

**United Bio Energy, LLC**  
**Notes to Consolidated Financial Statements — (Continued)**  
**(Dollars in thousands, except per share data)**

**Note 6. Commitments and Credit Risk**

Forward purchase contracts: Unrealized gains and losses on forward contracts are deemed “normal purchases and normal sales” under Financial Accounting Standards Board Statement No. 133, as amended and, therefore, are not recognized in the Company’s financial statements.

Credit risk: The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and trade account receivables. The Company maintains cash balances at four financial institutions. Accounts at these institutions are secured by the Federal Deposit Insurance Corporation up to \$100. At times, the Company’s bank balances may exceed \$100.

The Company extends credit to customers. A substantial portion of its customers’ ability to honor its contracts is dependent upon the ethanol industry.

Sales by product and service for the period from January 1, 2005 to April 30, 2005 and year ended December 31, 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Ethanol .....	\$ 348	\$15,692
Distillers grains .....	576	1,940
Corn .....	1,688	6,963
Other commodities .....	980	6,182
Services .....	1,354	1,426
Commissions .....	<u>1,495</u>	<u>3,450</u>
	<u>\$6,441</u>	<u>\$35,653</u>

Activity from one customer represented \$5,144 of revenues (14% of revenues) for the year ended December 31, 2004.

Settlement: The Company negotiated a \$1,090 settlement for a claim from a customer related to ethanol purchases. The expense for this claim was recognized as of March 31, 2005 and is included in cost of services and commissions.

**Note 7. Related Party Balances**

Interest expense of \$5 and \$16 was incurred to a related party on funds advanced for operating expenses under a promissory note at a variable interest rate (4.75% at April 30, 2005) for the period from January 1, 2005 to April 30, 2005 and the year ended December 31, 2004, respectively.

The Company earned commissions from related parties of \$838 and \$1,956, respectively, for the period from January 1, 2005 to April 30, 2005 and the year ended December 31, 2004.

**Note 8. Retirement Plan**

The Company sponsors a profit sharing plan covering full-time and part-time employees. Contributions are made at the Company’s discretion. Profit sharing expense was \$68 and \$39 for the period from January 1, 2005 to April 30, 2005 and the year ended December 31, 2004.

**Note 9. Subsequent Event**

Effective May 1, 2005, US BioEnergy Corporation acquired all of the outstanding member interests of the Company by issuing 1,250,000 shares (after a 1 for 4 reverse stock split) of its Class A common stock.