

**UNITED WISCONSIN GRAIN PRODUCERS, LLC**

Notes to Financial Statements (Unaudited)

September 30, 2017

**UNITED WISCONSIN GRAIN PRODUCERS LLC**

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# Financial Statements

**FRIESLAND, WISCONSIN  
9/30/2017**

**UNITED WISCONSIN GRAIN PRODUCERS, LLC**

Notes to Financial Statements (Unaudited)

September 30, 2017

**UNITED WISCONSIN GRAIN PRODUCERS LLC**

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**UNITED WISCONSIN GRAIN PRODUCERS, LLC**

Notes to Financial Statements (Unaudited)

September 30, 2017

**UNITED WISCONSIN GRAIN PRODUCERS, LLC**

Balance Sheets

	<b>September 30, 2017 (Unaudited)</b>	<b>December 31, 2016</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ -	\$ 1,701,194
Restricted cash - commodity margin account	240,738	2,057,535
Commodity derivative instruments	275,330	102,075
Short-term investments	-	1,500,000
Investment in cooperative, cost method	-	4,000,000
Accounts receivable, net of allowance for doubtful accounts of approximately \$34,000	3,550,430	4,127,697
Prepaid expenses and other current assets	180,328	591,615
Inventory	5,121,709	3,865,049
Total current assets	9,368,535	17,945,165
<b>Property, Plant, and Equipment, net</b>	47,147,518	47,984,905
<b>Total Assets</b>	\$ 56,516,053	\$ 65,930,070
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current Liabilities</b>		
Checks paid exceeding cash	648,823	-
Accounts payable	2,484,387	4,930,068
Accrued liabilities	706,560	654,096
Commodity derivative instruments	-	1,438,206
Total current liabilities	3,839,770	7,022,370
<b>Long-Term Liabilities</b>		
Revolving line of credit	\$ 1,000,000	\$ 8,500,000
Total long-term liabilities	1,000,000	8,500,000
<b>Members' Equity</b> , 28,346 multiple class units authorized, issued, and outstanding	51,676,283	50,407,700
<b>Total Liabilities and Members' Equity</b>	\$ 56,516,053	\$ 65,930,070

**UNITED WISCONSIN GRAIN PRODUCERS, LLC**

Notes to Financial Statements (Unaudited)

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**UNITED WISCONSIN GRAIN PRODUCERS, LLC**

Statements of Operations

(Unaudited)

	<b>Nine Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2016</b>
<b>Revenues</b>	\$ 84,130,389	\$ 77,183,615
<b>Cost of Goods Sold</b>	<u>74,520,241</u>	<u>68,265,833</u>
<b>Gross Profit</b>	9,610,148	8,917,782
<b>Operating Expenses</b>	<u>3,202,206</u>	<u>2,545,013</u>
<b>Operating Income</b>	6,407,942	6,372,769
<b>Other Income (Expense), Net</b>		
Interest income	4,065	19,551
Interest expense	(251,750)	(80,735)
Miscellaneous income	68,876	133,136
<b>Total Other Income, Net</b>	<u>(178,809)</u>	<u>71,952</u>
<b>Net Income</b>	<u>\$ 6,229,133</u>	<u>\$ 6,444,721</u>
<b>Weighted Average Units Outstanding - Basic and Diluted (Class A, B, C)</b>	<u>28,346</u>	<u>28,346</u>
<b>Net Income Per Unit - Basic and Diluted (Class A, B, C)</b>	<u>\$ 219.75</u>	<u>\$ 227.36</u>
<b>Distributions Per Unit (Class A, B, C)</b>	<u>\$ 175.00</u>	<u>\$ 450.00</u>

Notes to Financial Statements are an integral part of this Statement

**UNITED WISCONSIN GRAIN PRODUCERS, LLC**

Notes to Financial Statements (Unaudited)

September 30, 2017

**UNITED WISCONSIN GRAIN PRODUCERS, LLC**

Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 6,229,133	\$ 6,444,721
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	4,688,946	1,886,031
Change in fair value of commodity derivative instruments	(1,817,598)	(299,539)
Changes in operating assets and liabilities:		
Restricted cash - commodity margin account	1,816,797	(1,409,641)
Commodity derivative instruments	206,137	1,585,464
Accounts receivable	577,267	(114,366)
Inventory	(1,256,660)	66,728
Prepaid expenses and other current assets	411,287	335,880
Checks paid exceeding cash	648,823	380,593
Accounts payable	(2,445,681)	(2,249,669)
Accrued liabilities	52,464	(10,443)
Net cash provided by (used in) operating activities	9,110,915	6,615,759
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(936,743)	-
Payments for construction in progress	(2,914,816)	(15,424,809)
Proceeds from (payments for) short-term investments	5,500,000	1,500,000
Net cash provided by (used in) investing activities	1,648,441	(13,924,809)
<b>Cash Flows from Financing Activities</b>		
Payment of member distribution	(4,960,550)	(12,755,700)
Proceeds from Revolving line of credit	-	5,500,000
Payments on Revolving line of credit	(7,500,000)	-
Net cash used in financing activities	(12,460,550)	(7,255,700)
<b>Net Decrease in Cash</b>	(1,701,194)	(14,564,750)
<b>Cash – Beginning of Period</b>	1,701,194	14,564,750
<b>Cash – End of Period</b>	\$ -	\$ -
<b>Supplemental Cash Flow Information</b>		
<b>Cash paid for:</b>		
Interest	\$ 251,750	\$ 80,735
<b>Supplemental Disclosure of Non-Cash Operating, Investing, and Financing Activities:</b>		
Construction in progress included in accounts payable	3	\$ 1,011
Capital expenditures included in accounts payable	\$ 127,480	\$ -

Notes to Financial Statements are an integral part of this Statement

## UNITED WISCONSIN GRAIN PRODUCERS, LLC

Notes to Financial Statements (Unaudited)

September 30, 2017

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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 town of Friesland in the township of Randolph, Wisconsin. The Company is currently producing fuel-grade ethanol, distillers grains, high protein yeast supplement, and crude corn oil that the Company sells domestically.

#### 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, high protein yeast supplement 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.

#### Short-term Investments

Certificates of deposit with original maturities over three months and the Company's trading securities are classified as short-term investments.

#### Investment in a Cooperative, Cost Method

The cost method investment was a redeemable equity interest in a cooperative redeemed in May 2017; it averaged paying a 4% dividend return.

#### 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 and ethanol related products 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

## UNITED WISCONSIN GRAIN PRODUCERS, LLC

Notes to Financial Statements (Unaudited)

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based on credit evaluation and specific circumstances of the customer. At both September 30, 2017 and December 31, 2016, 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, high protein yeast supplement, 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	10-40 years
Plant and process equipment	5-15 years
Office equipment and computer systems	3-10 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.

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### 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: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Company at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: 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, line of credit 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, 2017 or year ended December 31, 2016 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 uncertain tax positions as of September 30, 2017 or December 31, 2016. For years before 2014, the Company is no longer subject to U.S. Federal or state income tax examinations, with few exceptions.

### 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. No liability or expense was recorded as of or for the period ended September 30, 2017 or the year ended December 31, 2016.

### 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.



## UNITED WISCONSIN GRAIN PRODUCERS, LLC

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### Recently Issued Accounting Pronouncements

#### Contract Revenue Recognition (Evaluating)

In May 2014 and amended in August 2015, the FASB issued Accounting Standards Update (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 evaluating the guidance and its effect on its financial statements.

#### Restricted Cash (Evaluating)

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*, which amended *Statement of Cash Flows (Topic 230)* of the Accounting Standards Codification. The new guidance will require amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The guidance will be effective for the Company for annual periods beginning after December 15, 2018 and interim periods within the annual reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact that adoption of this guidance will have on its financial statements.

#### Subsequent Events

The Company has evaluated subsequent events through October 18, 2017, 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 81% and 79% of total revenues for the nine months ended September 30, 2017 and 2016, respectively; corn costs average approximately 72% and 79% of cost of goods sold for the nine months ended September 30, 2017 and 2016, respectively.

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. CONCENTRATIONS

The Company has identified certain concentrations that are present in their business operations. Three customers accounted for approximately 91% and 94% of revenue from ethanol sales, net of derivative activity, for the nine months ended September 30, 2017 and 2016, respectively. Sales to those customers accounted for approximately 77% of the Company's total revenues, net of derivative activity, during the period. Three customers accounted for approximately 82% and 80% of the outstanding accounts receivable balance at September 30, 2017 and 2016, respectively.

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### 4. INVENTORY

Inventory consists of the following:

	<b>September 30, 2017 (Unaudited)</b>	<b>December 31, 2016</b>
Raw materials	\$ 2,131,150	\$ 1,386,105
Spare parts	1,226,742	979,906
Work in process	25,097	384,797
Finished goods	1,738,720	1,114,239
Total	\$ 5,121,709	\$ 3,865,049

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 nine month periods ended September 30, 2017 or 2016.

### 5. PROPERTY, PLANT AND EQUIPMENT

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

	<b>September 30, 2017 (Unaudited)</b>	<b>December 31, 2016</b>
Land and land improvements	\$ 7,336,286	\$ 7,188,157
Office equipment	1,260,080	1,260,080
Buildings	7,706,870	7,706,871
Plant and process equipment	96,821,425	95,525,366
Construction in process	2,495,146	87,774
Total property, plant, and equipment	<b>115,619,807</b>	<b>111,768,248</b>
Less: accumulated depreciation	68,472,289	63,783,343
Net property, plant, and equipment	<b>\$ 47,147,518</b>	<b>\$ 47,984,905</b>

### 6. 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.

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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, 2017, the total notional amount of the Company's outstanding ethanol derivative instruments was approximately 4.0 million gallons that were entered into to hedge forecasted ethanol sales through October 2017. As of September 30, 2017, the total notional amount of the Company's outstanding corn derivative instruments was approximately 2.46 million bushels that were entered into to hedge forecasted corn purchases through July 2019. As of December 31, 2016, the total notional amount of the Company's outstanding ethanol derivative instruments was approximately 9.0 million gallons that were entered into to hedge forecasted ethanol sales through March 2017. As of December 31, 2016, the total notional amount of the Company's outstanding corn derivative instruments was approximately 1.8 million bushels that were entered into to hedge forecasted corn purchases through December 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, 2017, none of which are designated as hedging instruments:

	<b>Balance Sheet Location</b>	<b>Assets</b>	<b>Liabilities</b>
Ethanol Contracts	Derivative Instruments	\$ 3,780	\$ -
Corn Contracts	Derivative Instruments	271,550	-
Totals		\$ 275,330	\$ -

In addition, as of September 30, 2017, the Company maintained approximately \$240,700 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, 2016, none of which are designated as hedging instruments:

	<b>Balance Sheet Location</b>	<b>Assets</b>	<b>Liabilities</b>
Ethanol Contracts	Derivative Instruments	\$ -	\$ 1,438,206
Corn Contracts	Derivative Instruments	102,075	-
Totals		\$ 102,075	\$ 1,438,206

In addition, as of December 31, 2016, the Company maintained approximately \$2,058,000 of restricted cash related to margin requirements for the Company's commodity derivative instrument positions.

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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	Nine months Ended September 30, 2017	Nine months Ended September 30, 2016
Ethanol Contracts	Revenue	\$ 1,155,004	\$ (1,444,581)
Corn Contracts	Cost of Goods Sold	662,594	1,744,120
Total Gain (Loss), net		\$ 1,817,598	\$ 299,539

**7. 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, 2017:

	Carrying Amount in Balance Sheet September 30, 2017	Fair Value September 30, 2017	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
<u>Financial Assets:</u>					
Commodity Derivative Instruments – Ethanol	\$ 3,780	\$ 3,780	\$ 3,780	\$ -	\$ -
Commodity Derivative Instruments – Corn	\$ 271,550	\$ 271,550	\$ 271,550	\$ -	\$ -

The following table provides information on those derivative instruments measured at fair value on a recurring basis at December 31, 2016:

	Carrying Amount in Balance Sheet December 31, 2016	Fair Value December 31, 2016	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
<u>Financial Assets:</u>					
Commodity Derivative Instruments - Corn	\$ 102,075	\$ 102,075	\$ 102,075	\$ -	\$ -
<u>Financial Liabilities:</u>					
Commodity Derivative Instruments - Ethanol	\$(1,438,206)	\$(1,438,206)	\$(1,438,206)	\$ -	\$ -

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### 8. BANK FINANCING

#### Revolving Lines 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 totaled 4.50% and 4.00% at September 30, 2017 and December 31, 2016, respectively. 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 0.25% per year of the average daily unused portion of the line of credit. The maturity date of the line of credit is August 1, 2021. The Company had \$1.0 and \$4.0 million borrowed against the revolving line of credit at September 30, 2017 and December 31, 2016, 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 totaled 4.50% and 4.00% at September 30, 2017 and December 31, 2016, respectively. 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 0.25% 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 \$0 and \$4.5 million borrowed against the revolving line of credit at September 30, 2017 and December 31, 2016, respectively.

Borrowing under our revolving lines of credit are secured by substantially all of the assets of the Company. The revolving credit facilities 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 period ended September 30, 2017 and the year ended December 31, 2016, the Company was in compliance with these covenants. The Company expects to be in compliance with all covenants through October 1, 2018.

### 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 \$108,000 the nine months ending September 30, 2017.

At September 30, 2017, the Company had the following minimum commitments for payment of operating leases:

Period	Minimum Lease Commitment
October 1, 2017 – July 31, 2018	\$ 120,000
Total	\$ 120,000

### 10. MEMBERS' EQUITY

#### Membership Units

The Company currently has three classes of membership units. There are 17,610 Class A units issued and outstanding, 6,739 Class B units issued and outstanding, and 3,997 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.

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### Membership Distributions

In January 2016, the Board of Directors declared and paid 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.

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.

In January 2017, the Board of Directors declared and paid 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 January 12, 2017.

In July 2017, the Board of Directors declared and paid a cash distribution of \$75 per membership unit for all classes for a total distribution of \$2,125,950 to its unit holders of record on July 12, 2017.

### **11. RELATED PARTY TRANSACTIONS**

The Company incurred approximately \$68,210 and \$74,235 in director fees and related expenses for the nine months ended September 30, 2017 and 2016, respectively.

The Company purchased approximately \$4,072,000 of corn from directors and employees of the Company, \$145,150 of which is unpaid and included in accounts payable at September 30, 2017. The Company purchased approximately \$4,590,000 of corn from directors and employees of the Company of which approximately 118,000 is included in accounts payable at December 31, 2016. Related-party corn purchases were consummated on terms equivalent to those that prevail in arm's length transactions.

The Company had accounts receivable from members that totaled approximately \$46,600 and \$132,000 at September 30, 2017 and December 31, 2016, respectively.

### **12. EMPLOYEE BENEFIT PLANS**

The Company has adopted a 401(k) plan which provides retirement savings options for all eligible employees. Employees meeting certain eligibility requirements can participate in the plan. The Company makes a matching contribution based on the participants' eligible wages. The Company has accrued and expensed amounts of approximately \$84,200 and \$84,300 during the nine months ended September 30, 2017 and 2016, respectively. The employer matching portion has the following vesting schedule: 33% after one year of employment, 67% after two years of employment, and 100% after three years of employment. The non-vested balance that is forfeited by a terminated employee may be used to offset administrative expenses of the plan or future matching contributions by the Company.

The Company has two discretionary incentive programs for all eligible employees. The high earnings reward program allows for a percentage of the Company's earnings in excess of a pre-determined amount to be divided between eligible employees and payment to be made six months after it is earned to eligible employees still employed with the Company at the time of payment. The annual incentive plan is based on safety, production, and earnings targets and if there are earnings on the program it is paid out in May.

### **13. COMMITMENTS AND CONTINGENCIES**

#### Ethanol Contracts

At September 30, 2017, the Company had forward futures contracts (swaps) to sell 4.0 million gallons of ethanol for various delivery periods in October 2017. The prices on these contracts range from \$1.51 to \$1.54 per gallon.

At September 30, 2017, the Company had forward ethanol sales contracts totaling 13.5 million gallons for various delivery periods from October 2017 to December 2017. The prices on these contracts have a basis level established by the Oil Price Information Service ("OPIS") Chicago ethanol market between -\$0.00 and -\$0.06.

## UNITED WISCONSIN GRAIN PRODUCERS, LLC

Notes to Financial Statements (Unaudited)

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### Distillers Grains, High Protein Yeast Contracts

At September 30, 2017, the Company had forward dry distillers grains sales contracts totaling approximately 10,330 tons for various delivery periods from October 2017 to July 2018 with a price range of \$92 to \$128 per ton.

At September 30, 2017, the Company had forward high protein yeast feed sales contracts totaling approximately 100 tons for delivery in October 2017 with an average price of \$215.

### Corn Oil Contracts

At September 30, 2017, the Company had forward crude corn oil sales contracts totaling 3.4 million pounds for various delivery periods from October 2017 to December 2017 with an average price of \$0.29 per pound.

### Corn, Natural Gas, and Denaturant Contracts

At September 30, 2017, the Company had forward corn purchase contracts with grain producers and dealers totaling 9.6 million bushels for various delivery periods from October 2017 to September 2019. The prices on these contracts range from \$3.24 to \$4.33 per bushel or have a basis level established by the CBOT futures between \$-0.12 and \$-0.32.

At September 30, 2017 the Company had forward contracts to purchase approximately 270,000 Million British Thermal Units (MMBTU's) of natural gas during the months of October 2017 through October 2018 at an average price of \$2.94 per MMBTU.

At September 30, 2017, the Company had forward contracts to purchase approximately 350,000 gallons of denaturant during the months of October 2017 through December 2017 at the average of the OPIS Conway In-Well Natural Gasoline daily high and low prices for the full calendar month of date of loading plus \$0.17 per net gallon.

## 14. 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 antidumping investigation on imported distillers dried grains, with or without solubles (DDG), originating in the United States. In February 2011, MOFCOM informed the Company that it was one of three DDG exporters selected as part 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.

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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 have been 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.