UNITED WISCONSIN GRAIN PRODUCERS LLC

Financial Statements

FRIESLAND, WISCONSIN
June 30, 2019

UNITED WISCONSIN GRAIN PRODUCERS LLC

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Board of Directors and Members of
United Wisconsin Grain Producers, LLC

We have reviewed the financial statements of United Wisconsin Grain Producers, LLC, which comprise the balance sheet as of June 30, 2019, the related statements of operations and cash flows for the six-month periods ended June 30, 2019 and 2018, and changes in members' equity for the six-month period ended June 30, 2019.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditor's Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the financial information referred to above for it to be in accordance with accounting principles generally accepted in the United States of America.

Report on Balance Sheet as of December 31, 2018

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of United Wisconsin Grain Producers, LLC as of December 31, 2018, and the related statements of operations, changes in members' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2019, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the accompanying balance sheet of United Wisconsin Grain Producers, LLC as of December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boulay PLLP

Boulay PLLP

Minneapolis, Minnesota
August 14, 2019

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UNITED WISCONSIN GRAIN PRODUCERS, LLC

Balance Sheets

ASSETS		June 30, 2019 (Unaudited)		December 31, 2018
Current Assets				
Cash	$	1,812,751	$	3,324,103
Restricted cash - commodity margin account		1,841,479		-
Commodity derivative instruments		-		744,900
Accounts receivable, net		4,330,966		3,270,918
Prepaid expenses and other current assets		221,561		338,898
Inventory		4,939,119		5,242,998
Total current assets		13,145,876		12,921,817
Property, Plant, and Equipment, net		44,163,013		46,725,858
Total Assets	$	57,308,889	$	59,647,675
LIABILITIES AND MEMBERS' EQUITY				
Current Liabilities				
Disbursments in excess of bank balance		446,074		-
Accounts payable		1,936,067		5,195,161
Accrued liabilities		723,529		742,225
Commodity derivative instruments		919,983		-
Total current liabilities		4,025,653		5,937,386
Long-Term Liabilities				
Revolving line of credit		4,750,000		-
Total long-term liabilities		4,750,000		-
Total Liabilities	$	8,775,653	$	5,937,386
Members' Equity, 28,346 multiple class units authorized, issued, and outstanding		48,533,236		53,710,289
Total Liabilities and Members' Equity	$	57,308,889	$	59,647,675

Notes to the Financial Statements are an integral part of this Statement.

See Independent Auditor's Review Report.

UNITED WISCONSIN GRAIN PRODUCERS, LLC

Statements of Operations
(Unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues	$ 53,418,061	$ 57,215,444
Cost of Goods Sold	52,319,907	49,663,146
Gross Profit	1,098,154	7,552,298
Operating Expenses	1,665,723	2,074,536
Operating Income (Loss)	(567,569)	5,477,762
Other Income (Expense), Net	(74,124)	(71,704)
Net Income (Loss)	$ (641,693)	$ 5,406,057
Weighted Average Units Outstanding - Basic and Diluted (Class A, B, C)	28,346	28,346
Net Income (Loss) Per Unit - Basic and Diluted (Class A, B, C)	$ (22.64)	$ 190.72
Distributions Per Unit (Class A, B, C)	$ 160.00	$ 200.00

Notes to the Financial Statements are an integral part of this Statement.
See Independent Auditor's Review Report.

UNITED WISCONSIN GRAIN PRODUCERS, LLC

Statement of Changes in Members' Equity

Balance - December 31, 2018		53,710,289
Net loss for the six months ended June 30, 2019	$	(641,693)
Member distributions		(4,535,360)
Balance - June 30, 2019 (unaudited)	$	48,533,236

Notes to Financial Statements are an integral part of this Statement.

See Independent Auditor's Review Report.

UNITED WISCONSIN GRAIN PRODUCERS, LLC

Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash Flows from Operating Activities		
Net income (Loss)	$ (641,693)	$ 5,406,058
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	3,541,429	3,267,014
Change in fair value of commodity derivative instruments	1,664,883	(1,789,062)
Gain/loss on fixed asset	15,614	-
Changes in operating assets and liabilities:		
Due to broker	-	370,744
Accounts receivable	(1,060,048)	(523,000)
Prepaid expenses and other current assets	117,337	250,961
Inventory	303,879	(616,700)
Accounts payable	(2,830,227)	(2,798,090)
Accrued liabilities	(18,696)	(154,090)
Net cash provided by operating activities	1,092,478	3,413,835
Cash Flows from Investing Activities		
Capital expenditures	(1,423,065)	(3,655,007)
Net cash used in investing activities	(1,423,065)	(3,655,007)
Cash Flows from Financing Activities		
Payment of member distribution	(4,535,360)	(5,669,200)
Proceeds from revolving line of credit	9,250,000	6,639,000
Payments on revolving line of credit	(4,500,000)	(4,639,000)
Disbursments in excess of bank balances	446,074	474,558
Net cash provided by (used in) financing activities	660,714	(3,194,642)
Net Increase (Decrease) in Cash and Restricted Cash	330,127	(3,435,814)
Cash and Restricted Cash – Beginning of Period	3,324,103	3,435,814
Cash and Restricted Cash – End of Period	$ 3,654,230	$ -
Reconcilation of Cash and Restricted Cash		
Cash - Balance Sheet	$ 1,812,751	$ -
Restricted Cash - Balance Sheet	1,841,479	-
Cash and Restricted Cash	$ 3,654,230	$ -
Supplemental Cash Flow Information		
Interest paid	$ 72,630	$ 118,183
Supplemental Disclosure of Non-Cash Operating, Investing, and Financing Activities:		
Construction in progress included in accounts payable	$ 682,500	$ 63,284

Notes to the Financial Statements are an integral part of this Statement.
See Independent Auditor's Review Report.

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 production capacity 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.

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 the 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 may have restricted cash balances relating to margin requirements with the Company’s commodity derivative broker based on open commodity contracts.

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 based on credit evaluation and specific circumstances of the customer. At both June 30, 2019 and December 31, 2018, the Company established an allowance for doubtful accounts of approximately $23,000.

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.

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).

Fair Value of Financial Instruments (continued)
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, 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 ("CBOT") and New York Mercantile Exchange ("NYMEX") 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 six months ended June 30, 2019 or year ended December 31, 2018 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 June 30, 2019 or December 31, 2018.

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 six months ended June 30, 2019 or the year ended December 31, 2018 for environmental liabilities.

Net Income (Loss) per Unit
Basic net income (loss) per unit is computed by dividing net income (loss) by the weighted average number of all classes of members' units outstanding during the period. Diluted net income (loss) per unit is computed by dividing net income (loss) by the weighted average number of all classes 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 (loss) per unit are the same.

Recently Issued and Adopted 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 *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. The Company anticipates the standard will not have a material impact outside of additional disclosure.

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 guidance will be effective for the Company for annual periods beginning after December 15, 2019 and interim periods within annual reporting periods beginning after December 15, 2020. With early adoption permitted**.** The Company is currently evaluating the impact that the adoption of this guidance will have on its financial statements and anticipates the new guidance will significantly impact its financial statements by capitalizing the present value of the estimated lease payments by recording a lease asset and corresponding liability.

Restricted Cash (Adopted)
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 Company has adopted the standard effective January 1, 2019 and has retrospectively applied it to the statement of cash flows.

Subsequent Events
The Company has evaluated subsequent events through August 14, 2019, 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 75% of total revenues for the six months ended June 30, 2019 and 2018, corn costs average approximately 74% and 73% of cost of goods sold for the six months ended June 30, 2019 and 2018, 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 98% and 97% of revenue from ethanol sales, net of derivative activity, for the six months ended June 30, 2019 and 2018, respectively. Sales to those customers accounted for approximately 74% of the Company's total revenues, net of derivative activity, for the six months ended June 30, 2019 and 2018. Three customers accounted for approximately 83% and 76% of the outstanding accounts receivable balance at June 30, 2019 and December 31, 2018, respectively.

4. INVENTORY

Inventory consists of the following:

	June 30, 2019 (Unaudited)	December 31, 2018
Raw materials	$ 2,319,798	$ 1,973,141
Spare parts	1,293,151	1,219,857
Work in process	419,566	402,247
Finished goods	906,604	1,647,753
Total	$ 4,939,119	$ 5,242,998

At June 30, 2019 and December 31, 2018, the Company had a net realizable value write-down of corn inventory of approximately $0 and $121,000, respectively

5. PROPERTY, PLANT, AND EQUIPMENT

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

	June 30, 2019 (Unaudited)	December 31, 2018
Land and land improvements	$ 7,336,286	$ 7,336,286
Office equipment	1,271,901	1,342,931
Buildings	7,776,050	7,798,155
Plant and process equipment	107,422,166	102,315,102
Construction in process	462,444	4,718,181
Total property, plant, and equipment	**124,268,847**	**123,510,655**
Less: accumulated depreciation	80,105,834	76,784,797
Net property, plant, and equipment	**$ 44,163,013**	**$ 46,725,858**

Depreciation expense for the six months ended June 30, 2019 and 2018 was approximately $3,541,000 and $3,267,000, respectively.

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.

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 June 30, 2019, the total notional amount of the Company's outstanding ethanol derivative instruments was approximately 4.6 million gallons that were entered into to hedge forecasted ethanol sales through August 2019. As of June 30, 2019, the total notional amount of the Company's outstanding corn derivative instruments was approximately 3.5 million bushels that were entered into to hedge forecasted corn purchases through December 2020.

As of December 31, 2018, the total notional amount of the Company's outstanding ethanol derivative instruments was approximately 3.1 million gallons that were entered into to hedge forecasted ethanol sales through March 2019. As of December 31, 2018, the total notional amount of the Company's outstanding corn derivative instruments was approximately 3 million bushels that were entered into to hedge forecasted corn purchases through July 2020.

The following tables provide details regarding the Company's derivative instruments at June 30, 2019, none of which are designated as hedging instruments (unaudited):

	Balance Sheet Location	Assets	Liabilities
Ethanol Contracts	Commodity derivative instruments	$ -	$ 21,945
Corn Contracts	Commodity derivative instruments	-	898,038
Totals		$ -	$ 919,983

In addition, as of June 30, 2019, there was approximately $1,841,000 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, 2018, none of which are designated as hedging instruments:

	Balance Sheet Location	Assets	Liabilities
Ethanol Contracts	Commodity derivative instruments	$ 229,950	$ -
Corn Contracts	Commodity derivative instruments	514,950	-
Totals		$ 744,900	$ -

In addition, as of December 31, 2018, 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 (losses) from Company's commodity derivative instruments in statements of operations, none of which are designated as hedging instruments (unaudited):

	Statement of Operations Location	Six months Ended June 30, 2019	Six months Ended June 30, 2018
Ethanol Contracts	Revenue	$ (862,054)	$ 438,508
Corn Contracts	Cost of Goods Sold	731,365	1,218,952
Total Gain (Loss)		$ (130,689)	$ 1,657,460

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 CBOT and NYMEX markets.

The following table provides information on those derivative instruments measured at fair value on a recurring basis at June 30, 2019 (unaudited):

	Carrying Amount in Balance Sheet June 30, 2019	Fair Value June 30, 2019	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Financial Liability: Commodity Derivative Instruments - Corn	$ (898,038)	$ (898,038)	$ (898,038)	$ -	$ -
Financial Liability: Commodity Derivative Instruments - Ethanol	$ (21,945)	$ (21,945)	$ (21,945)	$ -	$ -
Total Financial Liability	$ (919,983)	$ (919,983)	$ (919,983)	$ -	$ -

The following table provides information on those derivative instruments measured at fair value on a recurring basis at December 31, 2018:

	Carrying Amount in Balance Sheet December 31, 2018	Fair Value December 31, 2018	Fair Value Measurement Using		
			Level 1	Level 2	Level 3
Financial Assets: Commodity Derivative Instruments - Corn	$ 514,950	$ 514,950	$ 514,950	$ -	$ -
Financial Assets: Commodity Derivative Instruments - Ethanol	$ 229,950	$ 229,950	$ 229,950	$ -	$ -
Total Financial Assets	$ 744,900	$ 744,900	$ 744,900	$ -	$ -

8. BANK FINANCING

Revolving Lines of Credit

The Company has 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 5.75% at June 30, 2019 and December 31, 2018. 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 $4,750,000 and $0 borrowed against the revolving line of credit at June 30, 2019 and December 31, 2018, respectively.

On May 8, 2019, 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 fixed rate of 5.75%. 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 May 1, 2024. The Company had $0 borrowed against the revolving line of credit at June 30, 2019 and December 31, 2018.

Borrowing under our revolving lines of credit are secured by substantially all of the assets of the Company. The revolving credit facilities are subject to restrictive covenants including, but not limited to, requiring minimum financial ratios and limitations on capital expenditures, investments, and distributions. As of and for the period ended June 30, 2019 and the year ended December 31, 2018, the Company was in compliance with these covenants. The Company expects to be in compliance with all covenants through July 1, 2020.

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. The agreement was extended in June 2018 for an updated rate of $405 per month per rail car starting August 2018 through July 2021. Lease expense for operating leases was approximately $61,000 for the six months ending June 30, 2019.

At June 30, 2019, the Company had the following minimum commitments for payment of operating leases:

Period	Minimum Lease Commitment
July 2019 – June 2020	$ 121,500
July 2020 – June 2021	121,500
July 2021	10,125
Total	$ 253,125

10. MEMBERS' EQUITY

Membership Units

The Company currently has three classes of membership units. There are 17,856 Class A units issued and outstanding, 6,627 Class B units issued and outstanding, and 3,863 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.

Membership Distributions

In January 2018, the Board of Directors declared and paid a cash distribution of $200 per membership unit for all classes for a total distribution of $5,669,200 to its unit holders of record on January 12, 2018.

In July 2018, 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, 2018.

In January 2019, the Board of Directors declared and paid a cash distribution of $160 per membership unit for all classes for a total distribution of $4,535,360 to its unit holders of record on January 11, 2019.

11. RELATED PARTY TRANSACTIONS

The Company incurred approximately $55,000 and $47,000 in director fees and related expenses for the six months ended June 30, 2019 and 2018, respectively.

For the six months ended June 30, 2019 the Company purchased approximately $2,477,000 of corn from directors and employees of the Company, $0 of which is unpaid and included in accounts payable at June 30, 2019. For the six months ended June 30, 2018 the Company purchased approximately $2,221,000 of corn from directors and employees of the Company. At December 31, 2018 approximately $408,000 of related-party purchases were unpaid and included in accounts payable. 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 $152,000 and $169,000 at June 30, 2019 and December 31, 2018, 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 $71,000 and $73,000 during the six months ended June 30, 2019 and 2018, respectively. At December 31, 2018, approximately $129,000 was included in accrued expense as matching contributions. 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 February.

13. COMMITMENTS AND CONTINGENCIES

Ethanol Contracts

At June 30, 2019, the Company had forward futures contracts to sell 4.6 million gallons of ethanol for various delivery periods through June 2019. The prices on these contracts range from $1.50 to $1.60 per gallon.

At June 30, 2019, the Company had forward ethanol sales contracts totaling 15.9 million gallons for various delivery periods through September 2019. The prices on these contracts have a basis level established by the Oil Price Information Service ("OPIS") Chicago ethanol market between -$0.04 and -$0.06.

Distillers Grains, High Protein Yeast Contracts

At June 30, 2019, the Company had forward dry distillers grains sales contracts totaling approximately 9,400 tons for various delivery periods through January 2020 with a price range of $110 to $140 per ton.

At June 30, 2019, the Company had forward high protein yeast feed sales contracts totaling approximately 1,325 tons for various delivery periods through July 2019 with a price range of $285 to $400 per ton.

Corn Oil Contracts

At June 30, 2019, the Company had forward crude corn oil sales contracts totaling 1.4 million pounds for various delivery periods through July 2019 with an average price of $0.25 per pound.

Corn, Natural Gas, and Denaturant Contracts

At June 30, 2019, the Company had forward corn purchase contracts with grain producers and dealers totaling 10.9 million bushels for various delivery periods through December 2020. The prices on these contracts range from $3.46 to $4.75 per bushel or have a basis level established by the CBOT futures between $0.22 and $-0.34.

At June 30, 2019 the Company had forward contracts to purchase approximately 1,380,000 British Thermal Units (MMBTU's) of natural gas during the months through March 2021 at an average price of $2.98 per MMBTU.

At June 30, 2019, the Company had forward contracts to purchase approximately 675,000 gallons of denaturant through December 2019 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.