



BLOOMINGTON, IL | 800-322-9371    URBANDALE, IA | 800-422-0896

---

## Disclosure Documents

## **MIDCO COMMODITIES, INC. “MID-CO”**

1701 Towanda Ave.  
PO Box 2500  
Bloomington, IL 61701  
309-557-6001 main  
309-828-2822 fax  
vyoungmark@mid-co.com

### **Table of Contents**

Principals of MID-CO .....	3-5
Business Activities and Product Lines Engaged in by MID-CO. ....	6
Customer Business Information .....	7
Material Risks .....	8
MID-CO’s Designated Self-Regulatory Organization .....	9
Audited Financial Statements .....	9
Material Administrative, Civil, Criminal, or Enforcement Actions Pending or Taken in the Last Three Years .....	10
Overview of Customer Fund Segregation, FCM Collateral Management and Investments, and of FCMs and joint FCM/Broker Dealers .....	11-13
Customer Complaint Contacts .....	14
Financial Information .....	15
Summary of Current Risk Practices, Controls and Procedures at ADMIS .....	16

## **Principles of MID-CO COMMODITIES, INC.**

### **Brent Ericson, President**

1701 Towanda Avenue, Bloomington, IL 61701

#### *Business Background:*

Brent Ericson was named Senior Vice President, Member Business, for GROWMARK on May 8, 2015. Brent is responsible for all member services activities and works directly with a number of members in northern Illinois. Prior to this Brent has been Vice President, Grain for GROWMARK since November 1, 2011 and was responsible for the overall management, oversight, support and growth of GROWMARK'S grain business.

#### *Areas of Responsibility:*

President

#### *Nature of Duties:*

Oversight of MID-CO COMMODITIES, INC.

### **Jeffrey Lynch, Treasurer**

1701 Towanda Avenue, Bloomington, IL 61701

#### *Business Background:*

Jeff Lynch was named Treasurer of GROWMARK in July of 2012. Jeff's responsibilities include corporate and subsidiary financing, cash flow, foreign exchange and corporate credit. Previously, he has held positions at GROWMARK including Assistant Treasurer, Agronomy Business Manager, Agronomy Operations Manager, Grain Division Business Manager, Energy Accountant and Business Analyst.

#### *Areas of Responsibility:*

Treasurer of GROWMARK, Inc.,

#### *Nature of Duties:*

Oversight of MID-CO COMMODITIES, INC. Financials and Cash Management

### **Wade Mittelstadt, Chief Financial Officer**

1701 Towanda Avenue, Bloomington, IL 61701

#### *Business Background:*

Wade Mittelstadt was named Vice President, Financial and Risk Management for GROWMARK on December 1, 2014.

Wade is responsible for all corporate financial and tax reporting as well as the enterprise risk management framework for GROWMARK. He also has oversight of the corporate insurance, safety and environmental services group for GROWMARK.

*Areas of Responsibility:*

VP, Financial & Risk Management of GROWMARK, Inc.,

*Nature of Duties:*

Oversight of MID-CO COMMODITIES, INC. Financials and Cash Management

**Vanessa Youngmark, Chief Compliance Officer**

1701 Towanda Avenue, Bloomington, IL 61701

*Business Background:*

Chief Compliance Office and Senior Business Operations Manager of MID-CO COMMODITIES, INC. since June 2013

Manager of General Accounting for GROWMARK, Inc. from October 2010 to June 2013

*Areas of Responsibility:*

Compliance and Back Office Operations

*Nature of Duties:*

Manage the Back Officer Operations and maintain compliance with the CFTC

**Susan Fisher, Director**

1701 Towanda Avenue, Bloomington, IL 61701

*Business Background:*

Executive Assistant to Corporate Management since January 2013.

*Areas of Responsibility:*

Director

*Nature of Duties:*

Director

**Bob Rasmus, Director**

1701 Towanda Avenue, Bloomington, IL 61701

*Business Background:*

Bob Rasmus became the Executive Director, Grain in June 2015. His role oversees the operations of MID-CO COMMODITIES, AgriVisor, Facility Planning, Grain Member Services, and Retail Grain Units. Bob began his career at GROWMARK in 2011 as the Grain Systems Marketing Manager, and in 2014 became Facility Planning Division Manager.

*Areas of Responsibility:*

Director

*Nature of Duties:*

Director

**Matt Lurkins, Director**

1701 Towanda Avenue, Bloomington, IL 61701

*Business Background:*

Matt began his legal career in 2005 as an Assistant Attorney General for the State of Illinois. After three years with the Attorney General's Office, Matt transitioned to private practice at the law firm of Heyl, Royster, Voelker & Allen in Springfield, IL. In December 2012, Matt accepted his current position of Senior Staff Attorney at GROWMARK, Inc. In that capacity, he serves as legal counsel for GROWMARK, Inc. and its subsidiaries.

*Areas of Responsibility:*

Director

*Nature of Duties:*

Director

**GROWMARK, INC.**

1701 Towanda Avenue, Bloomington, IL 61701

Parent Company – 99% owner

**Business Activities and Product Lines engaged in by MID-CO COMMODITIES,  
INC.**

<u>Business Activity/Product Line</u>	<u>% of Assets Used</u>	<u>% of Capital Used</u>
Futures, Options, Cleared Swaps	100%	100%

## **Customer Business Information**

### ***Types of Customers:***

Hedging

### ***Markets Traded:***

Non-clearing only

- Chicago Board of Trade
- Chicago Mercantile Exchange, Inc.
- New York Mercantile Exchange, Inc.
- Kansas City Board of Trade
- Minneapolis Grain Exchange, Inc.
- ICE Futures U.S., Inc.
- Winnipeg Grain Exchange
- International Monetary Market

### ***International Business:***

None

### ***Clearinghouses:***

None

### ***Carrying Brokers for Markets Traded:***

ADM Investor Services

ABN AMRO Clearing Chicago, LLC

RJ O'Brien

*Policy and procedures concerning the choice of bank depositories, custodians, and counterparties to permitted transactions under Regulation 1.25:*

All bank depositories, custodians, and counterparties are selected based on a financial review, corporate relationships, creditworthiness, and operational expertise of the MID-CO staff and with the Risk Management department of GROWMARK, Inc.

## **Material Risks**

Entrusting funds to MID-CO:

The possibility of losing a portion or all of a customer's deposit is a material risk. MID-CO uses the following policies to ensure compliance with CFTC capital requirements:

- MID-CO does not invest any customer or non-customer funds.
- MID-CO does not engage in proprietary trading.
- MID-CO only accepts customers that are hedging their physical product.
- MID-CO has no significant liabilities or material commitments.
- MID-CO does not engage in other lines of business.

*MID-CO's creditworthiness, leverage, capital, liquidity, principal liabilities, balance sheet, leverage and other lines of business:*

All of MID-CO's customers are trading to hedge agricultural products, which significantly decreases the risk of exposure. There is still risk with counterparties, market, credit and operational risk. MID-CO is proactive with all policies and procedures to prevent risk and actively works with all employees to be aware of questionable activity.

As of the March 31 2018 Financial Statements, MID-CO has total assets of \$74.4 million but is only required to have \$32.6 million, giving an excess of \$9.2 million. With the National Futures Association definition of leverage, MID-CO calculates its leverage as of March 31, 2018 to be 4.24.

*Risks to MID-CO created by its affiliates and their activities, including investment of customer funds in an affiliated entity:*

MID-CO is aware of risks posed by affiliates and works closely with GROWMARK to be aware of any issues that could pose a problem. The team that helps to evaluate the MID-CO risks is also responsible for creating the risks within the GROWMARK and is forthcoming to management.



**Designated Self-Regulatory Organization**

National Futures Association  
300 S. Riverside Plaza, #1800  
Chicago, IL 60605-6615  
(312) 781-1300

<http://www.nfa.futures.org>

**Annual Audited Financial Statements**

<http://www.mid-co.com>

### **Material Complaints or Actions**

There are no material administrative, civil, enforcement, or criminal complaints or actions filed against MID-CO COMMODITIES, INC. and none have been filed in the past three years.

## **Overview of Customer Fund Segregation**

MID-CO is a Futures Commission Merchant (“FCM”) that solicits or accepts orders to buy or sell futures contracts or commodity options. An FCM must follow the regulation of the Commodity Futures Trading Commission.

MID-CO has one type of Segregated Customer Accounts:

1) A Customer Segregated Account includes customers that trade futures and options on the U.S. futures exchanges.

The requirement to maintain these separate accounts reflects the different risks posed by the different products. Cash, securities and other collateral required to be held in one type of account cannot be commingled with funds that are required to be held in another type of account.

### **Customer Segregated Accounts**

Funds that customers deposit with an FCM, or that are otherwise required to be held for the benefit of customers, to margin futures and options on futures contracts traded on futures exchanges located in the U.S. are held in a Customer Segregated Account. This can be found on the CFTC Regulation 1.20 and section 4d(a)(2) of the Commodity Exchange Act. Customer Segregated Account may not be used to meet the obligations of the FCM or any other person, including another customer.

All Customer Segregated Funds may be commingled in a single account and held with:

- A Bank or trust company located in the U.S.
- A bank or trust company located outside the U.S. that has in excess of \$1 billion of regulatory capital
- An FCM
- A Derivatives Clearing Organization

Such commingled accounts must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM’s customers. Unless a customer provides instructions to the contrary, an FCM may hold Customer Segregated Funds only:

- In the U.S.
- In a money center country
- In the country of origin of the currency

An FCM must hold sufficient US dollars in the US to meet all US dollar obligations and sufficient funds in each other currency to meet obligations in such currency. Assets denominated in a currency may be held to meet obligations denominated in another currency (other than the US dollar) as follows:

- US dollars may be held in the US or in money center countries to meet obligations denominated in any other currency; and
- funds in money center currencies may be held in the US or in money center countries to meet obligations denominated in currencies other than the US dollar 30.7 Account.

Funds that 30.7 Customers deposit with an FCM to margin futures and options on futures contracts traded on foreign boards of trade are held in a 30.7 Account in accordance with CFTC Rule 30.7.

Funds required to be held in the 30.7 Account for or on behalf of 30.7 Customers may be commingled in an omnibus 30.7 Account and held with:

- a bank or trust company located in the US;
- a bank or trust company located outside the US that has in excess of \$1 billion in regulatory capital;
- an FCM;
- a DCO;
- the clearing organization of any foreign board of trade;
- a foreign broker; or
- such clearing organization's or foreign broker's designated depositories.

Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's 30.7 Customers.

#### Cleared Swaps Customer Account

Funds deposited with an FCM to margin swaps cleared through a registered DCO are held in a Cleared Swaps Customer Account. Funds required to be held in a Cleared Swaps Customer Account may be commingled in an omnibus account and held with:

- a bank or trust company located in the US;
- a bank or trust company located outside of the US that has in excess of \$1 billion of regulatory capital;
- a DCO; or
- another FCM.

Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's Cleared Swaps Customers.

An FCM also deposits a portion of its own funds in Customer Segregated, 30.7 and Cleared Swaps Customer Accounts as a buffer to assure that the FCM is always in compliance with the relevant provisions of the Act and CFTC rules governing the segregation of Customer Funds.

Such excess funds represent the FCM's Residual Interest in those accounts. All FCM excess funds are held for the exclusive benefit of the FCM's customers while held in a Customer Segregated, 30.7 and Cleared Swaps Customer Accounts. An FCM is required to have written policies and procedures regarding the establishment and maintenance of the FCM's Targeted Residual Interest in each type of Customer Account.

FCMs may invest Customer Funds in obligations of the United States, in general obligations of any State or of any political subdivision thereof, and in obligations fully guaranteed as to principal and interest by the United States. CFTC rules further provide that the FCM may retain all gains earned and is responsible for investment losses incurred in connection with the investment of Customer Funds. However, the FCM and customer may agree that the FCM will pay the customer interest on the funds deposited.

### **Filing a Complaint**

Complaints can be filed with the following:

- MID-CO Chief Compliance Officer, 309-557-6017, [vyoungmark@mid-co.com](mailto:vyoungmark@mid-co.com)
- CFTC, Division of Enforcement at (866) 366-2382 or <https://forms.cftc.gov/fp/complaintform.aspx>
- National Futures Association, (312) 781-1300 or <http://www.nfa.futures.org/basicnet/Complaint.aspx>

## **Financial Information**

Information as of March 31, 2018:

Total Equity:	\$ 9,909,898
Regulatory Capital:	\$ 8,268,344
Net Worth:	\$ 9,909,898

Proprietary Margin Requirements: N/A

Smallest number of customers that comprise 50 percent of MID-CO's total funds held:

Futures Customers:	13
Cleared Swap Customers:	N/A
30.7 Customers:	N/A

The aggregate notional value by asset class of all non-hedged principal over-the-counter transactions into which MID-CO has entered:

Asset Class:	N/A
Aggregate Notional Value:	N/A

Unsecured lines of credit (or similar short-term funding) that MID-CO has obtained but not yet drawn upon

Purpose:	N/A
Source Amount:	N/A

Aggregated amount of financing MID-CO provides for customer transactions involving illiquid financial products for which it is difficult to obtain timely and accurate prices:

\$0

The percentage of customer receivable balances that the futures commission merchant had to write-off as uncollectable during the past 12-month period as compared to the current balance of funds held as compared to the current balance of funds:

Futures customer	0%
Cleared Swaps Customer	0%
30.7 customer receivable	0%

### **Summary MID-CO's current risk practices, controls and procedures**

MID-CO COMMODITIES, INC. is a Futures Commission Merchant (FCM) regulated by the Commodity Futures Trading Commission (CFTC) and the National Futures Association (NFA).

A rule enacted by the CFTC is Reg. 1.11, which requires an FCM to document risk management activities, to develop a program to monitor and manage risks associated with MID-CO'S activities. The MID-CO RMP has been approved by the Board of Directors and will be monitored throughout the year by a separate business unit from the MID-CO operations area.

The separate business unit will give quarterly updates to the Board of Directors on current risk and any suggested changes that should be implemented by the FCM. The mission of the risk management program is to establish, maintain, and enforce a system of risk management policies and procedures designed to monitor and manage the risks associated with the activities of MID-CO as a Futures Commission Merchant. MID-CO is faced with a multitude of risks, primarily market exposure and customer counterparty but also including liquidity, legal, operational, settlement, segregation, technological, regulatory and capital.

MID-CO strives to limit risks where possible by only allowing customers that are hedging agricultural products.