



## FREQUENTLY ASKED QUESTIONS

**1**

### **What is CVEC, LLLP?**

Chippewa Valley Ethanol Company, LLLP (CVEC) is a Minnesota limited partnership that operates the ethanol plant in Benson, MN through a facility lease with CVEC (the fee title owner of the ethanol plant.) As a "limited liability" limited partnership, the liability of the general partner of the CVEC is limited under state law in the same way that the liability of CVEC's limited partners is limited. As a limited partnership, CVEC is treated as a partnership for federal and state tax purposes.

**2**

### **Who owns CVEC?**

The shareholders of Chippewa Valley Agrafuels Cooperative (CVAC) own 95% of CVEC as limited partners, on a one share per one partnership unit basis. The remaining 5% is owned by CVAC itself, as the general partner.

**3**

### **Who governs CVEC?**

As a limited partnership, CVEC is governed by CVAC, its general partner, acting through and under the direction of the 9-member board of directors of CVAC.

**4**

### **How do I purchase partnership units of CVEC?**

CVEC partnership units cannot be purchased without the purchase of CVAC shares. A transfer of partnership units will accompany the purchase of CVAC shares at the time of transfer.

**5**

### **How does the income from a partnership differ from the income of a cooperative?**

- Partnership income is reported on a K-1 whereas Cooperative income is reported on a 1099DIV.
- Cooperative income is subject to self-employment tax whereas partnership income for partners who are not active in the business is not.
- The small producer ethanol tax credit can be passed through to the partners of a partnership.
- A partnership is not a taxable entity whereas a Cooperative can have taxable income.

**6**

### **When purchasing shares in CVAC, what are my rights and obligations in the partnership?**

- When purchasing shares in CVAC, the buyer will receive the equity in the partnership represented by the partnership units transferred at the time of transfer.
- The buyer will receive all cash distributions made following the time of transfer with respect to the partnership units transferred (even those distribution relating to pre-transferred periods.)
- The buyer and seller will split the reported income with respect to the partnership units transferred on a pro-rata basis for the fiscal year (September 30 yearend) in which month the transfer occurred.

**7**

### **Will I be assured of a cash payment from CVEC to offset the taxable income I have to report?**

It is the current policy of the CVAC board of directors as general partner of CVEC to declare cash distributions in the month of April and November so that checks can be sent in a timely manner to offset any tax liability of CVEC's Partners. The IRS requires the allocation of yearend taxable income from a partnership, but there is no requirements of a cash distribution to accompany the allocation. Notwithstanding current policy, cash distributions from CVEC will be made at the discretion of the CVAC Board of Directors as general partner and will depend on profits, cash available, capital plans and the fiscal policy of CVEC.