



# 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  
Published Quarterly By  
**CORN, LP**  
To Provide Information For  
Our Owners And Investors

For Timely News & Updates  
Check Our Web Site  
[www.cornlp.com](http://www.cornlp.com)

Volume 1 -- Issue 9  
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## Inside CORNland

By  
**Brad Davis**  
**CORN, LP**  
General Manager



We are looking forward to seeing a good turnout for our *March 7th Annual Meeting* of **CORN, LP**, the details of which are included in the ad elsewhere on this page.

**CORN, LP** Controller *Jim Glawe* has included some of the *Operational Highlights* for the fiscal year ending December 31, 2006 on page 2 of this issue of *The CORN Connection*, and we will be discussing these figures and presenting the other financial statements in greater detail at the Annual Meeting.

The Annual Meeting's evening agenda will also include a presentation by *Joseph Horan*, **CORN, LP** President of the Board of Directors, along with a review of the financial performance and presentation of the financial report by representatives from our auditing firm of McGladrey & Pullen, LLP.

**CORN, LP** Plant Manager *Andy Miller* and I will also have an Annual Meeting presentation to review some of the highlights of this past year, along with some of our goals and objectives as we look ahead to the current year that began on January 1, 2007.

The Annual Meeting promises to be an informative one during which I feel everyone attending will gain some additional insights into the performance of **CORN, LP** during this, its initial year of ethanol production.

I believe it has been a very exciting, satisfying and gratifying year for **CORN, LP** and for all of us who have been involved in the amazing process that began when the first shovel full of dirt was turned at the *Groundbreaking Ceremonies* on October 29, 2004.

Moreover, I am hopeful that as you see and hear the facts and figures that will be reported to you at the Annual Meeting that you will share in the pride and feelings of accomplishment at this having been a highly successful first year, one that in many respects has exceeded our expectations and the initial projections that were made, despite it also being a year filled with a variety of challenges.

For example, from the beginning it was our belief that **CORN, LP** would be receiving in excess of \$5,000,000 in payments from Commodity Credit's Bioenergy Program, though in truth we received only about \$450,000 of those projected payments before the fund was depleted and then expired in the third quarter of 2006.

There have also been, as we have discussed with you in the pages of this newsletter during the course of this year, the typical and to-be-expected challenges of the initial plant start-up process.

**CORN, LP** Plant Manager *Andy Miller* has done a fine job of keeping you informed and up to date on these challenges as they have arisen, and the absolutely fantastic job the entire **CORN, LP** Team has done in responding to them and resolving them smoothly, efficiently and successfully.

Thus even though **CORN, LP** was actually only operating at or near its production capacities and capabilities for about 300 days out of 365, or just 82% of the time, as a result of the combination of the initial start up processes and several planned and unplanned shutdowns to make specific design modifications and to fine-tune systems, perform service and maintenance, we still completed the year with the return on investment nearly double the projections which we projected at the time we were conducting the initial investor solicitation meetings during the summer of 2004.

On top of that, I feel we can all be very pleased and proud at the outstanding success at which **CORN, LP** has been able to develop an extremely attractive package of tax incentives, which ultimately enables all **CORN, LP** investors to receive an approxi-

*Inside CORNland -- Continued On Page 4*

Make Plans Now To Attend  
**CORN, LP**  
**ANNUAL MEETING**  
Wednesday, March 7th At 7:00 p.m.  
Eagle Grove Middle School Auditorium  
\*\*\* Included On The Evening Agenda \*\*\*  
A Report From  
**CORN, LP** Board President **Joseph Horan**  
Presentation Of Financial Reports By  
**McGladrey & Pullen, LLP**  
For The Fiscal Year Ending December 31, 2006  
A Report By  
**CORN, LP** General Manager **Brad Davis**  
A Presentation By  
**CORN, LP** Plant Manager **Andy Miller**  
Election Of Candidates To **CORN, LP** Board



## CORN's Checkbook

By  
Jim Glawe  
CORN, LP Controller



Elsewhere on this page we have included **CORN, LP's Operational Highlights** which, because this is also the end of the 4th quarter and the fiscal year of business concluded on December 31, 2006, now gives you a glimpse at some of the figures that will be included in the financial reports presented at the *March 7th Annual Meeting*.

The 4th quarter of operations was a good one for **CORN, LP**, with production of ethanol underway at a steady pace throughout the period of October 1st through December 31st.

As a result, there was a nearly \$21 million increase in sales totals from where **CORN, LP** ended the 3rd quarter.

As we more closely evaluate the significant increase in sales taking place the final quarter, we find our 4th quarter's business contributed nearly a third of the entire year's total sales, which gives us a strong indication of the outstanding potentials which lay ahead of us now that we have the systems and procedures at the **CORN, LP** plant functioning on all cylinders.

**CORN, LP's** income from operations also recorded a very significant increase during the 4th quarter, moving up some \$5.08 million compared to where we stood at the end of the 3rd quarter, and this too brings added perspective as we look to the future.

During this final quarter **CORN, LP** received the final payment from the insurance proceeds that resulted from the April 9th fire, and we are very appreciative of the way in which this unfortunate incident was handled and resolved to the mutual satisfaction of all parties.

Moving down the list further, we come to the net income for **CORN, LP** and once again see that the performance and production experienced during the 4th quarter of 2006 have contributed to a significant increase from the levels that we had achieved through the first 3 quarters of this year.

Net income increased by just over \$5 million as a result of the performance of **CORN, LP** during this final quarter of 2006, resulting in a *Net Income Per Unit of \$3,660.00* or, as shown at the bottom of the list, a *36.60% Return On Investment*, an increase of nearly 16% compared to the 3rd quarter's R.O.I. level.

**CORN, LP's** 4th quarter sales can be distributed to the following production categories, as follows:

**12,099,103 Gallons Of Ethanol**  
**35,092 Tons Of Distillers Dried Grains (DDGs)**  
**1,347 Tons Of Wet Cake**

When added to the totals of each of these three categories as of the end of the 3rd quarter on September 30, 2006, we arrive at the following annual sales volumes for each of the three products, as follows:

**41,662,876 Gallons Of Ethanol**  
**114,394 Tons Of Distillers Dried Grains (DDGs)**  
**3,891 Tons Of Wet Cake**

In the previous issue of *The CORN Connection* I reported that

through its first three quarters **CORN, LP** has consumed 10,671,000 bushels of corn. When we add that volume of corn to the 4,345,064 bushels of corn utilized during the 4th quarter, we arrive at a total of *15,038,480 bushels of corn consumed by CORN, LP in 2006*.

That's a truly remarkable figure by any standards, and one which we feel has brought many benefits to the producers of our area and to the economies of our local communities.

As Brad has noted elsewhere in his *Inside CORN* article, **CORN, LP** has been very successful at putting together an outstanding tax incentive package to benefit our investors, and I am pleased to report to you at this time that you will also be receiving a 2006 tax credit as a result of a change that has been made in the Small Producer Tax Credit.

When originally passed, the Small Producer Tax Credit was extended only to those ethanol plants with a production capacity of 30 million gallons or less annually.

That limitation has recently been increased to extend the Small Producer Tax Credit to include plants with a 60 million gallon per year or less production capacity, which includes **CORN, LP** at a 50 million gallon annual production capacity, and thus makes it eligible to receive a tax credit of 10 cents per gallon on the first 15 million gallons of ethanol produced.

As a result, we are able to provide a total of \$479.00 tax credit for each share of stock held in **CORN, LP** which investors are able to use as a tax credit when filing their 2006 federal income tax.

The documentation on this should be arriving in your mail shortly, so please be sure to call this tax credit to the attention of your tax consultant for the proper application.

Our auditing firm of *McGladrey & Pullen, LLP* has been in to perform the year-ending audit, and I am pleased to report that we were able to have the K-1s in the mail to everyone in early February.

**CORN, LP** will also be making a cash distribution of \$2,000 per share representing the 2006 fiscal year ending cash position, and these checks will be forthcoming in the middle part of February.

It has been a very eventful, exciting and exhilarating first year of production for our **CORN, LP** plant, with so many of its prospects and projections being fulfilled and, in many cases, surpassed as the year has unfolded.

I am sure we are all enthusiastic and filled with anticipation at the promise and prospects that lie ahead of us in our new 2007 year, and I know we hope it will continue to bring us the positive results and returns as we move forward.

### CORN, LP Operation Highlights

For The Period January 1 To December 31, 2006 (Unaudited)

Sales	\$ 65,801,914
Cost Of Goods Sold	50,255,603
Gross Profit	15,546,311
Operating Expenses	5,845,092
Income From Operations	9,701,219
Other Income	1,759,736
Net Income	11,460,955
Net Income Per Unit	3,660
Return On Investment	36.60%



## Coach's **CORNER**

By

**Andy Miller**

**CORN, LP Plant Manager**

We have had an outstanding three months of production and performance out of the **CORN, LP** plant to conclude the 2006 year of business, and to therefore wrap up our first year of ethanol production in what we feel has been a truly interesting, always exciting and very educational year for all of us.

For a good share of the final three months of the year, from October 1 through December 31, to be more precise, **CORN, LP** has been producing ethanol and DDGs above the nameplate production capacities, and as pleased as we are with these high volumes, we are as equally pleased with the high quality of the products produced.

The month's of November and December were exceptionally smooth ones for **CORN, LP**, and perhaps now that we are seeing how the fine-tuning, modifications, shutdowns planned and otherwise are bringing the efforts of all that have been involved in them to fruition, we are getting a much better look at the true capabilities of this *Cadillac Of Ethanol Plants*.

Naturally, as our production volumes and efficiencies have been steadily increasing and improving, our costs of production per gallon/ton have been steadily decreasing as we capitalize on the economies and efficiencies of size and get the maximum efficiency out of the total operational process and procedures this plant has been designed for.

Along the way, as Brad has noted in his *Inside CORNland* article, the entire staff of employees at **CORN, LP** has demonstrated a tremendous ability to meet any challenges or obstacles that have been presented to them.

I am continually reminded of the total dedication and commitment each employee brings to performing his or her duties and to handling the tasks necessary to make things work right, work efficiently and work safely as each day's level of performance continues to set the mark of excellence even higher.

After overcoming some setbacks in dealing with the molecular sieves during the 3rd quarter of this year, we have been achieving near clock-like operational efficiencies at **CORN, LP**, something which, as all of you who have ever operated any equipment outdoors in winter know, is an achievement in itself.

The entire year, of course, has been a *Year Of Firsts*, and thus the 4th quarter of 2006 has presented us with the added challenges of dealing with the vast volumes of corn flowing in from the harvest of a very substantial corn crop all across the trade territory.

Additionally, we have encountered the challenges presented to us by Mother Nature, including snow, ice, some bitterly cold temperatures at times, and thus the periodic battles with stubborn equipment, snow covered and icy slick roads, ice encrusted rail cars and trucks, all of which mean slower going and maneuverability delays that one does not endure when the climate is mild and moderate.

It's also been our first year of planning, scheduling and operating around and through the demands and limits the holiday season places on everyone's time and plans so that family time and activities can be accommodated while still meeting the production schedules and objectives we have established to maintain peak efficiencies.

A major task that we have been working on steadily is chewing through the ground piles of corn that have occupied space at several Gold-Eagle locations following the harvest of a remarkable fall corn crop.

Despite the big appetite of the **CORN, LP** plant for corn, which during the 4th quarter alone has amounted to over 4,345,064 bushels, we will be continuing to work on the ground piles at a steady pace as we move on into February.

## **CORN, LP Locks In Inputs & Production Volumes**

By Brad Davis, **CORN, LP** General Manager

As of this writing at the end of January, **CORN, LP** has completed its first year of operations and is looking ahead to the future with optimism and excitement at the prospects that lay ahead of us.

I am pleased to report that **CORN, LP** took the initiative early to lock in its basic raw commodity needs: **CORN**.

This process began as early as May of 2006, and as of today we have the majority of the corn that will be needed for the 2007 year of production already locked in.

Furthermore, as we evaluated our needs for the longer term, **CORN, LP** has approximately 50% of its total corn supply needs for the 2008 year of production locked in, and is nearly 33% locked in on the corn volumes that will be needed for the 2009 year of ethanol production.

At the same time we have been locking in our production costs, **CORN, LP** has also been finalizing commitments to lock in a significant percentage of the ethanol that will be produced.

Therefore, as of this writing I am pleased to report that **CORN, LP** already has a substantial portion of the 2007 year's ethanol priced at what we believe is a very respectable level, and we are continuing to monitor the marketplace for opportunities to lock in both inputs and production as we move forward.





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mate 150% return on their investment before they will be required to pay any federal or state taxes, which is *Truly Unique*.

I realize, of course, that each person's tax situation is different and that in all but the most unusual of circumstances it is ultimately necessary to *Pay The Piper*, or in this case the tax man, their required share of any revenues received or returned.

However, if we are speaking solely and exclusively in terms of **CORN, LP** and no other entity or source beyond **CORN, LP**, one has to wonder just how much greater the value of the return must be to the individual when it is received in total and without being significantly eroded, diminished or reduced by any of the customary federal or state tax liabilities.

For all of us at **CORN, LP**, the look back and review of the past year of operations that we will undertake during the course of this year's March 7th Annual Meeting should therefore illicit not only a great amount of pride in the accomplishments that have been made, the performance that has been turned in by our plant and its people, the tremendous progress that's been made and all that's been done in such a short time, it should also fill us with awe, excitement and enthusiasm as we look ahead at the prospects and promise which lie ahead as the plant hits its stride and can function at a steady, continuous pace to realize full production and performance potentials.

This is not to say, however, that we have now reached the point at which we flick a few switches and the plant can and will perform flawlessly and at peak and plus-peak capacities and capabilities non-stop like a Swiss watch.

There are as yet a few design modifications we are addressing, the fine-tuning process is continuing and, I imagine, will be underway periodically as we move further into this second year, since as has been discussed in the past, this is indeed a truly remarkable, unique and state-of-the-art ethanol production plant, one which has incorporated numerous new design features, plus new technologies, systems and equipment.

For example there was a 4-day period in January during which the plant was shutdown to enable us to complete a design modification necessary to enhance operating performance and efficiency.

As a result of this short period of suspended production, however, we are now going to be able to eliminate a planned plant shutdown period in March that would have been more lengthy, since the work that was scheduled to be done during the March shutdown period was completed during the time the design modi-

**CORN, LP Board Of Directors**

Joseph Horan, President	<b>CORN LLC</b>
Dr. John Gazaway, Vice-President	<b>CORN, LLC</b>
Clayton Hansen, Secretary	<b>CORN, LLC</b>
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Duane Vorrie, Director	<b>Gold-Eagle</b>
Dave Reinhart, Director	<b>Fagen, Inc.</b>
Ken Ulrich, Director	<b>ICM, Inc.</b>

fications were being performed.

The entire production and operations staff of **CORN, LP** continues to make remarkable progress and each day they become more proficient at and familiar with the processes and procedures of operating the plant which only hands-on, day-to-day experiences can provide to them.

There is also a planned shutdown period for sometime in late May or early June which we are anticipating will extend for approximately a week.

During this shutdown we are hoping to complete a final fine-tuning of all of the plant's production equipment and systems, thoroughly evaluate and test the various design modifications that have been made since start up, and then, hopefully, Andy and the Team will have everything *"Good To Go"*.

I should also point out as an indication of how well the design modifications and fine-tuning we are doing along the way are working that during a recent 7-day period **CORN, LP** was producing ethanol at a rate equivalent to 56 million gallons per year, or over 12% above the nameplate 50 million gallons per year the plant was designed to produce.

It would come as no surprise to me, and I am sure it would not surprise **CORN, LP Plant Manager Andy Miller** or any of his outstanding **CORN, LP Team** either, to find that once we start back up from this planned shutdown in late May or early June, **CORN, LP** will be producing at and perhaps even beyond the 7-day rate I have been talking about.

We are indeed very fortunate to have such a skilled, highly experienced, dedicated and totally committed group of production and operations people, all of whom are performing their duties in such an outstanding manner, and I am therefore asking all of you to join with me in giving recognition, thanks and appreciation to **CORN, LP Plant Manager Andy Miller** and each and every one of the men and women on the **CORN, LP Team**.



**CORN, LP**

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