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Western Plains Energy, LLC

Oakley, Kansas

**CONSOLIDATED FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

September 30, 2021 and 2020

Western Plains Energy, LLC

TABLE OF CONTENTS

September 30, 2021 and 2020

	<u>Page Number</u>
Independent Auditors' Report	1
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7

INDEPENDENT AUDITORS' REPORT

To the Members and Board of Managers
Western Plains Energy, LLC
Oakley, Kansas

We have audited the accompanying consolidated financial statements of Western Plains Energy, LLC and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of September 30, 2021 and 2020; 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2021 and 2020, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KCoe Jam, LLP

November 10, 2021

Lenexa, Kansas

Western Plains Energy, LLC
CONSOLIDATED BALANCE SHEETS

September 30	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 8,209,131	\$ 4,293,413
Accounts receivable	7,522,415	5,311,775
Note receivable - Western Plains Wind, LLC	106,000	-
Inventories	6,918,131	4,148,424
Prepaid expenses	210,877	202,044
Commodities trading accounts - futures and options contracts	9,449	11,659
Total Current Assets	22,976,003	13,967,315
Property, Plant, and Equipment - Net	10,667,655	12,220,500
Other Assets		
Water rights	400,408	400,408
Investment property - Oakley - net	430,777	451,350
Investment in Western Plains Wind, LLC	50,000	-
Idled property and equipment	2,075,438	2,075,438
Loan origination fees - net	4,282	15,239
Note receivable - Western Plains Wind, LLC - net of current portion	864,000	-
Deposits	117,834	117,834
Total Other Assets	3,942,739	3,060,269
TOTAL ASSETS	\$ 37,586,397	\$ 29,248,084
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	\$ -	\$ 750,000
Accounts payable and accrued expenses	5,639,242	3,753,549
Accrued interest	86	8,592
Total Current Liabilities	5,639,328	4,512,141
Long-Term Debt - Net of Current Maturities	-	1,000,000
Total Liabilities	5,639,328	5,512,141
Members' Equity		
Class A capital units - 9,153 and 9,171 issued	6,167,862	6,167,862
Class B capital units - 11,780 and 11,780 issued	7,981,860	7,981,860
Class C capital units - 1,176 and 1,078 issued	651,937	651,937
Class E capital units - 6,290 and 6,370 issued	4,285,153	4,285,153
Member distributions - cumulative	(141,424,788)	(140,288,828)
Retained earnings	154,285,045	144,937,959
Total Members' Equity	31,947,069	23,735,943
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 37,586,397	\$ 29,248,084

The accompanying notes are an integral part of these consolidated financial statements.

Western Plains Energy, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended September 30	2021		2020	
Revenue	\$	95,848,292	\$	85,548,583
Cost of sales		81,632,052		76,291,565
Gross Profit		14,216,240		9,257,018
Depreciation and amortization		(1,986,930)		(1,966,254)
General and administrative expenses		(4,065,345)		(3,797,388)
Operating Income		8,163,965		3,493,376
Other Income (Expense)				
Interest expense		(40,525)		(84,996)
Bioenergy incentive program income		7,054		260,456
Interest income		97,970		23,126
Dividend income		89,438		72,025
Gain on sale of assets		50,384		27,308
Other income		978,800		954,017
Total Other Income (Expense)		1,183,121		1,251,936
Net Income	\$	9,347,086	\$	4,745,312

The accompanying notes are an integral part of these consolidated financial statements.

Western Plains Energy, LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Members'		Retained		Total	
	Contributions		Earnings		Equity	
Balances - September 30, 2019	\$	19,086,812	\$	5,583,619	\$	24,670,431
Net income		-		4,745,312		4,745,312
Distributions paid		-		(5,679,800)		(5,679,800)
Balances - September 30, 2020		19,086,812		4,649,131		23,735,943
Net income		-		9,347,086		9,347,086
Distributions paid		-		(1,135,960)		(1,135,960)
Balances - September 30, 2021	\$	19,086,812	\$	12,860,257	\$	31,947,069

The accompanying notes are an integral part of these consolidated financial statements.

Western Plains Energy, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 9,347,086	\$ 4,745,312
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,986,930	1,966,254
Gain on sale of assets	(50,384)	(27,308)
Paycheck Protection Program loan income	-	(872,300)
Paycheck Protection Program loan forgiveness	(872,349)	-
Changes in assets and liabilities:		
Accounts receivable	(2,210,640)	(1,998,631)
Inventories	(2,769,707)	(232,531)
Prepaid expenses	(8,833)	23,492
Commodity trading accounts - futures and options contracts	2,210	(1,809)
Accounts payable and accrued expenses	1,885,693	585,745
Accrued interest	(8,506)	(20,110)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,301,500	4,168,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Western Plains Wind, LLC	(50,000)	-
Note receivable made - Western Plains Wind, LLC	(970,000)	-
Proceeds from sale of property, plant, and equipment	61,998	50,162
Purchases of property, plant, and equipment	(414,169)	(1,087,437)
NET CASH USED IN INVESTING ACTIVITIES	(1,372,171)	(1,037,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions paid	(1,135,960)	(5,679,800)
Proceeds from Paycheck Protection Program loan	872,349	872,300
Payments on long-term debt	(1,750,000)	(1,750,000)
NET CASH USED IN FINANCING ACTIVITIES	(2,013,611)	(6,557,500)
Net Change in Cash and Cash Equivalents	3,915,718	(3,426,661)
Cash and Cash Equivalents - Beginning of Year	4,293,413	7,720,074
Cash and Cash Equivalents - End of Year	\$ 8,209,131	\$ 4,293,413
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 49,031	\$ 105,106

The accompanying notes are an integral part of these consolidated financial statements.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations Western Plains Energy, LLC (WPE) is a Kansas limited liability company with its principal place of business in Gove County, Kansas. WPE owns and operates a 40-million gallon nameplate capacity ethanol plant, and was organized on July 10, 2001. WPE began principal operations in January 2004.

Western Plains Trucking, LLC (WPT) is a Colorado limited liability company wholly owned by WPE. WPT was formed in December 2010 and provides freight for the distillers grain sales segment.

Western Plains Wind, LLC (WPW) is a Kansas limited liability company that was wholly owned by WPE for the year ended September 30, 2020. WPW was formed in September 2020 to own a wind turbine for electricity generation. See footnote 4 for information on ownership for the year ended September 30, 2021.

Principles of Consolidation The accompanying consolidated financial statements include accounts of WPE and its wholly-owned subsidiaries, WPT and WPW, for the year ended September 30, 2020. The accompanying consolidated financial statements include accounts of WPE and its wholly-owned subsidiary, WPT, for the year ended September 30, 2021. All significant intercompany balances and transactions have been eliminated. The consolidation is hereafter referred to as the Company.

Basis of Accounting The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This method recognizes revenues as earned and expenses as incurred.

Estimates The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable The Company's accounts receivable are due from distributors and customers in the ethanol and livestock feed industries. Credit is extended based on evaluation of a customer's financial condition and collateral is not required. Accounts receivable are due within 30 days and are stated at amounts due from customers, net of an allowance for doubtful accounts. Accounts outstanding longer than the payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's perceived ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. There was no allowance for doubtful accounts at September 30, 2021 and 2020.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Inventories Inventories are stated at the lower of cost or net realizable value on a first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Securities and Risk Management The Company evaluates 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. Contracts that meet the requirements of normal purchases and sales are documented as normal and exempted from derivative reporting requirements.

The Company attempts to minimize the effects of fluctuations in the price of certain anticipated commodity purchases (grain and natural gas) and sales (ethanol) utilizing derivative instruments, including future contracts and options to fix prices for a portion of future raw materials required in the production process. Contracts are not designated or accounted for as hedging instruments, although the contracts are effective economic hedges of specified risks.

By using forward, futures, and options contracts to manage exposures to commodity prices, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the contract. When the fair value of a contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a contract is negative, the Company owes the counterparty, and therefore does not possess credit risk. The Company minimized the credit risk by entering into transactions with high-quality counterparties. Market risk is the adverse effect of a financial instrument that results from a change in commodity prices. The market risk associated with commodity price contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

These instruments qualify for, and management has elected, the no hedging designation treatment. As such, gains and losses on commodities are reflected in cost of sales, and gain or losses on fuel-grade ethanol are reflected in revenue in the consolidated statements of operations.

Fair Value Measurement The framework for measuring fair value provides a 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted, quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for assets and liabilities measured at fair value. There have been no changes in the methodology used at September 30, 2021 and 2020.

Commodities Trading Accounts – Futures and Options Contracts: These instruments include exchange-traded commodity futures and option contracts related primarily to agricultural commodities. Exchange-traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified in level 1.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property, Plant, and Equipment Property, plant, and equipment are carried at cost and depreciated over the estimated useful life of each asset using the straight-line method. The cost of internally-constructed assets include direct and allocated indirect costs. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deductions are then made for retirements resulting from the renewals or betterments. The Company maintains spare parts to properly maintain equipment which are not depreciated.

Periodically, the plant or a portion of the plant's equipment will be shut down to perform certain maintenance projects that are expected to improve the operating efficiency of the plant over the subsequent year. These costs are expensed or capitalized, based upon the nature of the costs.

As of September 30, 2021 and 2020, the cost, net of any impairment loss, of the anaerobic digester in idled property and equipment was \$2,075,438. No depreciation was recorded against the anaerobic digester for the years ended September 30, 2021 and 2020.

Provisions for depreciation of property, plant, and equipment are computed over the following estimated useful lives:

Land improvements	15 years
Manufacturing equipment	7 years
Buildings and improvements	27.5 years
Vehicles and rolling stock	5 years
Office equipment	5 to 7 years

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Impairment of Long-Lived Assets The Company reviews the carrying value of its property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying amount of the asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair market value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. Examples of such triggering events include a significant disposal of a portion of such assets, an adverse change in the market involving the business employing the related asset, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business, and a significant change in the operations of an acquired business.

Water Rights The Company has water rights that include the cost to acquire ownership and rights to various water wells. These rights are being carried at cost.

Investment Property During fiscal year 2012, the Company participated in the construction of residential units in Logan County, Kansas, with one affiliated and one unaffiliated entity. The development consisted of nine housing units that were completed in August 2013. Upon completion, the Company received title to three units that are carried on the consolidated balance sheets as investment property - Oakley. This investment property is being depreciated over the life of the property, with \$20,572 of depreciation expense per year.

Shipping and Handling Shipping and handling costs are expensed as incurred and are included as an offset to revenue. Shipping and handling costs for the years ended September 30, 2021 and 2020, were \$1,602,534 and \$1,907,221, respectively.

Income Taxes The Company is organized as a limited liability company under state law and is treated as a partnership for income tax purposes. Under this type of organization, the Company's earnings pass through to the members and are taxed at the member level. Accordingly, no income tax provision has been calculated in the accompanying consolidated financial statements.

Revenue Recognition The Company recognizes revenue from sales of ethanol and ethanol co-products at the point in time when the customer obtains controls of such products, which typically occurs upon delivery, depending on the terms of the underlying contracts. Ethanol co-products include dry distillers grain, wet distillers grain, and corn oil. In some instances, the Company enters into contracts with customers that contain multiple performance obligations to deliver volumes of ethanol or co-products over a contractual period of less than 12 months. The Company allocates the transaction price to each performance obligation identified in the contract based on relative standalone selling prices, and recognizes the related revenue as control of each individual product is transferred to the customer in satisfaction of the corresponding performance obligations. Revenue from transportation services is recognized when earned.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Environmental Liabilities The Company's operations are subject to federal, state, and local environmental laws and regulations. These laws require the Company to investigate and remediate the effects of the release or disposal of hazardous materials at its location. 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 liability is probable and the costs can be reasonably estimated.

Bioenergy Incentive Program Income During fiscal year 2009, the Company enrolled in an incentive program with the United States Department of Agriculture for an incentive on gallons of ethanol produced up to a defined amount. The Company files for this incentive payment quarterly and records the revenue when the incentive is received. Under this program, the Company has recorded \$7,054 and \$260,456 of such incentive income in other income for the years ended September 30, 2021 and 2020, respectively.

Reclassifications Certain reclassifications have been made to the prior-year consolidated financial statements to conform to the current-year consolidated financial statements.

Evaluation of Subsequent Events The Company has evaluated all events subsequent to November 10, 2021, the date the consolidated financial statements were available to be issued.

2. INVENTORIES

Inventories consisted of the following:

September 30	2021		2020	
Raw materials	\$	4,750,180	\$	2,385,506
Work in process		1,764,210		1,085,827
Finished goods		403,741		677,091
Total Inventories	\$	6,918,131	\$	4,148,424

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following:

September 30	2021	2020
Land and land improvements	\$ 2,344,329	\$ 2,337,046
Manufacturing equipment	55,201,481	54,888,859
Buildings and improvements	6,264,309	6,256,420
Vehicles and rolling stock	2,389,127	2,823,522
Office equipment	394,230	380,621
Spare parts	1,241,780	1,250,496
Construction in progress	56,078	46,219
Subtotals	67,891,334	67,983,183
Less: Accumulated depreciation	57,223,679	55,762,683
Total Property, Plant, and Equipment - Net	\$ 10,667,655	\$ 12,220,500

Depreciation expense was \$1,955,401 and \$1,934,726 for the years ended September 30, 2021 and 2020, respectively.

4. INVESTMENT IN WPW

WPW was wholly owned by WPE for the year ended September 30, 2020. WPW was formed in September 2020 to own a wind turbine for electricity generation. During the year ended September 30, 2021, WPW held a capital drive to raise debt and equity. WPE has a 1.68% equity ownership through a \$50,000 cash contribution. WPE also loaned \$960,000 to WPW. WPW will pay WPE back over ten years with interest at 6.00% per annum. The payments will be paid by WPW in quarterly installments of \$32,090 beginning on January 1, 2022. WPE's loan makes up 34.10% of the total debt raised by WPW. For the year ended September 30, 2021, WPW is no longer considered a wholly-owned subsidiary of WPE due to the outside capital raised.

5. LONG-TERM DEBT

On March 29, 2012, the Company entered into a credit agreement (Master Credit Agreement) with AgCountry Farm Credit Services, FLCA (AgCountry) that established a multiple advance, non-revolving construction loan in the amount of \$15,000,000 to partially fund the construction of the Company's anaerobic digester. The outstanding balance of the loan at December 31, 2012, was converted to a ten-year term loan. Borrowings bore interest at the 30-day London Interbank Offered Rate (LIBOR) plus 3.00%, effectively 3.1634% as of September 30, 2020. This note was collateralized by property and equipment. The Company had an outstanding balance of \$0- and \$750,000 at September 30, 2021 and 2020, respectively.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The Company has a revolving loan agreement (the Loan Agreement) with AgCountry. The Loan Agreement provides for borrowings not to exceed \$12,000,000 through October 1, 2022. Borrowings bear interest at the 30-day LIBOR plus 3.00%, effectively 3.0953% and 3.1634% at September 30, 2021 and 2020, respectively. This note is collateralized by 75% of the Company's inventories and accounts receivable of less than 90 days. The Company had an outstanding balance of \$-0- and \$1,000,000 at September 30, 2021 and 2020, respectively.

The AgCountry loans are subject to certain restrictive covenants, including certain financial covenants, as well as capital expenditure limitations.

Debt Issuance

Costs associated with the Company obtaining financing have been capitalized and are being amortized on a straight-line basis over the expected maturity period of the related debt. A total of \$10,957 and \$10,956 of amortization expense associated with loan origination fees was recognized during the years ended September 30, 2021 and 2020, respectively. Amortization expense for the year ending September 30, 2022, will be \$4,282.

6. PAYCHECK PROTECTION PROGRAM INCOME

On April 13, 2020, the Company qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$872,300. The PPP loan bore interest at a fixed rate of 1.0% per annum, had the first six months of interest deferred, had a term of two years, was unsecured, and was guaranteed by the SBA.

The principal amount of the PPP loan and accrued interest are subject to forgiveness upon the Company's request, to the extent that the PPP loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company.

For the year ended September 30, 2020, the Company incurred \$872,300 in permitted expenses under the PPP and maintained headcount and compensation levels. As a result, the Company recognized \$872,300 as PPP loan income, which is included in other income in the accompanying consolidated statements of operations for the year ended September 30, 2020. The Company applied for forgiveness of the PPP loan with respect to these covered expenses and the forgiveness was granted on January 12, 2021.

On January 28, 2021, the Company qualified for and received a second draw for a loan pursuant to the PPP, for an aggregate principal amount of \$872,349. The PPP loan bore interest at a fixed rate of 1.0% per annum, had the first six months of interest deferred, had a term of five years, was unsecured, and was guaranteed by the SBA.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended September 30, 2021, the Company incurred \$872,349 in permitted expenses under the PPP and maintained headcount and compensation levels. The Company applied for forgiveness of the PPP loan with respect to these covered expenses and the forgiveness was granted on August 30, 2021. As a result, the Company recognized \$872,349 as PPP loan forgiveness, which is included in other income in the accompanying consolidated statements of operations for the year ended September 30, 2021.

7. MEMBERS' EQUITY

Distribution of income and losses of the Company shall be allocated among the members in accordance with their respective percentage interests.

The Company's Board of Managers may distribute cash to members in accordance with provisions in the Operating Agreement and Master Credit Agreement. No member has the right to demand and receive any distribution from the Company other than in cash. Transfer, disposition, or encumbrance of capital units is subject to certain restrictions, including approval by the Board of Managers.

During a special meeting held August 23, 2011, the Members voted to amend the Company's Operating Agreement and reclassify member units pursuant to provisions in the Fourth Amended Operating Agreement. As a consequence of several capital unit transactions between members since the recapitalization during the year ended September 30, 2011, the resulting outstanding units per class are as follows:

Years Ended September 30	2021	2020
Class A units	9,153	9,171
Class B units	11,780	11,780
Class C units	1,176	1,078
Class E units	6,290	6,370
Total Units	28,399	28,399

In general, voting rights are one vote per member for Class A and Class E capital units, and one vote per unit for Class B and Class C units. Both Class A members and Class B members must own a minimum of 30 capital units, and Class E members must own a minimum of 14 capital units, to remain in their respective unit class. No member may own more than 49% of the outstanding Class B capital units at any time.

Class A unit members elect four managers, Class B unit members elect three managers, and Class E unit members elect two managers. All member classes must approve any merger or consolidation with another business entity, sale of substantially all of the Company's assets or voluntary dissolution, and amendments to the Operating Agreement. The Board of Managers decides all other matters regarding operation and management of the Company.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Upon dissolution of the Company, and after the payment of all debts and liabilities of the Company, up to \$1,000,000 shall be applied and distributed to the Class C and Class E members together as a single class, distributed ratably in proportion to their ownership percentage of the Class C units and Class E units. The balance of assets shall be distributed to the unit holders ratably in proportion to the credit balances in their respective capital accounts for all classes of units.

8. OPERATING LEASE

The Company leases various vehicles and rolling stock. The leases have varying terms and expiration periods. Future minimum lease payments are as follows:

Years Ending September 30

2022	\$	98,485
2023	\$	68,977
2024	\$	29,168

Lease expense amounted to \$105,158 and \$113,190 for the years ended September 30, 2021 and 2020, respectively.

9. COMMITMENTS, CONTINGENCIES, AND AGREEMENTS

The Company has entered into various agreements regarding its formation, operation, and management. Significant agreements are as follows:

Employee 401(k) Plan

The Company established a 401(k) retirement plan on November 1, 2004, for its employees. The Company matches employee contributions to the plan, up to 5% of each eligible employee's gross compensation. The amount contributed by the Company is vested at 25% per year on behalf of the employee. The Company contributed \$114,559 and \$134,832 for the years ended September 30, 2021 and 2020, respectively.

Energy Management Services

The Company renewed an agreement with Fidelis Energy Group, LLC for energy management services on October 20, 2021. This agreement is set to cover the period from November 1, 2021, through October 31, 2023. The agreement provides semi-annual fees of \$13,650, not to exceed \$54,600 during the term of the agreement.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Marketing Agreement

The Company executed an exclusive ethanol marketing and services agreement (the Agreement) with Ethanol Products, LLC (Ethanol Products) of Wichita, Kansas, to market the ethanol produced at its plant. Under this Agreement, Ethanol Products agrees to purchase all of the ethanol produced at the plant, and Ethanol Products is responsible for determining the price and terms at which the ethanol acquired from the plant is sold, and to whom it is sold, for which Ethanol Products receives a marketing fee. The third amendment to the Agreement, effective August 25, 2014, reduced the marketing fee and extended the term of the Agreement to February 9, 2019. Thereafter, the Agreement shall renew automatically for additional five-year periods and may be terminated by either party after providing written notice of at least 90 days prior to the end of the then-current five-year term.

Power Purchase Agreement

The Company entered into an agreement with WPW to purchase wind energy and renewable energy credits (RECs) on April 20, 2021. The agreement is set to cover the period from April 20, 2021, through April 20, 2031. Thereafter, the Company may elect to extend the term for two additional five-year periods by providing written notice of such extension at least 90 days prior to the end of the original term. The Company will pay WPW monthly for the wind energy delivered to the Company at a rate of \$40.64 per megawatt-hour (MWh) for the first year, increasing each succeeding year based upon agreed-upon rates noted in the agreement. The Company will pay WPW monthly for RECs at a rate of \$20 per MWh of wind energy delivered.

Wind Lease and Easement Agreement

The Company entered into an agreement with WPW for the purpose of leasing property to WPW for wind energy purposes, which includes wind resource evaluation, wind energy development, converting wind energy into electrical energy, and collecting and transmitting electrical energy converted from wind energy. The agreement is set to cover the period from April 20, 2021, through the date WPW begins selling electrical energy generated. Upon that date, the term will automatically extend for an additional 20-year term. WPW may elect to extend the term for an additional five-year period on or before the expiration of the 20-year term. WPW will pay the Company annually in the amount of \$500 per year.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Purchase and Sales Commitments

On September 30, 2021, the Company had the following purchase and sales commitments:

Purchase 3,394,045 bushels of grain, 474,894 of which are priced at a weighted average price of \$5.64 per bushel; the remaining bushels were not priced. Management will secure pricing on the remaining bushels on a per-contract basis over the next year. If no price is secured prior to the contract fulfillment date, the contracted bushels will be purchased at the then-prevailing market rate.

Sell 46,732 tons of wet distillers grain, which are priced at a weighted average of \$76.40 per ton.

Sell 1,737,900 pounds of oil, extracted during production, which are priced at a weighted average of \$0.60 per pound.

Sell 3,164 pounds of syrup, extracted during production, which are priced at \$60.07 per pound.

COVID-19

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets.

The COVID-19 pandemic remains an evolving situation. The extent of the impact of COVID-19 on the Company's business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Company operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

10. RELATED-PARTY TRANSACTIONS

Sales of distillers grain to various members of the Company, or to companies in which members have ownership, during fiscal years 2021 and 2020 were \$7,468,517 and \$6,665,565, respectively. The amount in accounts receivable from members of the Company or their affiliates at September 30, 2021 and 2020, was \$255,618 and \$266,158, respectively. Purchases of grains from various members of the Company during fiscal years 2021 and 2020 were \$498,263 and \$513,663, respectively.

The Company has reimbursed members of the Board of Managers for certain expenses incurred on behalf of the Company and paid by the members of the Board of Managers, including attending board meetings. Expense reimbursements for the years ended September 30, 2021 and 2020, totaled \$119,479 and \$120,019, respectively.

Ethanol Products, the exclusive marketer of the Company's ethanol, owns 350 Class C capital units.

Western Plains Energy, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Transactions and account balances with Ethanol Products were as follows:

September 30	2021	2020
Transactions		
Ethanol sales	\$ 72,528,122	\$ 64,954,473
Marketing fees paid	\$ 663,568	\$ 844,959
Denaturant purchases	\$ 1,123,646	\$ 1,206,791
Balances		
Accounts receivable	\$ 6,178,050	\$ 4,302,671

11. CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at one financial institution. At times, the Company's bank balances may exceed the applicable coverage of the Federal Deposit Insurance Corporation.

During the year ended September 30, 2021, the Company purchased \$19,437,279 of grain from two suppliers, which accounted for 24% of total purchases.

12. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. This ASU will require organizations that lease assets to recognize on the balance sheet the asset and liability for the right and obligations created by leases with a term of more than 12 months. Additional disclosures will also be required in order to provide the users of the financial statements with a better understanding of the amount, timing, and uncertainty of cash flows arising from leases. The ASU intends to improve financial reporting about leasing transactions. In July 2018, FASB issued ASU 2018-11, *Leases: Targeted Improvements*, which amended ASU 2016-02 to provide an entity with a transition method for implementing the standard. Under this transition method, an entity initially applies this ASU at the adoption date, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The ASUs are effective for the periods beginning after December 15, 2021. The Company's management has not yet determined the impact that implementation of these ASUs will have on the Company's consolidated financial statements.

13. SUBSEQUENT EVENT

On October 19, 2021, the Board of Managers declared a \$200 per share distribution to be distributed in November 2021 to shareholders of record as of October 1, 2021.