 in Iowa on ethanol and corn oil yield when compared to the other Fagen/ICM designed plants. (i.e. 2.9433 gallons ethanol and .91 pounds corn oil per bushel). When compared to the 42 plants reporting nationally, Little Sioux was second in both categories. The plant has recorded better numbers for the 4th fiscal quarter. In August, we broke 3 gal/bushel when we ended the month at 3.0135 gallons per bushel ground. September to date looks like a possible repeat of the 3.00 or higher conversion recorded in August. Corn oil production followed ethanol yield higher resulting in an extraction rate exceeding 1 pound per bushel. Needless to say it's been a very productive summer for the company! This wouldn't be possible without the expenditure of capital for the additional fermentation capacity and other productivity improvements. Each of you needs to know the funds were well spent. Hopefully we can continue to replicate the 3.00 conversion when new corn arrives. You can be assured the plant will do its best to maintain and hopefully improve results. New products that look promising will get a full vetting by trial at Little Sioux.

The sieve/distillation expansion is scheduled to 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 specifications required by the export market.

The company has come a long way since 2003! We have expanded capacity 3.5 times at this writing with increased production just over the horizon. The additional gallons make each investor's position stronger with a greater capacity to capture revenue. As I've said numerous times, it's a great American success story.

Have a good fall!

Steve

## Financial Statements Review

### Fiscal Quarter ended June 30, 2016

We ended the third fiscal quarter with a profit for LSCP, LLLP of \$11,115,631 resulting in a gain for the LLC of \$6,215,105. Combined with the profit from the first two quarters, our year-to-date earnings for LSCP, LLLP are \$17,145,836 resulting in a gain for the LLC of \$9,586,786

### **The Three Month and Nine Month Ended June 30, 2016 results are as follows:**

	<b>Three Months Ended June 30, 2016 (Unaudited)</b>	<b>Nine Months Ended June 30, 2016 (Unaudited)</b>
Revenues	\$ 64,504,276	\$ 178,918,658
Cost of Goods Sold	53,712,538	160,319,379
Gross Margin	<u>10,791,738</u>	<u>18,599,279</u>
Selling, General and Administrative Expenses	981,454	3,297,878
Other Income and (Expense)	<u>1,305,347</u>	<u>1,844,435</u>
Net Income Before Minority Interest	11,115,631	17,145,836
Minority Interest in Subsidiary Income	4,900,526	7,559,050
Net Income for Little Sioux Corn Processors LLC	<u><u>\$ 6,215,105</u></u>	<u><u>\$ 9,586,786</u></u>
Outstanding Units	164,115	164,115
Net Income (Loss) per Unit	37.87	58.42

Increased plant efficiencies have resulted in more ethanol available for sale from the same bushels of corn consumed. This has allowed our sales to increase while keeping the cost of goods sold constant, thereby increasing profitability.

### **Balance Sheet as of June 30, 2016:**

	<b>June 30, 2016 (Unaudited)</b>
Total Current Assets	\$ 47,499,758
Net Property and Equipment	76,761,182
Other Assets	9,635,360
<b>Total Assets</b>	<u><u>\$ 133,896,300</u></u>
Total Current Liabilities	\$ 9,843,124
Long Term Debt, net of current maturities	-
Minority Interest	53,226,786
Members' Equity, 164,115 outstanding units	70,826,390
<b>Total Liabilities and Members Equity</b>	<u><u>\$ 133,896,300</u></u>

Our balance sheet remains strong and we are in compliance with all loan covenants.

Gary Grotjohn