UNITED WISCONSIN GRAIN PRODUCERS LLC

Condensed Financial Statements

FRIESLAND, WISCONSIN
9/30/2016

UNITED WISCONSIN GRAIN PRODUCERS LLC

Contents

Condensed Financial Statements

UNITED WISCONSIN GRAIN PRODUCERS, LLC

Balance Sheets

ASSETS		**September 30, 2016** (Unaudited)		**December 31, 2015**
Current Assets				
Cash	$	-	$	14,564,750
Restricted cash - commodity margin account		1,409,641		-
Commodity derivative instruments		106,825		764,325
Short-term investments		1,500,000		3,000,000
Investment in cooperative, cost method		4,000,000		4,000,000
Accounts receivable, net of allowance for doubtful accounts of approximately $34,000		3,139,616		3,025,250
Prepaid expenses and other current assets		295,353		631,233
Inventory		3,971,008		4,037,736
Total current assets		14,422,443		30,023,294
Property, Plant, and Equipment, net		46,043,497		32,504,720
Total Assets	$	60,465,940	$	62,528,014
LIABILITIES AND MEMBERS' EQUITY				
Current Liabilities				
Revolving line of credit	$	5,500,000	$	-
Checks paid exceeding cash	$	380,593		
Accounts payable		1,543,791		3,793,460
Accrued liabilities		594,154		604,597
Commodity derivative instruments		628,425		-
Total current liabilities		8,646,962		4,398,057
Members' Equity, 28,346 multiple class units authorized, issued, and outstanding		51,818,978		58,129,957
Total Liabilities and Members' Equity	$	60,465,940	$	62,528,014

See accompanying notes.

UNITED WISCONSIN GRAIN PRODUCERS, LLC

Statements of Operations
(Unaudited)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015
Revenues	$ 26,651,954	$ 28,765,170
Cost of Goods Sold	22,413,588	23,706,390
Gross Profit	4,238,366	5,058,780
Operating Expenses	832,080	734,694
Operating Income	3,406,286	4,324,086
Other Income, Net	(3,963)	50,731
Net Income	$ 3,402,323	$ 4,374,817
Weighted Average Units Outstanding - Basic and Diluted (Class A, B, C)	28,346	28,346
Net Income Per Unit - Basic and Diluted (Class A, B, C)	$ 120.03	$ 154.34
Distributions Per Unit (Class A, B, C)	$ 150.00	$ 100.00

See accompanying notes.

UNITED WISCONSIN GRAIN PRODUCERS, LLC

Statements of Operations
(Unaudited)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenues	$ 77,183,615	$ 82,049,787
Cost of Goods Sold	68,265,833	72,302,896
Gross Profit	8,917,782	9,746,891
Operating Expenses	2,545,013	2,365,226
Operating Income	6,372,769	7,381,665
Other Income, Net	71,952	218,053
Net Income	$ 6,444,721	$ 7,599,718
Weighted Average Units Outstanding - Basic and Diluted (Class A, B, C)	28,346	28,346
Net Income Per Unit - Basic and Diluted (Class A, B, C)	$ 227.36	$ 268.11
Distributions Per Unit (Class A, B, C)	$ 450.00	$ 775.00

See accompanying notes.

UNITED WISCONSIN GRAIN PRODUCERS, LLC

Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Cash Flows from Operating Activities		
Net income	$ 6,444,721	$ 7,599,718
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	1,886,031	2,326,736
Change in fair value of commodity derivative instruments	(299,539)	(2,356,839)
Changes in operating assets and liabilities:		
Restricted cash - commodity margin account	(1,409,641)	(618,193)
Commodity derivative instruments	1,585,464	3,444,022
Accounts receivable	(114,366)	159,168
Inventory	66,728	459,301
Prepaid expenses and other current assets	335,880	203,429
Checks paid exceeding cash	380,593	
Accounts payable	(2,249,669)	(1,740,360)
Accrued liabilities	(10,443)	(100,052)
Net cash provided by (used in) operating activities	6,615,759	9,376,930
Cash Flows from Investing Activities		
Capital expenditures	-	(58,689)
Payments for construction in progress	(15,424,809)	(5,388,056)
Purchases of short-term investments	-	(4,000,000)
Proceeds from short-term investments	1,500,000	1,500,000
Net cash used in investing activities	(13,924,809)	(7,946,745)
Cash Flows from Financing Activities		
Payment of member distributions	(12,755,700)	(21,968,150)
Proceeds from revolving line of credit	5,500,000	-
Net cash used in financing activities	(7,255,700)	(21,968,150)
Net Decrease in Cash	(14,564,750)	(20,537,965)
Cash – Beginning of Period	14,564,750	37,909,881
Cash – End of Period	$ -	$ 17,371,916
Supplemental Cash Flow Information		
Cash paid for:		
Interest	$ 80,735	$ 18,750
Supplemental Disclosure of Non-Cash Operating, Investing, and Financing Activities:		
Construction in progress included in accounts payable	$ 1,011	$ -

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying balance sheet as of December 31, 2015 is derived from audited financial statements. The unaudited interim condensed financial statements of United Wisconsin Grain Producers, LLC (the "Company") reflect all adjustments consisting only of normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of their financial position and results of operations and cash flows. The results for the nine month period ended September 30, 2016 are not necessarily indicative of the results that may be expected for a full fiscal year. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") are condensed or omitted, although the Company believes that the disclosures made are adequate to make the information not misleading. These condensed financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in its annual report for the year ended December 31, 2015.

Nature of Business

United Wisconsin Grain Producers, LLC, (the "Company") is a Wisconsin limited liability company currently operating a 60 million gallon per year ethanol plant located near the village of Friesland in the township of Randolph, Wisconsin. The Company is currently producing fuel-grade ethanol, distillers grains, crude corn, and high protein/yeast ingredient and sells these products both domestically and internationally.

Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. The Company uses estimates and assumptions in accounting for the following significant matters, among others: allowances for doubtful accounts, useful lives of property, plant, and equipment, the valuation of commodity derivatives, inventory valuation, the valuation of inventory purchase commitments, and legal contingencies. Actual results may differ from previously estimated amounts, and such differences may be material to our financial statements. The Company periodically reviews estimates and assumptions, and the effects of revisions are reflected in the period in which the revision is made.

Revenue Recognition

Revenues from the production of ethanol and the related products are recorded when the customer has taken title and has assumed the risks and rewards of ownership, prices are fixed or determinable and collectability is reasonably assured. Ethanol and related products are generally shipped free on board (FOB) shipping point. Shipping costs incurred by the Company in the sale of ethanol and ethanol related products (distillers grains and crude corn oil) are included in cost of goods sold. The Company believes there are no ethanol sales which should be considered contingent and recorded as deferred revenue. Interest income is recognized as earned.

Cash

The Company maintains its accounts primarily at one financial institution. At times throughout the year, the Company's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Company does not believe it is exposed to any significant credit risk on its cash balances.

Restricted Cash

The Company has restricted cash balances relating to margin requirements with the Company's commodity derivative broker based on open commodity contracts (discussed in Note 5).

Short-term Investments

Certificates of deposit with original maturities over three months and investment in a cooperative are classified as investments. At September 30, 2016 and December 31, 2015, interest rates on the Company's certificates of deposits ranged from 0.35% to 1.05% and had original maturities ranging from six months to three years. Any penalties for early withdrawal would not have a material effect on the financial statements.

Investment in a Cooperative, Cost Method

The cost method investment in redeemable equity interest in a cooperative has averaged paying a 4% dividend return. As of September 30, 2016, there are no identified events or changes in circumstances that would indicate impairment of the cost method investment.

Accounts Receivable

Accounts receivable are recorded at their estimated net realizable value, net of an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on historical experience and current economic conditions. The Company extends credit to customers for sales of ethanol, distillers grains, and corn oil in the normal course of business. Credit is extended based on an on-going evaluation of a customer's financial conditions and generally no collateral is required. Accounts receivable are ordinarily due in 10 business days. If payment is not received on a timely basis in accordance with the Company's credit terms it is considered past due. Invoices that remain unpaid after 30 days may bear interest at 18% and are considered delinquent if past due over 120 days. Delinquent receivables are written off based on credit evaluation and specific circumstances of the customer. At both September 30, 2016 and December 31, 2015, the Company established an allowance for doubtful accounts of approximately $34,000.

Inventory

Inventory is stated at the lower of weighted average cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventory consists of raw materials, work in process, finished goods, and spare parts. Corn is the primary raw material. Finished goods consist of ethanol, distillers grains, and corn oil.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives as follows for the major classes of assets:

Asset Description	Estimated Lives
Land Improvements	5-20 years
Buildings	10-39 years
Plant and process equipment	5-15 years
Office equipment	5-10 years

Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized. Construction in progress expenditures will be depreciated using the straight-line method over their estimated useful lives once the assets are placed into service.

Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques that may include, but not limited to, discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Derivative Instruments

From time to time the Company enters into derivative transactions to hedge its exposures to commodity price fluctuations. The Company is required to record these derivatives in the balance sheet at fair value.

In order for a derivative to qualify as a hedge, specific criteria must be met and appropriate documentation maintained. Gains and losses from derivatives that do not qualify as hedges, or are undesignated, must be recognized immediately in earnings. If the derivative does qualify as a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will be either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Changes in the fair value of undesignated derivatives are recorded in revenue or cost of goods sold based on the commodity being hedged.

Additionally, the Company is required to evaluate its contracts to determine whether the contracts are derivatives. Certain contracts that literally meet the definition of a derivative may be exempted as “normal purchases or normal sales.” Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Certain corn and other commodity contracts that meet the requirements of normal purchases or sales are documented and exempted from the accounting and reporting requirements and therefore, are not marked to market in the financial statements.

Fair Value of Financial Instruments

The Company’s accounting for fair value measurements of assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis adheres to the Financial Accounting Standards Board (FASB) fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The carrying value of cash, restricted cash, short-term investments, accounts receivable, accounts payable, and accrued liabilities approximates fair value due to the short maturity of these instruments. The Company obtains fair value measurements from an independent pricing service for corn and ethanol contracts. The fair value measurements consider observable data that may include dealer quotes and live trading levels from the Chicago Board of Trade and New York Mercantile Exchange markets.

Except for those assets and liabilities which are required by authoritative accounting guidance to be recorded at fair value on our balance sheets, the Company has elected not to record any other assets or liabilities at fair value. No events occurred during the nine months ended September 30 2016 or year ended December 31, 2015 that required adjustment to the recognized balances of assets or liabilities, which are recorded at fair value on a nonrecurring basis.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes, and generally does not incur income taxes. Instead its earnings and losses are included in the income tax returns of its members. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements. The Company had no significant uncertain tax positions as of September 30, 2016 or December 31, 2015. For years before fiscal 2013, the Company is no longer subject to U.S. Federal or state income tax examinations.

Environmental Liabilities

The Company’s operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdiction in which it operates. These laws require the Company to investigate and remediate the effects of the release or disposal of materials at its locations. Accordingly, the Company has adopted policies, practices and procedures in the areas of pollution control, occupational health and the production, handling, storage and use of hazardous materials to prevent material environmental or other damage, and to limit the financial liability which could result from such events. Environmental liabilities are recorded when the Company's liability is probable and the costs can be reasonably estimated.

Net Income per Unit
Basic net income per unit is computed by dividing net income by the weighted average number of members' units outstanding during the period. Diluted net income per unit is computed by dividing net income by the weighted average number of members' units and members' unit equivalents outstanding during the period. There were no member unit equivalents outstanding during the periods presented; accordingly, for all periods presented, the Company's basic and diluted net income per unit are the same.

Recently Adopted Accounting Pronouncements

Inventory Measurement (Adopted)
In July 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-11, which amended Inventory (Topic 330) Related to Simplifying the Measurement of Inventory of the Accounting Standards Codification. The amended guidance applies to all inventory except that which is measured using last-in, first-out (LIFO) or the retail inventory method. Inventory measured using first-in, first-out (FIFO) or average cost is included in the new amendments. Inventory within the scope of the new guidance should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments will take effect for the Company for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The new guidance should be applied prospectively, and earlier application is permitted as of the beginning of an interim or annual reporting period. The Company has elected to adopt the standard as of January 1, 2015, and it did not have a material effect on the financial statements.

Recently Issued Accounting Pronouncements

Accounting for Leases (Evaluating)
In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual periods beginning after December 15, 2019. It is to be adopted using a modified retrospective approach. The Company is currently evaluating the impact that the adoption of this guidance will have on the Company's financial statements.

Contract Revenue Recognition (Evaluating)
In May 2014 and amended in August 2015, the FASB issued ASU No. 2014-09 which amended the *Revenue from Contracts with Customers (Topic 606)* of the Accounting Standards Codification. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Company for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company is still evaluating the guidance and its effect on its financial statements.

Subsequent Events
The Company has evaluated subsequent events through October 31, 2016, the date the financial statements were available to be issued.

2. RISKS AND UNCERTAINTIES

The Company has certain risks and uncertainties that it experiences during volatile market conditions. These volatilities can have a severe impact on operations. The Company's revenues are derived from the sale and distribution of ethanol and ethanol-related products to customers primarily located in the United States. Corn for the production process is supplied to our plant primarily from local agricultural producers and from purchases on the open market. Ethanol sales average approximately 80% of total revenues and corn costs average approximately 79% of cost of goods sold.

The Company's operating and financial performance is largely driven by the prices at which it sells ethanol and the net expense of corn. The price of ethanol is influenced by factors such as supply and demand, the weather, government policies and programs, and unleaded gasoline prices and the petroleum markets as a whole. Excess ethanol supply in the market, in particular, puts downward pressure on the price of ethanol. The cost of corn is generally impacted by factors such as supply and demand, the weather, government policies and programs, and the Company's risk management program used to protect against the price volatility of these commodities.

3. INVENTORY

Inventory consists of the following:

	September 30, 2016 (Unaudited)	December 31, 2015*
Raw materials	$ 1,436,348	$ 1,710,657
Spare parts	983,285	876,800
Work in process	64,651	359,303
Finished goods	1,486,724	1,090,976
Total	$ 3,971,008	$ 4,037,736

*Derived from audited financial statements.

The Company performs a lower of cost or market analysis on inventory to determine if the market values of certain inventories are less than their carrying value, which is attributable primarily to decreases in market prices of corn and ethanol. Based on the lower of cost or market analysis, the Company did not record a lower of cost or market charge on inventory for the three or nine month periods ended September 30, 2016 or 2015.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consists of the following at:

	September 30, 2016 (Unaudited)	December 31, 2015
Land and land improvements	$ 6,238,764	$ 6,238,764
Office equipment	1,246,008	914,979
Buildings	3,215,247	3,215,247
Plant and process equipment	70,447,944	69,981,241
Construction in process	26,960,914	12,333,838
Total property, plant and equipment	**108,108,877**	**92,684,069**
Less: accumulated depreciation	62,065,380	60,179,349
Net property, plant, and equipment	**$ 46,043,497**	**$ 32,504,720**

5. DERIVATIVE INSTRUMENTS

The Company from time-to-time enters into ethanol and corn derivative instruments, which are required to be recorded as either assets or liabilities at fair value in the balance sheet. Derivatives qualify for treatment as hedges when there is a high correlation between the change in fair value of the derivative instrument and the related change in value of the underlying hedged item and when the Company formally documents, designates, and assesses the effectiveness of transactions that receive hedge accounting initially and on an on-going basis. The Company must designate the hedging instruments based upon the exposure being hedged as a fair value hedge or a cash flow hedge. While the Company does not typically designate the derivative instruments that it enters into as hedging instruments because of the administrative costs associated with the related accounting, the Company believes that the derivative instruments represent an economic hedge. The Company does not enter into financial instruments for trading or speculative purposes.

In order to reduce the risk caused by market fluctuations, the Company occasionally hedges its anticipated corn purchases and ethanol sales by entering into options and futures contracts. These contracts are used with the intention to fix the purchase price of anticipated requirements of corn in the Company's ethanol production activities and the related sales price of ethanol. The fair value of these contracts is based on quoted prices in active exchange-traded or over-the-counter markets. Although the Company believes its commodity derivative positions are economic hedges, none have been formally designated as a hedge for accounting purposes and derivative positions are recorded on the balance sheet at their fair market value, with changes in fair value recognized in current period earnings or losses. Gains and losses from ethanol related derivative instruments, including unrealized changes in the fair value of these positions, are included in the results of operations and are classified as a component of revenue. Gains and losses from corn derivative instruments, including unrealized changes in the fair value of these positions, are included in the results of operations and are classified as a component of costs of goods sold. The Company records withdrawals and payments against the trade equity of derivative instruments as a reduction or increase in the value of the derivative instruments.

As of September 30, 2016, the total notional amount of the Company's outstanding ethanol derivative instruments was approximately 15.8 million gallons that were entered into to hedge forecasted ethanol sales through March 2017. As of September 30, 2016, the total notional amount of the Company's outstanding corn derivative instruments was approximately 1.2 million bushels that were entered into to hedge forecasted corn purchases through March 2017. As of December 31, 2015, the total notional amount of the Company's outstanding ethanol derivative instruments was approximately 6.93 million gallons that were entered into to hedge forecasted ethanol sales through June 2016. As of December 31, 2015, the total notional amount of the Company's outstanding corn derivative instruments was approximately 1.59 million bushels that were entered into to hedge forecasted corn purchases through July 2018. There may be offsetting positions that are not shown on a net basis that could lower the notional amount of positions outstanding as disclosed above.

The following tables provide details regarding the Company's derivative instruments at September 30, 2016, none of which are designated as hedging instruments:

	Balance Sheet Location	Assets	Liabilities
Corn Contracts	Derivative Instruments	$ 106,825	$ -
Ethanol Contracts	Derivative Instruments	-	628,425
Totals		$ 106,825	$ 628,425

In addition, as of September 30, 2016, the Company maintained approximately $1.8 million of restricted cash related to margin requirements for the Company's commodity derivative instrument positions.

The following tables provide details regarding the Company's derivative instruments at December 31, 2015, none of which are designated as hedging instruments:

	Balance Sheet Location	Assets	Liabilities
Corn Contracts	Derivative Instruments	$ 522,900	$ -
Ethanol Contracts	Derivative Instruments	241,425	-
Totals		$ 764,325	$ -

In addition, as of December 31, 2015 there was no restricted cash related to margin requirements for the Company's commodity derivative instrument positions.

The following tables provide details regarding the gains and (losses) from Company's commodity derivative instruments in statements of operations, none of which are designated as hedging instruments:

	Statement of Operations Location	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Ethanol Contracts	Revenue	$ 502,985	$ 735,550	$ (1,444,581)	$ 382,072
Corn Contracts	Cost of goods sold	343,781	874,912	1,744,120	1,974,767
Total Gain (Loss), net		$ 846,766	$ 1,610,462	$ 299,539	$ 2,356,839

6. FAIR VALUE MEASUREMENTS

The Company obtains fair value measurements from an independent pricing service for ethanol and corn contracts. The fair value measurements consider observable data that may include dealer quotes and live trading levels from the Chicago Board of Trade ("CBOT") and New York Mercantile Exchange markets.

The following table provides information on those derivative instruments measured at fair value on a recurring basis at September 30, 2016:

	Carrying Amount in Balance Sheet September 30, 2016	Fair Value September 30, 2016	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Financial Assets: Commodity Derivative Instruments - Corn	$ 106,825	$ 106,825	$ 106,825	$ -	$ -
Financial Liabilities: Commodity Derivative Instruments - Ethanol	$ (628,425)	$ (628,425)	$ (628,425)	$ -	$ -

The following table provides information on those commodity derivative instruments measured at fair value on a recurring basis at December 31, 2015:

	Carrying Amount in Balance Sheet December 31, 2015	Fair Value December 31, 2015	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Financial Assets: Commodity Derivative Instruments - Corn	$ 522,900	$ 522,900	$ 522,900	$ -	$ -
Financial Assets: Commodity Derivative Instruments - Ethanol	$ 241,425	$ 241,425	$ 241,425	$ -	$ -

7. BANK FINANCING

Revolving Line of Credit
On August 12, 2016 the Company added a Term Revolving Loan with the bank to be used for capital expenditures with a maximum availability on this instrument of $15,000,000. The interest rate on amounts the Company borrows under the line of credit is a variable rate equal to 0.25% over the highest US prime Rate as published in the Wall Street Journal "Money Table" which was 3.5% at September 30, 2016 and on December 31, 2015. The interest rate adjusts as and when the index rate changes. Interest is due monthly on this revolving credit facility. No prepayment fees exist on the revolving credit facility; however, the Company is required to pay a commitment fee equal to .25% per year of the average daily unused portion of the line of credit. The maturity date of the line of credit is April 1, 2019. The Company had no borrowings against the revolving line of credit at September 30, 2016 and December 31, 2015, respectively.

On August 12, 2016 the Company renewed the Revolving and Term Credit Agreement with a bank for a revolving line of credit with a maximum availability of $10,000,000. The interest rate on amounts the Company borrows under the line of credit is a variable rate equal to 0.25% over the highest US prime Rate as published in the Wall Street Journal "Money Table" which was 3.5% at September 30, 2016 and on December 31, 2015. The interest rate adjusts as and when the index rate changes. Interest is due monthly on this revolving credit facility. No prepayment fees exist on the revolving credit facility; however, the Company is required to pay a commitment fee equal to .25% per year of the average daily unused portion of the line of credit. The maturity date of the line of credit is April 1, 2019. The Company had $5,500,000 and $0 borrowed against the revolving line of credit at September 30, 2016 and December 31, 2015, respectively.

Borrowing under our revolving line of credit is secured by substantially all of the assets of the Company. The revolving credit facility is subject to restrictive covenants including, but not limited to, requiring minimum financial ratios and limitations on capital expenditures, investments and distributions. As of the nine month period ended September 30, 2016 and year ended December 31, 2015, the Company was in compliance with these covenants.

8. MEMBERS' EQUITY

Membership Units

The Company currently has three classes of membership units. There are 17,680 Class A units issued and outstanding, 6,645 Class B units issued and outstanding and 4,021 Class C units issued and outstanding. The voting rights of Class A units do not have any voting restrictions. The voting rights of Class B units are restricted to the election of directors and dissolution of the Company. The voting rights of Class C members are restricted to voting only on dissolution. Income, losses and distributions are allocated to all members based upon their respective percentage units held regardless of the unit classification. The total units issued and outstanding were 28,346 at both September 30, 2016 and December 31, 2015. The Company is authorized to issue an aggregate of 28,346 units subject to certain transfer restrictions as specified in the operating agreement and pursuant to applicable tax and securities laws.

Membership Distributions

In January 2015, the Board of Directors declared a cash distribution of $675 per membership unit for all classes for a total distribution of $19,133,150 to its unit holders of record on January 12, 2015. The distribution was paid to members in January 2015.

In July 2015, the Board of Directors declared a cash distribution of $100 per membership unit for all classes for a total distribution of $2,834,600 to its unit holders of record on July 11, 2015. The distribution was paid to members in July 2015.

In January 2016, the Board of Directors declared a cash distribution of $300 per membership unit for all classes for a total distribution of $8,503,800 to its unit holders of record on January 12, 2016. The distribution was paid to members in January 2016.

In July 2016, the Board of Directors declared a cash distribution of $150 per membership unit for all classes for a total distribution of $4,251,900 to its unit holders of record on July 12, 2016. The distribution was paid to members in July 2016.

9. OPERATING LEASE OBLIGATIONS

The Company commenced a thirty-six month lease agreement in July 2015 with a leasing company for twenty-five covered hopper rail cars at $480 per month per rail car. Lease expense for operating leases was approximately $72,000 and $258,000 for the nine months ending September 30, 2016 and 2015, respectively. Lease expense for operating leases was approximately $36,000 and $127,000 for the three months ending September 30, 2016 and 2015, respectively.

At September 30, 2016, the Company had the following minimum commitments for payment of operating leases:

Fiscal Year	Minimum Lease Commitment
2016	$ 36,000
2017	144,000
2018	84,000
Total	$ 264,000

10. COMMITMENTS AND CONTINGENCIES

Ethanol Contracts

At September 30, 2016, the Company had forward futures contracts (swaps) to sell 15.8 million gallons of ethanol for various delivery periods from October 2016 through March 2017. The prices on these contracts range from $1.38 to $1.47 per gallon.

At September 30, 2016, the Company had forward ethanol sales contracts totaling 22.6 million gallons for various delivery periods from October 2016 to March 2017. The prices on these contracts have a basis level established by the Oil Price Information Service ("OPIS") Chicago ethanol market between -$0.01 and -$0.06.

Distillers Grains Contracts

At September 30, 2016, the Company had forward dry distillers grains sales contracts totaling 6,950 tons for various delivery periods from October 2016 to June 2017 with a price range of $98 to $120 per ton.

At September 30, 2016 the Company had no forward modified wet distillers grains sales contracts.

At September 30, 2016 the Company had forward high protein yeast sales contracts totaling 941 ton for various delivery periods from October 2016 to December 2016 with a price range of $175 to $275 per ton.

Corn Oil Contracts

At September 30, 2016 the Company had forward crude corn oil sales contracts totaling 5,613,220 pounds for delivery period October 2016 to March 2017 with an average price of $0.27 per pound.

Corn, Natural Gas, and Denaturant Contracts

At September 30, 2016, the Company had forward corn purchase contracts with grain producers and dealers totaling 11.0 million bushels for various delivery periods from October 2016 to July 2018. The prices on these contracts average $3.83 per bushel or have a basis level established by the CBOT futures averaging $-.14.

At September 30, 2016 the Company had forward contracts to purchase approximately 150,000 Million British Thermal Units (MMBTU's) of natural gas during the months of October 2016 through March 2017 at an average price of $3.46 per MMBTU.

At September 30, 2016, the Company had forward contracts to purchase approximately 270,000 gallons of denaturant during the months of September 2016 to December 2016 at an average price of approximately $1.13 per gallon.

Plant Expansion

On December 12, 2014, the Company approved the construction of a plant expansion project for $25 million. At September 30, 2016 the Company had entered into construction contracts with unrelated parties of approximately $30.6 million. The project was substantially completed in the third quarter of 2016 at a total cost of approximately $29 million.

11. LEGAL PROCEEDINGS

From time to time in the ordinary course of business, the Company may be named as a defendant in legal proceedings related to various issues, including without limitation, workers' compensation claims, tort claims, or contractual disputes.

Patent Infringement

A Complaint for Patent Infringement was filed against the Company and certain other parties on May 3, 2010 by GS CleanTech Corporation. The suit was heard at Federal Court in Indianapolis, Indiana. The complaint was seeking damages representing a portion of the revenue the Company generated while allegedly infringing on its patent related to a method of corn oil production. On October 23, 2014, the court granted summary judgment finding that all of the patents claimed were invalid and that the Company had not infringed. However, this ruling is subject to appeal. The manufacturer of the corn oil equipment has, and the Company expects it will continue, to vigorously defend itself and the Company in these lawsuits and in any appeal filed.

If the ruling was to be successfully appealed, the Company estimates that damages sought in this litigation if awarded would be based on a reasonable royalty to, or lost profits of the plaintiff. The Company is unable to determine at this time if the appeal will have a material adverse effect on the Company. In addition, the Company may need to cease use of its current oil separation process and seek out a replacement or cease oil production altogether if the judgment is reversed.

Anti-dumping

In December 2010, the Ministry of Commerce of the People's Republic of China (MOFCOM) initiated an inti-dumping investigation on imported distillers dried grains, with or without solubles (DDG), originating in the United States. In February 2011, MOFCOM informed the Company that is was one of three DDG exporters selected as part of the fact-finding process in order to determine whether the Company's DDG's export price of the product imported to China was less than its normal value in the ordinary course of trade. The Company responded to the MOFCOM's request for information. The charges were not proven and were dropped.

In January 2016, China's Minister of Commerce (MOFCOM) initiated a second anti-dumping and countervailing duty investigation of U.S. dried distillers grains exported to China. Based on the results of the investigation, additional duties may be imposed on all DDG's imports into China from the United States which could have an adverse effect on the selling price of DDG in the future. The Company is unable to determine at this time if the investigation will have a material adverse effect on the Company.