Lake Area Corn Processors, LLC

Consolidated Financial Report
December 31, 2024

Contents

Independent Auditor's Report

Audit Committee
Lake Area Corn Processors, LLC

Opinion
We have audited the consolidated financial statements of Lake Area Corn Processors, LLC (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit for the year ended December 31, 2024 in accordance with auditing standards generally accepted in the United States of America (GAAS). We conducted our audit for the year ended December 31, 2023 in accordance with standards of the Public Company Accounting Oversight Board (United States) (PCAOB). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS or the standards of the PCAOB will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and the standards of the PCAOB, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Sioux Falls, South Dakota
March 18, 2025

Lake Area Corn Processors, LLC

Consolidated Balance Sheets
December 31, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 21,838,991	$ 36,773,989
Accounts receivable	3,723,881	6,142,700
Inventories	16,046,616	14,673,710
Derivative financial instruments	1,190,445	1,155,157
Prepaid and other assets	2,815,286	2,741,191
Total current assets	45,615,219	61,486,747
Property and equipment:		
Land	874,473	874,473
Land improvements	10,273,531	8,763,023
Buildings	9,316,576	9,316,576
Equipment	122,327,307	108,135,828
Construction in progress	124,220	890,881
	142,916,107	127,980,781
Less accumulated depreciation	(74,596,583)	(69,149,798)
Net property and equipment	68,319,524	58,830,983
Other assets:		
Goodwill, net	10,197,352	10,395,766
Investments	54,753,900	55,233,080
Other	5,678,776	7,437,578
Total other assets	70,630,028	73,066,424
Total assets	$ 184,564,771	$ 193,384,154
Liabilities and Members' Equity		
Current liabilities:		
Outstanding checks in excess of bank balance	$ 2,013,325	$ 2,670,403
Accounts payable	26,086,652	33,370,759
Accrued liabilities	762,362	833,973
Derivative financial instruments	316,184	1,114,590
Total current liabilities	29,178,523	37,989,725
Long-term liabilities:		
Notes payable	16,001,000	20,001,000
Other	10,000	-
Total long-term liabilities	16,011,000	20,001,000
Commitments and contingencies (Note 8)		
Members' equity (29,620,000 units issued and outstanding)	139,375,248	135,393,429
Total liabilities and members' equity	$ 184,564,771	$ 193,384,154

See notes to consolidated financial statements.

Lake Area Corn Processors, LLC

Consolidated Statements of Operations
Years Ended December 31, 2024 and 2023

	2024	2023
Revenues	**$ 190,691,715**	$ 280,440,962
Cost of revenues	**166,450,095**	244,726,671
Gross profit	**24,241,620**	35,714,291
Operating expenses	**5,714,706**	5,832,995
Income from operations	**18,526,914**	29,881,296
Other income (expense):		
Interest and other income	**326,883**	3,606,734
Equity in net income of investments	**12,291,108**	9,105,895
Interest expense	**(333,100)**	(212,532)
Total other income (expense)	**12,284,891**	12,500,097
Net income	**$ 30,811,805**	$ 42,381,393
Basic and diluted earnings per unit	**$ 1.04**	$ 1.43
Weighted average number of units outstanding	**29,620,000**	29,620,000
Distributions declared per unit	**$ 0.90**	$ 0.50

See notes to consolidated financial statements.

Lake Area Corn Processors, LLC

Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2024 and 2023

Balance, December 31, 2022	$ 107,948,006
Net income	42,381,393
Member distributions	(14,935,970)
Balance, December 31, 2023	135,393,429
Net income	30,811,805
Member distributions	(26,829,986)
Balance, December 31, 2024	**$ 139,375,248**

See notes to consolidated financial statements.

Lake Area Corn Processors, LLC

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net income	**$ 30,811,805**	$ 42,381,393
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**7,500,334**	5,859,683
Distributions in excess of earnings (earnings in excess of distributions) from investments	**479,180**	6,657,556
(Increase) decrease in:		
Accounts receivable	**2,418,819**	(3,208,797)
Inventory	**(1,372,906)**	11,122,000
Prepaid expenses	**(74,094)**	(98,380)
Derivative financial instruments	**(833,694)**	2,380,819
Increase (decrease) in:		
Accounts payable	**(7,284,108)**	(5,130,669)
Accrued liabilities	**(61,611)**	114,861
Net cash provided by operating activities	**31,583,725**	60,078,466
Cash flows from investing activities:		
Natural gas transportation prepayment	**-**	(3,556,000)
Purchases of property and equipment	**(15,002,676)**	(1,500,166)
Purchase of investments	**-**	(44,199,624)
Net cash used in investing activities	**(15,002,676)**	(49,255,790)
Cash flows from financing activities:		
Decrease in outstanding checks in excess of bank balance	**(657,078)**	(1,529,879)
Borrowings on notes payable	**52,650,000**	61,235,318
Payments on notes payable	**(56,650,000)**	(45,232,547)
Financing costs paid	**-**	(34,771)
Distributions to members	**(26,829,986)**	(14,935,970)
Net cash used in financing activities	**(31,487,064)**	(497,849)
Net (decrease) increase in cash, cash equivalents and restricted cash	**(14,906,015)**	10,324,827
Cash, cash equivalents and restricted cash:		
Beginning	**37,329,032**	27,004,205
Ending	**$ 22,423,017**	$ 37,329,032
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest, net of capitalized interest of $245,891 and $18,307 in 2024 and 2023, respectively	**$ 347,884**	$ 221,752

See notes to consolidated financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Lake Area Corn Processors, LLC and subsidiary (the Company) is a South Dakota limited liability company.

The Company owns and manages Dakota Ethanol, LLC (Dakota Ethanol), a 100 million-gallon (annual nameplate capacity) ethanol plant located near Wentworth, South Dakota. Dakota Ethanol sells ethanol and related products to customers located in North America.

In addition, the Company has investment interests in five companies in related industries. See Note 3 for further details.

A summary of the Company's significant accounting policies as follows:

Principles of consolidation: The consolidated financial statements include the accounts of Lake Area Corn Processors, LLC and its wholly owned subsidiary, Dakota Ethanol. All significant inter-company transactions and balances have been eliminated in consolidation.

Use of estimates: The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the fair value of derivative financial instruments, lower of cost or net realizable value accounting for inventory and goodwill and fixed asset impairment evaluation.

Revenue recognition: ASC Topic 606, Revenue from Contracts with Customers requires the Company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires the Company to apply the following steps: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when, or as, the Company satisfies a performance obligation. The Company generally recognizes revenue at a point in time. The Company's contracts with customers have one performance obligation and a contract duration of one year or less.

The following is a description of principal activities from which we generate revenue. Revenues from contracts with customers are recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Generally, ethanol and related products are shipped FOB shipping point and control of the goods transfers to customers when the goods are loaded into trucks or when rail cars are shipped. Consideration is based on predetermined contractual prices or on current market prices.

- Sales of ethanol
- Sales of distillers grains
- Sales of distillers corn oil

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Disaggregation of revenue: All revenue recognized in the statement of operations is considered to be revenue from contracts with customers. The following table depicts the disaggregation of revenue according to product line:

	2024	2023
Ethanol	$ 142,172,179	$ 212,267,127
Distillers grains	35,103,589	50,262,553
Distillers corn oil	13,415,947	17,911,282
	$ 190,691,715	$ 280,440,962

Contract assets and contract liabilities: The Company receives payments from customers based upon contractual billing schedules; accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities include payments received in advance of performance under the contract and are realized with the associated revenue recognized under the contract.

The Company has no significant contract assets or contract liabilities from contracts with customers at December 31, 2024 and 2023.

Shipping costs: Shipping costs incurred by the Company in the sale of ethanol, dried distiller's grains and corn oil are not specifically identifiable and as a result, revenue from the sale of those products is recorded based on the net selling price reported to the Company from the marketer.

When the Company performs shipping and handling activities after the transfer of control to the customers (e.g., when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued for when the related revenue is recognized.

Cost of revenues: The primary raw materials we use to produce ethanol, distillers grains and corn oil are corn and natural gas.

Electricity, raw materials expense (chemicals and denaturant), direct labor costs, and shipping costs on distiller's grains are included in cost of revenues.

Inventory valuation: Inventories are generally valued using methods which approximate the lower of cost (first-in, first-out) or net realizable value. In the valuation of inventories, net realizable value is based on estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation.

Cash, cash equivalents and restricted cash: Cash and cash equivalents consist of demand accounts and other accounts with original maturities of three months or less that provide withdrawal privileges. Restricted cash is subject to a contractual restriction and not readily available in accordance with the terms of the West Leg agreement (see Note 8).

	2024	2023
Cash and cash equivalents	$ 21,838,991	$ 36,773,989
Restricted cash (included in other assets)	584,026	555,043
Total cash, cash equivalents and restricted cash	$ 22,423,017	$ 37,329,032

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Receivables and credit policies: Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within fifteen days from the invoice date. Unpaid accounts receivable with invoice dates over 30 days old bear interest at 1.5% per month. Accounts receivable are stated at the amount billed to the customer. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of trade receivables is reduced by an allowance for credit losses that reflects management's best estimate of the amounts that will not be collected. Management regularly reviews trade receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The allowance for credit losses was determined to be immaterial as of December 31, 2024 and 2023. As of January 1, 2023, the trade receivable balance was $2,934,000.

Investment in commodities contracts, derivative instruments and hedging activities: The Company is exposed to certain risks related to its ongoing business operations including price risks on anticipated purchases of corn and natural gas and the sale of ethanol, distillers grains and distillers corn oil. The Company manages these risks by using forward, future and options derivative instruments.

The Company is subject to market risk with respect to the price and availability of corn, the principal raw material the Company uses to produce ethanol and ethanol by-products. In general, unfavorable market conditions result from rising corn prices. This is especially true when market conditions do not allow the Company to pass along increased corn costs to customers. The availability and price of corn are subject to wide fluctuations due to unpredictable factors such as weather conditions, farmer planting decisions, governmental policies with respect to agriculture and international trade and global demand and supply.

Certain contracts that meet the definition of a derivative may be exempted from derivative accounting 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. Contracts that meet the requirements of normal purchases or sales are documented as normal and exempted from the accounting and reporting requirements of derivative accounting.

The Company does not apply the normal purchase and sales exemption for forward corn purchase contracts. As of December 31, 2024, the Company is committed to purchasing approximately 5.7 million bushels of corn on a forward contract basis with an average price of $4.28 per bushel. The total corn purchase contracts represent 17% of the projected annual plant corn usage.

The Company has 175,100 bushels of corn inventory delivered under delayed-pricing contracts. The contracts have various pricing deadlines through August 29, 2025. The Company is subject to risk of changes in the corn market until they are priced.

The Company enters into firm-price purchase commitments with natural gas suppliers under which the Company agrees to buy natural gas at a price set in advance of the actual delivery. Under these arrangements, the Company assumes the risk of a price decrease in the market price of natural gas between the time the price is fixed and the time the natural gas is delivered. At December 31, 2024, the Company is committed to purchasing approximately 792,000 MMBtu's of natural gas with an average price of $3.50 per MMBtu. The Company accounts for these transactions as normal purchases, and accordingly, does not mark these transactions to market. The natural gas purchases represent approximately 38% of the projected annual plant requirements.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Company enters into firm-price sales commitments with distillers grains customers under which the Company agrees to sell distillers grains at a price set in advance of the actual delivery. Under these arrangements, the Company assumes the risk of a price increase in the market price of distillers grain between the time the price is fixed and the time the distillers grains are delivered. At December 31, 2024, the Company is committed to selling approximately 37,000 dry equivalent tons of distillers grains with an average price of $143 per ton. The Company accounts for these transactions as normal sales, and accordingly, does not mark these transactions to market. The distillers grains sales represent approximately 17% of the projected annual plant production.

The Company enters into firm-price sales commitments with distillers corn oil customers under which the Company agrees to sell distillers corn oil at a price set in advance of the actual delivery. Under these arrangements, the Company assumes the risk of a price increase in the market price of distillers corn oil between the time this price is fixed and the time the distillers corn oil is delivered. At December 31, 2024, the Company is committed to selling approximately 4,655,000 pounds of distillers corn oil with an average price of $0.47 per pound. The Company accounts for these transactions as normal sales, and accordingly, does not mark these transactions to market. The distillers corn oil sales represent approximately 14% of the projected annual plant production.

The Company does not have any firm-priced sales commitments for ethanol as of December 31, 2024.

The Company enters into short-term forward, option and futures contracts for corn and natural gas as a means of managing exposure to changes in commodity and energy prices. All of the Company's derivatives are designated as non-hedge derivatives, and accordingly are recorded at fair value with changes in fair value recognized in net income, or a normal purchase, normal sale exemption is elected. Although the contracts are considered economic hedges of specified risks, they are not designated and accounted for as hedging instruments.

As part of our trading activity, the Company uses futures and option contracts offered through regulated commodity exchanges to reduce risk of loss in the market value of inventories and purchase commitments.

Derivatives not designated as hedging instruments at December 31, 2024 and 2023, were as follows:

	Balance Sheet Classification	2024	2023
Corn forward contracts in gain position		$ 331,948	$ 16,878
Futures and options contracts in gain position		42,025	289,681
Futures and options contracts in loss position		(901,988)	(200)
Total forward, futures and options contracts		(528,015)	306,359
Cash held by broker		1,718,460	848,798
	Current assets	$ 1,190,445	$ 1,155,157
Corn forward contracts in loss position	Current liabilities	$ (316,184)	$ (1,114,590)

Futures and options contracts and cash held by broker are all with one party and the right of offset exists. Therefore, on the balance sheet, these items are netted in one balance regardless of position.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Forward contracts are with multiple parties and the right of offset does not exist. Therefore, these contracts are reported at the gross amounts on the balance sheet.

Gains and losses related to derivative contracts related to corn and natural gas are included as a component of costs of revenues.

	Statement of Operations Classifications	2024	2023
Net realized and unrealized gains (losses) related to purchase contracts:			
Futures and options contracts	Cost of revenues	$ 2,671,120	$ 6,354,770
Forward contracts		(3,228,957)	(13,212,036)

Investments: The Company has investment interests in five companies in related industries. Four of these interests are at ownership shares less than 20%. One of the investments exceeds 20%. These investments are flow-through entities and are being accounted for by the equity method of accounting under which the Company's share of net income is recognized as income in the Company's statements of operations and added to the investment account. Distributions or dividends received from the investments are treated as a reduction of the investment account. The Company consistently follows the practice of recognizing the net income based on the most recent reliable data.

Concentrations of credit risk: The Company's cash balances are maintained in bank depositories and regularly exceed federally insured limits. The Company has not experienced any losses in connection with these balances.

Property and equipment: Property and equipment is stated at cost. Significant additions and betterments are capitalized, while expenditures for maintenance, repairs and minor renewals are charged to operations when incurred. Depreciation on assets placed in service is computed using the straight-line method over estimated useful lives as follows:

	Years
Land improvements	20-40
Equipment	5-20
Buildings	15-40

Equipment relates to two general categories: mechanical equipment and administrative and maintenance equipment. Mechanical equipment generally relates to equipment for handling inventories and the production of ethanol and related products, with useful lives of 15 to 20 years, including boilers, cooling towers, grain bins, centrifuges, conveyors, fermentation tanks, pumps and drying equipment. Administrative and maintenance equipment is equipment with useful lives of five to 15 years, including vehicles, computer systems, security equipment, testing devices and shop equipment.

The Company reviews its property and equipment for impairment whenever events indicate that the carrying amount of an asset group may not be recoverable. An impairment loss is recorded when the sum of the undiscounted future cash flows is less than the carrying amount of the asset group. An impairment loss is measured as the amount by which the carrying amount of the asset group exceeds its fair value. No indicators of impairment were identified during the years ended December 31, 2024 and 2023.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Goodwill: Goodwill is the excess of cost of an acquired entity over the amounts assigned to identify tangible and intangible assets acquired and liabilities assumed in business acquisitions. Effective, October 22, 2024, the Company adopted the private company accounting alternative that allows them to amortize goodwill over 10 years and to perform goodwill assessment at the consolidated level. Also pursuant to the accounting alternative, the Company tests goodwill for impairment only upon the occurrence of an event or circumstance that may indicate the fair value of the entity is less than its carrying amount. During the year ended December 31, 2024, the Company determined that there was not occurrence of an event or circumstance that may indicate the fair value of the entity is less than its carrying value.

The following is a summary of the changes in the carrying amount of goodwill in 2024 and 2023:

Balance December 31, 2022	$ 10,395,766
Additions	-
Amortization	-
Balance December 31, 2023	10,395,766
Additions	-
Amortization	(198,414)
Balance December 31, 2024	$ 10,197,352

Estimated approximate future amortization of goodwill is as follows:

	Amount
Years ending December 31:	
2025	$ 1,039,577
2026	1,039,577
2027	1,039,576
2028	1,039,576
Thereafter	6,039,046
	$ 10,197,352

Income taxes: The Company is taxed as a limited liability company under the Internal Revenue Code. The income of the Company flows through to the members to be taxed at the member level rather than the corporate level. Accordingly, the Company has no tax liability.

Management has evaluated the Company's tax positions under the Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Company is no longer subject to income tax examinations by the U.S. federal, state or local authorities beyond three years for jurisdictions in which they file.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Environmental liabilities: The Company's operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions 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.

Risks and uncertainties: The Company has certain risks and uncertainties that it will experience during volatile market conditions, which can have a severe impact on operations. The Company's revenues are derived from the sale and distribution of ethanol and distiller grains to customers primarily located in the United States. Corn for the production process is supplied to the plant primarily from local agricultural producers and from purchases on the open market. For the year ended December 31, 2024, corn costs averaged approximately 77% 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, weather, unleaded gasoline and the petroleum markets, government programs, global political or economic issues, shortages, export prices, crude oil prices, currency valuations and government policies in the United States and around the world, over which we have no control. Excess ethanol supply in the market, in particular, puts downward pressure on the price of ethanol.

The Company's largest cost of production is corn. The cost of corn is generally impacted by factors such as supply and demand, weather, and government programs, global political or economic issues, or global damaging growing conditions, such as plant disease or adverse weather, including drought, increased fertilizer costs as well as global conflicts. The Company's risk management program is used to protect against the price volatility of these commodities.

Subsequent events: The company has evaluated subsequent events through March 18, 2025, the date on which the financial statements were available to be issued.

Note 2. Inventory

Inventory consisted of the following as of December 31, 2024 and 2023:

	2024	2023
Raw materials	$ 8,483,233	$ 8,558,268
Finished goods	4,049,927	2,853,609
Work in process	1,274,499	1,337,989
Parts inventory	2,238,957	1,923,844
	$ 16,046,616	$ 14,673,710

As of December 31, 2024 and 2023, the Company recorded a lower of cost or net realizable value write-down on inventory of approximately $0 and $29,000, respectively.

Note 3. Investments

Dakota Ethanol has a 5% investment interest in the Company's ethanol marketer, Renewable Products Marketing Group, LLC (RPMG). The net income which is reported in the Company's statement of operations for RPMG is based on RPMG's September 30, 2024 and 2023, audited results. The carrying amount of the Company's investment was approximately $2,387,000 and $2,317,000, respectively, as of December 31, 2024 and 2023.

Dakota Ethanol has a 10% investment interest in Lawrenceville Tanks, LLC (LT), a partnership that operates an ethanol storage terminal in Georgia. The net income which is reported in the Company's statement of operations for LT is based on LT's December 31, 2024 and 2023, unaudited results. The carrying amount of the Company's investment was approximately $234,000 and $209,000, respectively, as of December 31, 2024 and 2023.

Lake Area Corn Processors has a 27% investment interest in Guardian Hankinson, LLC (GH), a partnership that operates an ethanol plant in North Dakota. The net income which is reported in the Company's statement of operations for GH is based on GH's September 30, 2024 audited and December 31, 2023 audited results. The carrying amount of the Company's investment was approximately $35,261,000 and $37,424,000, respectively, as of December 31, 2024 and 2023. The carrying amount of the investment exceeds the underlying equity in net assets by approximately $32,180,000. The excess is comprised of basis adjustment from acquisition of the units, which is being amortized over the remaining useful life of the assets that attributed to the basis adjustment of 8.75 years. The amortization is recorded in equity in net income of investments.

Lake Area Corn Processors has a 20% investment interest in Guardian Energy Management, LLC (GEM), a partnership to provide management services to ethanol plants. The net income which is reported in the Company's statement of operations for GEM is based on GEM's December 31, 2024 and 2023, unaudited results. The carrying amount of the Company's investment was approximately $93,000 and $93,000, respectively, as of December 31, 2024 and 2023.

Lake Area Corn Processors has a 12% investment interest in Ring-neck Energy & Feed, LLC (REF), a partnership to operate an ethanol plant in South Dakota. The net income which is reported in the Company's statement of operations for REF is based on REF's December 31, 2024 and 2023, audited results. The carrying amount of the Company's investment was approximately $16,779,000 and $14,725,000, respectively, as of December 31, 2024 and 2023. The carrying amount of the investment exceeds the underlying equity in net assets by approximately $845,000. The excess is comprised of a basis adjustment from acquisition of the units, which is being amortized over the remaining useful life of the assets that attributed to the basis adjustment of 14.33 years of approximately $339,000 and capitalized interest of $487,000. The amortization is recorded in equity in net income of investments.

Note 3. Investments (Continued)

Condensed, combined unaudited financial information of the Company's investments in RPMG, LT, GH, GEM and REF are as follows:

	2024	2023
Current assets	$ 287,359,103	$ 375,173,028
Other assets	267,132,347	152,477,137
Current liabilities	209,457,091	316,288,459
Long-term liabilities	143,981,408	22,658,176
Members' equity	201,052,951	188,703,530
Revenue	451,250,278	612,919,042
Gross profit	100,851,855	76,660,052
Net income	85,423,621	78,156,612

The Company recorded equity in net income of investments approximately $12,291,000 and $9,105,000, for the years ended December 31, 2024 and 2023, respectively. The Company received distributions of approximately $12,770,000 and $15,763,000, from investments for the years ended December 31, 2024 and 2023, respectively. The Company has undistributed net earnings in investees of approximately $6,648,000 and $5,178,000, as of December 31, 2024 and 2023, respectively.

Note 4. Revolving Operating Note

Dakota Ethanol has a revolving promissory note with Farm Credit Services of America (FCSA) in the amount up to $20,000,000. There is a non-use fee of 0.25% per annum on the unused portion of the note. The note is collateralized by substantially all assets of the Company. The note expires on November 1, 2025. Interest on the outstanding principal balance will accrue at 300 basis points above the Secured Overnight Financing 30-day Average Rate (SOFR 30). The interest rate is not subject to a floor. The rate was 7.53% at December 31, 2024. On December 31, 2024, Dakota Ethanol had $0 outstanding and $20,000,000 available to be drawn on the revolving promissory note.

Note 5. Long-Term Notes Payable

Dakota Ethanol has a reducing revolving promissory note from FCSA in the amount up to $55,000,000 or the amount available in accordance with the borrowing availability under the credit agreement. The amount Dakota Ethanol can borrow on the note decreases by $2,500,000 semi- annually on January 1 and July 1 each year until the maximum balance reaches $40,000,000 on July 1, 2027. The note matures on January 1, 2030. Interest on the outstanding principal balance will accrue at 325 basis points above the SOFR 30. The interest rate is not subject to a floor. The rate was 7.78% at December 31, 2024. The note contains a non-use fee of 0.50% on the unused portion of the note. On December 31, 2024, Dakota Ethanol had $16,001,000 outstanding and $38,999,000 available to be drawn on the note.

As part of the notes, Dakota Ethanol is subject to certain restrictive covenants establishing financial reporting requirements, distribution and capital expenditure limits, minimum debt service coverage ratios, net worth and working capital requirements. The note is collateralized by substantially all assets of the Company. The minimum working capital covenant is $15,000,000 and the minimum net worth covenant is $30,000,000. We are required to maintain a debt service coverage ratio of at least 1.25:1.00.

The balances of the notes payable are as follows:

	2024	2023
Revolving note payable	$ -	$ -
Reducing revolving note payable	16,001,000	20,001,000
	16,001,000	20,001,000
Less current portion	-	-
	$ 16,001,000	$ 20,001,000

Principal maturities for the next five years are estimated as follows:

Years ending December 31:	
2025	$ -
2026	-
2027	-
2028	-
2029	-
Thereafter	16,001,000
	$ 16,001,000

Note 6. Employee Benefit Plans

Dakota Ethanol maintains a 401(k) plan for the employees who meet the eligibility requirements set forth in the plan documents. Dakota Ethanol matches a percentage of the employees' contributed earnings. Employer contributions to the plan totaled approximately $172,000 and $160,000 for the years ended December 31, 2024 and 2023, respectively.

Note 7. Fair Value Measurements

The Company complies with the fair value measurements and disclosures standard which defines fair value, establishes a framework for measuring fair value, and expands disclosure for those assets and liabilities carried on the balance sheet on a fair value basis.

The Company's balance sheet contains derivative financial instruments that are recorded at fair value on a recurring basis. Fair value measurements and disclosures require that assets and liabilities carried at fair value be classified and disclosed according to the process for determining fair value. There are three levels of determining fair value.

Level 1: Uses quoted market prices in active markets for identical assets or liabilities.

Level 2: Uses observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Uses unobservable inputs that are not corroborated by market data.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Derivative financial instruments: Commodity futures and options contracts are reported at fair value utilizing Level 1 inputs. For these contracts, the Company obtains fair value measurements from an independent pricing service. 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. Over-the-counter commodity options contracts are reported at fair value utilizing Level 2 inputs. For these contracts, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes and live trading levels from the over-the-counter markets. Forward purchase contracts are reported at fair value utilizing Level 2 inputs. For these contracts, the Company obtains fair value measurements from local grain terminal bid values. The fair value measurements consider observable data that may include live trading bids from local elevators and processing plants which are based off the CBOT markets.

Note 7. Fair Value Measurements (Continued)

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of December 31, 2024 and 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2024			
	Total	Level 1	Level 2	Level 3
Assets:				
Derivative financial instruments, futures and options contracts	$ 42,025	$ 42,025	$ -	$ -
Forward contracts	331,948	-	331,948	-
Liabilities:				
Derivative financial instruments, futures and options contracts	901,988	901,988	-	-
Forward contracts	316,184	-	316,184	-
	2023			
Assets:				
Derivative financial instruments, futures and options contracts	$ 289,681	$ 289,681	$ -	$ -
Forward contracts	16,878	-	16,878	-
Liabilities:				
Derivative financial instruments, futures and options contracts	200	200	-	-
Forward contracts	1,114,590	-	1,114,590	-

During the years ended December 31, 2024 and 2023, the Company did not make any changes between Level 1 and Level 2 assets and liabilities. As of December 31, 2024 and 2023, the Company did not have any Level 3 assets or liabilities.

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets and financial liabilities measured at fair value on a non-recurring basis were not significant at December 31, 2024 and 2023.

Note 8. Commitments, Contingencies and Agreements

Dakota Ethanol has entered into contracts and agreements regarding the operation of the ethanol plant as follows:

Natural gas: The agreements provide Dakota Ethanol with transportation and distribution services for natural gas through October 2028, and is renewable annually thereafter. Fees for the services are at tariff rates approved by regulatory agencies. The agreement does not require minimum purchases of natural gas during their initial term.

Note 8. Commitments, Contingencies and Agreements (Continued)

Electricity: The agreement provides Dakota Ethanol with electric service through June 2029. The contract automatically renews unless prior notice of cancellation is given. The agreement sets rates for energy usage based on market rates and requires a minimum charge each month during the term of the agreement.

Expenses related to the agreements for the purchase of electricity and natural gas were approximately $11,664,000 and $13,462,000, respectively, for the years ended December 31, 2024 and 2023.

Minimum annual payments during the term of the electricity and natural gas agreement are as follows:

	Amount
Years ending December 31:	
2025	$ 1,381,722
2026	1,381,722
2027	1,381,722
2028	1,020,536
2029	92,400
Thereafter	-
	$ 5,258,102

Ethanol Fuel Marketing Agreement: Dakota Ethanol has an agreement with RPMG, for the marketing of all ethanol produced by the plant. The agreement continues indefinitely unless terminated under terms set forth in the agreement. Based on the terms of the marketing agreement, RPMG will use commercially reasonable efforts to obtain the best price for all ethanol sold subject to the terms of the marketing agreement. RPMG shall have discretion to determine the price, terms and conditions of the sale of ethanol that is sold and marketed as indexed gallons.

Distiller's Grain Marketing Agreement: Dakota Ethanol has an agreement with RPMG, for the marketing of all distiller's dried grains produced by the plant. The agreement continues indefinitely unless terminated under terms set forth in the agreement.

Corn Oil Marketing Agreement: Dakota Ethanol has an agreement with RPMG, for the marketing of all corn oil produced by the plant. The agreement continues indefinitely unless terminated under terms set forth in the agreement.

Revenues and marketing fees related to the agreements are as follows:

	2024	2023
Revenues ethanol	$ 142,329,559	$ 212,497,680
Revenues distillers grains	10,266,146	13,268,415
Revenues corn oil	13,484,802	17,971,900
Marketing fees ethanol	$ 157,380	$ 230,553
Marketing fees distillers grains	60,873	61,817
Marketing fees corn oil	68,855	60,618

Note 8. Commitments, Contingencies and Agreements (Continued)

Agreements: On June 24, 2022, Dakota Ethanol, LLC, entered into the Precedent Agreement West Leg 2023 Expansion between Northern Natural Gas Company and Dakota Ethanol (the West Leg Agreement). Pursuant to the West Leg Agreement, Dakota Ethanol will receive additional firm commitment natural gas transportation services. In order to secure these firm commitment natural gas transportation services, Dakota Ethanol paid to Northern Natural Gas Company a contribution for the cost of constructing certain additional natural gas pipeline and storage facilities. Dakota Ethanol's contribution was $8,890,000. For a period of five years beginning on November 1, 2023, Dakota Ethanol is entitled to a firm natural gas commitment of 7,000 decatherms per day during the winter months (between November 1 and March 31 each year), and firm commitment of 4,340 decatherms per day during the summer months. The payments and escrow account to Northern Natural Gas are included in other assets on the consolidated balance sheet and is being amortized over the 5-year period of the agreement. Amortization expense was $1,778,000 and $296,333 for the years ended December 31, 2024 and 2023, respectively.

From time to time in the normal course of business, the Company can be subject to litigation based on its operations. There is no current litigation nor any litigation that is considered probable at this time.

Note 9. Related-Party Transactions

The Company purchases corn and services from members of its Board of Directors that farm and operate local businesses. Corn purchases from these related parties during the years ended December 31, 2024 and 2023, totaled approximately $1,725,000 and $2,233,000, respectively. As of December 31, 2024 and 2023, the Company had no outstanding obligations to these related parties.

Note 10. Captive Insurance

The Company participates, along with other plants in the industry, in a group captive insurance company (Captive). The Captive insures losses related to workman's compensation, commercial property and general liability. The Captive reinsures catastrophic losses for all participants, including the Company, in excess of predetermined amounts. The Company's premiums are accrued by a charge to income for the period to which the premium relates and is remitted by the Company's insurer to the captive reinsurer. These premiums are structured such that the Company has made a prepaid collateral deposit estimated for losses related to the above coverage. The Captive insurer has estimated and collected an amount in excess of the estimated losses but less than the catastrophic loss limit insured by the Captive. The Company cannot be assessed over the amount in the collateral fund.