

Utica Grain, Inc.  
D/B/A Upper Midwest Grain Elevators  
P.O. Box 1040  
Yankton, SD 57078  
Phone (605) 665-1053 Fax (605) 665-5697

Cody Chambliss  
South Dakota PUC  
Grain Warehouse Manager

RE: Explanation of adjustments

Dear Sirs,

I have had a chance to review the June 30, 2018 financial statements submitted to the PUC by Doug Archer on August 8, 2018 without authorization or input from our accounting staff. We determined that the statements did not reflect the proper financial position of Utica Grain, Inc and were not prepared in accordance with generally accepted accounting principles. Therefore, we asked to resubmit the June 30, 2018 statements and were granted permission to do so. The following is synopsis of the changes from the financials submitted by Doug Archer to the ones submitted by the accounting department on August 17, 2018. The changes are as follows:

- Cash was debited for multiple duplicate checks discovered. The corresponding credits were to Notes Payable – Fertilizer plant and grain purchases, respectively.
- Fertilizer Prepay was reclassified to Fertilizer inventory to reflect proper accounting.
- The hedging margin account was debited to reflect actual month end balances. The corresponding credit was posted to hedging gain (loss) on the profit and loss statement.
- Due to shareholder was reclassified as additional paid in capital to properly reflect the discussion we had with PUC staff to address the negative equity position.

There were no adjustments made to Grain Inventories, Grain Payables or Grain receivables. All entries posted were to reflect proper accounting and or to address equity shortfalls.

Respectfully submitted by,



Jason Pearson, CPA  
Marquardt Companies  
Chief Financial Officer

