

Highwater Ethanol Corn Procurement Policy

December 2, 2019

Scope and Proposes: Highwater Ethanol corn procurement policy is designed to treat all customers consistent and fair with regard to procurement, grading and settlements.

The original scale ticket shall be delivered to the seller or depositor upon receipt of each load of grain. The warehouse operator shall keep a duplicate copy as a permanent record. All grain delivered to Highwater Ethanol will be considered a cash sale, unless prior arrangements have been made at the time of delivery to apply the grain on contract or deferred price contract. Unless otherwise specified by the seller, the cash sale price will be the posted basis plus futures at the close of business on the day of delivery.

Grain Grading: All loads will be sampled for quality. The applicable discount schedule will apply to the date of delivery. The Highwater Discount schedule is subject to change without notice. Highwater reserves the right to reject loads that do not meet buyer's standards as outlined in the Discount Schedule. Grain grading applies to individual loads, no load averaging. Retain a sample of severely discounted grain. Disputes settled via grade received from Federal Grain Inspection Service. {FGIS} Grain samples will be retained for 10 days or until check is cashed.

Contracts: Highwater offers three types of contracts: Cash or fixed price sale, basis sale and Hedge to Arrive (futures fix contract). Seller will be granted the right to roll the basis and HTA contracts forward during the same marketing year (ends with the September futures contract). Procedure for rolling contracts forward; the spread between the futures months will be added to the basis price plus a one penny service charge per transaction. Hedge to Arrive contracts must be in 5000-bushel increments. Hedge to Arrive contracts will have a charge of \$.03 per bushel fee. The fee is charged at settlement, the fee is non-refundable. One day prior to end of period this may be rolled forward, however the Seller has the sole responsibility to request this.

Hedge to Arrive contracts needs to be specific, all information shall be repeated back to the seller {customer} regarding the price, futures month contract, quantity and how long we will hold this order. {GTC is good until canceled}. We will charge a \$.03 fee for HTA. The fee is non - refundable. Every time the HTA is rolled their will be a \$.01 fee per bushel. If a customer wants to exit and HTA that is in arrears, they need to bring in payment to settle the difference upon exiting the HTA. Highwater Ethanol will not and cannot be your broker or advisor.

Basis contracts can be rolled forward, initial contract for harvest or December can be rolled to March, May, July or September futures. \$.01 charge per bushel will apply. We will reduce the basis by the spread amount. All HTA and Basis contracts shall be priced by September 1st of the marketing year. HTA and basis contracts can be rolled forward upon request by the seller. If no further instructions are received, these contracts will be priced the day before First Notice Day.

Delayed Price {DP}: 10 Days Free from date of delivery during harvest. \$.01 per week thereafter, grain placed into DP during normal DP offering is not eligible to roll into any free DP offering that may occur at a later date. Highwater Ethanol may at its discretion offer a free DP window. At no time will DP Grain be carried forward into the next marketing year, therefore all DP grain will need to be priced by September 1st of each year.

All policies are subject to change at any time. We will use voice recording on all grain contract conversations.

Notice: Credit contract sales including deferred payment and price later contract sales are not covered by the grain buyers' bond. M.S. Section 232.17. This is a memorandum, non-negotiable, possession of which does not signify that settlement has or has not been consumed. M.S. Section 232.23.

Contract Settlements: The Minimum charge to the Seller, in case of failure to fulfill the contract, would be the difference between the contract price and the replacement cost [market difference], at the time of cancellation plus \$0.10 per unfilled unit. This is payable within 15 days of liquidation of the position. Over fill of the contract will be cash priced on the day of delivery unless otherwise specified by the Seller. The Seller (without existing contracts) does have the choice on overage to pay DP charges and leave it open. Settlements will be paid to Seller or Sellers when the contract is filled or upon request. Commercials will be paid daily or per their request. Seller can defer payment, but no interest will be paid on the outstanding amount. Settlement for overage is the closing price day of delivery unless otherwise specified by the Seller. If different, specify on the contract.

We cannot issue warehouse receipts, which means no storage contracts. All grain transfers title / ownership upon being unloaded at HWE. The Seller is responsible for informing buyer of any outstanding liens or covenants against the grain.

Payments: Payments will be made when contract is filled or upon request. Highwater Ethanol's method of payments is via check. Prior to payment Highwater Ethanol will do a lien search. Highwater Ethanol can/will issue payments for sellers CCC Loans. Seller must ensure proper notification has been given to CCC. Prior to payment Highwater Ethanol and Seller shall agree on total bushels and any special instructions, such as load splits. Any program fees or discounts will be applied prior to payment.

Information request to establish accounts: The following information will be requested and will remain confidential with Highwater Ethanol:

Seller's First and Last Name

Corporation Name

Address (City, State, Zip)

Home Phone

Cell Phone

E-mail address

SSN/EIN

Preferred method's for Contract Distribution, Bid Distribution and Question's Contact

Signature

Date

Highwater Account Name