SCM Trust
Form N-14/A
August 15, 2016

As filed with the Securities and Exchange Commission on August 12, 2016

Registration No. 333-212689

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

[x] Pre-Effective Amendment No. 1

[ ] Post-Effective Amendment No. ___

(Check appropriate Box or Boxes)

SCM Trust
(Exact Name of Registrant as Specified in Charter)

1050 17th Street Suite 1710, Denver, CO 80265
(Address of Principal Executive Offices)

(800) 955-9988
(Registrant's Telephone Number, including Area Code)

Name and Address of Agent for Service:	with a copy to:
Stephen Rogers, CEO SCM Trust 1050 17th Street Suite 1710 Denver, CO 80265	Timothy Johnson, Esq. Reed Smith LLP 225 Fifth Avenue, Pittsburg, PA 15222

Approximate Date of Proposed Public Offering: As soon as practicable after this Registration Statement becomes effective under the Securities Act of 1933.

Title of Securities Being Registered: Units of beneficial interest

It is proposed that this filing shall become effective in accordance with Section 8(a) of the Securities Exchange Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

An indefinite amount of the Registrant's securities has been registered under the Securities Act of 1933 pursuant to Rule 24f-2 under the Investment Company Act of 1940. In reliance upon such Rule, no filing fee is being paid at this time.

REALTY CAPITAL INCOME FUNDS TRUST

AR Capital BDC Income Fund
AR Capital Real Estate Income Fund
AR Capital Global Real Estate Income Fund

405 Park Avenue, New York, NY 10022

New York, NY 10022

August xx, 2016

Dear Shareholder:

A Joint Special Meeting of Shareholders of the AR Capital BDC Income Fund, AR Capital Real Estate Income Fund and AR Capital Global Real Estate Income Fund (each, an "Acquired Fund" and collectively, the "Acquired Funds") has been scheduled for August 25th, 2016 (the "Special Meeting") to vote on proposals to reorganize (the "Reorganizations"), as listed in the table below, each of the Acquired Funds into newly-created series (each, an "Acquiring Fund" and collectively, the "Acquiring Funds") of SCM Trust.

Acquired Fund	Acquiring Fund	Reorganization will take effect on or about
AR Capital BDC Income Fund	Shelton BDC Income Fund	8/31/2016
AR Capital Real Estate Income Fund	Shelton Real Estate Income Fund	8/31/2016
AR Capital Global Real Estate Income Fund	Shelton Real Estate Income Fund	8/31/2016

By voting in favor of a Reorganization, shareholders are also voting to approve an investment advisory agreement between Shelton Capital Management ("Shelton") and SCM Trust on behalf of the applicable Acquiring Fund.

The investment objective of each Acquired Fund is identical to the investment objective of the corresponding Acquiring Fund. The principal investment strategies of the AR Capital BDC Income Fund and the Shelton BDC Income Fund are identical. As described in further detail in the attached Combined Proxy Statement/Prospectus, the principal investment strategies of the AR Capital Real Estate Income Fund, the AR Capital Global Real Estate Fund, and the Shelton Real Estate Income Fund are similar but differ with respect to the funds' investments in foreign securities.

For the reasons discussed below and in the attached Combined Proxy Statement/Prospectus, and based on the recommendations of Shelton and National Fund Advisors, LLC, the Acquired Funds' former investment adviser, the Board of Trustees of the Acquired Funds (the "Board") has determined that the Reorganizations are in the best interests of each Acquired Fund and its shareholders, and that the interests of the shareholders of each Acquired Fund will not be diluted as a result of the Reorganizations. As a result, the Board—including the trustees who are not "interested persons" within the meaning of Section 2 (a)(19) of the Investment Company Act of 1940, as amended—has approved the Reorganizations and directed that the Reorganizations be submitted to the Acquired Funds' shareholders for approval.

The Board recommends that shareholders vote "FOR" the Reorganizations.

If the Reorganizations are approved by the Acquired Funds' shareholders, each shareholder of an Acquired Fund will receive shares of the corresponding Acquiring Fund, with no dilution in the dollar amount of his or her investment. Shareholders of the AR Capital BDC Income Fund will receive the same number of full and fractional shares of the Shelton BDC Income Fund as they originally held. Shareholders of the AR Capital Real Estate Income Fund and the AR Capital Global Real Estate Income Fund will receive shares of the Shelton Real Estate Income Fund. Shareholders of the AR Capital Real Estate Income Fund and the AR Capital Global Real Estate Income Fund may receive a different number of shares compared to what they originally held, because the two Acquired Funds will be reorganized into one Acquiring Fund. The shares of the Acquired Funds will be cancelled following the Reorganizations.

The Acquiring Funds are newly-organized funds that will commence operations upon consummation of the Reorganizations. The Acquired Funds would then be dissolved. The Reorganizations are not expected to have any federal income tax consequences for the Acquired Funds or their shareholders. The attached Combined Proxy Statement/Prospectus is designed to give you more information about the proposals.

If you have any questions regarding the proposals to be voted on, please do not hesitate to call [ ] at (866) 271-9244.

If you are a shareholder of record of any of the Acquired Funds as of the close of business on July 22, 2016, the record date for the Special Meeting, you are entitled to vote at the Special Meeting and at any adjournment or postponement thereof. While you are, of course, welcome to join us at the Special Meeting, most shareholders will cast their votes by completing and signing the enclosed Proxy Card.

Whether or not you are planning to attend the Special Meeting, we need your vote. Please mark, sign and date the enclosed Proxy Card and promptly return it so that the maximum number of shares may be voted. In the alternative, please call the toll-free number on your Proxy Card to vote by telephone. You should use the enclosed instructions to vote by telephone. You can also vote on the Internet at the website address listed on your Proxy Card. You may revoke your proxy before it is exercised at the Special Meeting, either by writing to Realty Capital Income Funds Trust at the address noted in the Combined Proxy Statement/Prospectus or in person at the time of the Special Meeting. A prior proxy vote can also be revoked by voting the proxy again at the Special Meeting, through the toll-free number or the Internet address listed in the enclosed voting instructions.

Thank you for taking the time to consider these important proposals and for your continuing investment in the Realty Capital Income Funds Trust.

Sincerely,

/s/ Edward M. Weil, Jr
Chairman of Realty Capital Income Funds Trust
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REALTY CAPITAL INCOME FUNDS TRUST

AR Capital BDC Income Fund
AR Capital Real Estate Income Fund
AR Capital Global Real Estate Income Fund

405 Park Avenue
New York, NY 10022

NOTICE OF JOINT SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON AUGUST 25th, 2016

NOTICE IS HEREBY GIVEN that a JOINT SPECIAL MEETING OF SHAREHOLDERS (the "Special Meeting") of the AR Capital BDC Income Fund, AR Capital Real Estate Income Fund and AR Capital Global Real Estate Income Fund, (each, an "Acquired Fund" and collectively, the "Acquired Funds"), will be held on August 25th, 2016 at [9:00] a.m., Mountain Time, at the offices of Shelton Capital Management ("Shelton"), the Acquired Funds' investment adviser, at 1050 17th Street #1710, Denver, CO 80265. At the Special Meeting, you and the other shareholders of the Acquired Funds will be asked to consider and vote upon three proposals.

Proposal 1. For shareholders of the AR Capital BDC Income Fund:

An Agreement and Plan of Reorganization providing for the transfer of all of the assets of the AR Capital BDC Income Fund to, and the assumption of all of the liabilities of the AR Capital BDC Income Fund by, SCM Trust, which shall assign such assets and liabilities to the Shelton BDC Income Fund (an "Acquiring Fund"), a newly-created series of SCM Trust, in exchange for shares of the Shelton BDC Income Fund to be distributed pro rata by the AR Capital BDC Income Fund to its shareholders upon the fund's liquidation (a "Reorganization"). The Acquiring Fund has two classes of shares: Investor Class and Institutional Class. Class A and Class C shareholders of the Acquired Fund will receive Investor Class shares of the Acquiring Fund. Advisor Class shareholders of the Acquired Fund will receive Institutional Class shares of the Acquiring Fund.

By voting in favor of this Reorganization, shareholders are also voting to approve the investment advisory agreement between Shelton and SCM Trust on behalf of the Shelton BDC Income Fund.

Proposal 2. For shareholders of the AR Capital Real Estate Income Fund:

An Agreement and Plan of Reorganization providing for the transfer of all of the assets of the AR Capital Real Estate Income Fund to, and the assumption of all of the liabilities of the AR Capital Real Estate Income Fund by, SCM Trust, which shall assign such assets and liabilities to the Shelton Real Estate Income Fund (an "Acquiring Fund"), a newly-created series of SCM Trust, in exchange for the shares of the Shelton Real Estate Income Fund, which would be distributed pro rata by the AR Capital Real Estate Income Fund to its shareholders upon the fund's liquidation (a "Reorganization"). The Acquiring Fund has two classes of shares: Investor Class and Institutional Class. Class A and Class C shareholders of the Acquired Fund will receive Investor Class shares of the Acquiring Fund. Advisor Class shareholders of the Acquired Fund will receive Institutional Class shares of the Acquiring Fund.

By voting in favor of this Reorganization, shareholders are also voting to approve the investment advisory agreement between Shelton and SCM Trust on behalf of the Shelton Real Estate Income Fund.

Proposal 3. For shareholders of the AR Capital Global Real Estate Income Fund:

An Agreement and Plan of Reorganization providing for the transfer of all of the assets of the AR Capital Global Real Estate Income Fund to, and the assumption of all of the liabilities of the AR Capital Global Real Estate Income Fund by, SCM Trust, which shall assign such assets and liabilities to the Shelton Real Estate Income Fund (an "Acquiring Fund"), a newly-created series of SCM Trust, in exchange for the shares of the Shelton Real Estate Income Fund, which would be distributed pro rata by the AR Capital Global Real Estate Income Fund to its shareholders upon the fund's liquidation (a "Reorganization"). The Acquiring Fund has two classes of shares: Investor Class and Institutional Class. Class A and Class C shareholders of the Acquired Fund will receive Investor Class shares of the Acquiring Fund. Advisor Class shareholders of the Acquired Fund will receive Institutional Class shares of the Acquiring Fund.

By voting in favor of this Reorganization, shareholders are also voting to approve the investment advisory agreement between Shelton and SCM Trust on behalf of the Shelton Real Estate Income Fund.

In addition, shareholders may vote on such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

The table below reflects the Acquired Fund and Acquiring Fund involved in each Reorganization, the shareholders of the Acquired Funds to vote on the Reorganizations, and the approximate date the Reorganizations will take effect.

Acquired Fund	Acquiring Fund	Shareholders Solicited	Reorganization will take effect on or about
AR Capital BDC Income Fund	Shelton BDC Income Fund	AR Capital BDC Income Fund shareholders	8/31/2016
AR Capital Real Estate Income Fund	Shelton Real Estate Income Fund	AR Capital Real Estate Income Fund shareholders	8/31/2016
AR Capital Global Real Estate Income Fund	Shelton Real Estate Income Fund	AR Capital Global Real Estate Income Fund shareholders	8/31/2016

The investment objective of each Acquired Fund is identical to the investment objective of the corresponding Acquiring Fund. The principal investment strategies of the AR Capital BDC Income Fund and the Shelton BDC Income Fund are identical. As described in further detail in the attached Combined Proxy Statement/Prospectus, the principal investment strategies of the AR Capital Real Estate Income Fund, the AR Capital Global Real Estate Fund, and the Shelton Real Estate Income Fund are similar but differ with respect to the funds' investments in foreign securities.

Only shareholders of record at the close of business on July 15, 2016 will be entitled to notice of, and to vote at, the Special Meeting or any adjournments or postponements thereof. Each Acquired Fund is a separate legal entity, and shareholders will vote separately as shareholders of each Acquired Fund.

YOUR VOTE IS IMPORTANT.

PLEASE RETURN YOUR PROXY CARD PROMPTLY OR VOTE YOUR PROXY ON THE INTERNET OR BY TELEPHONE USING THE WEBSITE ADDRESS OR TOLL-FREE TELEPHONE NUMBER FOUND ON YOUR PROXY CARD.

THE BOARD OF TRUSTEES OF THE ACQUIRED FUNDS RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSALS.

As a shareholder, you are asked to attend the Special Meeting either in person or by proxy. If you are unable to attend the Special Meeting in person, we urge you to authorize proxies to cast your vote, commonly referred to as "proxy voting." Whether or not you expect to attend the Special Meeting, please submit your vote by toll-free telephone or through the Internet according to the enclosed voting instructions. You may also vote by completing, dating and signing your Proxy Card and mailing it in the enclosed postage prepaid envelope. Your prompt voting by proxy will help ensure a quorum at the Special Meeting. Voting by proxy will not prevent you from voting your shares in person at the Special Meeting. You may revoke your proxy before it is exercised at the Special Meeting, either by writing to the Secretary of the Realty Capital Income Funds Trust at the address noted in the Combined Proxy Statement/Prospectus or in person at the time of the Special Meeting. A prior proxy can also be revoked by voting your proxy again through the toll-free number or Internet website address listed in the enclosed voting instructions.

By Order of the Board of Trustees of Realty
Capital Income Funds Trust

/s/ Edward M. Weil, Jr
Chairman of Realty Capital Income Funds Trust

REALTY CAPITAL INCOME FUNDS TRUST

AR Capital BDC Income Fund
AR Capital Real Estate Income Fund
AR Capital Global Real Estate Income Fund

405 Park Avenue
New York, NY 10022

QUESTIONS AND ANSWERS

YOUR VOTE IS VERY IMPORTANT!

Dated: August, 12, 2016

Question: What is this document and why did you send it to me?

Answer: At a meeting of the Board of Trustees (the “Board”) of the Realty Capital Income Funds Trust (the “Trust”) held on July 20, 2016, the Board—including the trustees who are not “interested persons” (the “Independent Trustees”) within the meaning of Section 2 (a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”)—approved, upon the recommendation of its former investment adviser, National Financial Advisors, LLC (“NFA”) and its current investment adviser, Shelton Capital Management (“Shelton”), a plan to reorganize the AR Capital BDC Income Fund, AR Capital Real Estate Income Fund and AR Capital Global Real Estate Income Fund, (each, an “Acquired Fund” and collectively, the “Acquired Funds”) into newly-created series (each, an “Acquiring Fund” and collectively, the “Acquiring Funds”) of SCM Trust. The reorganizations of the Acquired Funds into their corresponding Acquiring Funds are referred to herein as the “Reorganizations.”

In approving the Reorganizations, the Board determined that the Reorganizations are in the best interests of the Acquired Funds’ and the Acquired Funds’ shareholders, and the Board directed that the Reorganizations be submitted to the Acquired Funds’ shareholders for approval.

This document provides you with information on the Reorganizations and how to vote. If the Acquired Funds’ shareholders approve the Reorganizations, each shareholder of an Acquired Fund will receive shares of the corresponding Acquiring Fund with no dilution in the dollar amount of his or her investment.

The table below reflects the Acquired Fund and Acquiring Fund involved in each Reorganization, the shareholders of the Acquired Funds to vote on the Reorganizations, and the approximate date the Reorganizations will take effect.

Acquired Fund	Acquiring Fund	Shareholders Solicited	Reorganization will take effect on or about
AR Capital BDC Income Fund	Shelton BDC Income Fund	AR Capital BDC Income Fund shareholders	8/31/2016
AR Capital Real Estate Income Fund	Shelton Real Estate Income Fund	AR Capital Real Estate Income Fund shareholders	8/31/2016
AR Capital Global Real Estate Income Fund	Shelton Real Estate Income Fund	AR Capital Global Real Estate Income Fund shareholders	8/31/2016

By voting in favor of a Reorganization, shareholders are also voting to approve the investment advisory agreement between Shelton and SCM Trust on behalf of the applicable Acquiring Fund.

The Board recommends that you for "FOR" the Reorganizations.

For more information regarding the factors considered by the Board in coming to these conclusions, please review "Reasons for the Reorganizations" in the attached Combined Proxy Statement/Prospectus.

Shareholder approval is needed to proceed with the Reorganizations and a special shareholder meeting will be held on August 25th, 2016 (the "Special Meeting") to consider the proposals.

We are sending this document to you for your use in deciding whether to vote in favor of the Reorganizations at the Special Meeting. This document includes a Notice of Special Meeting of Shareholders, the Combined Proxy Statement/Prospectus, and a Proxy Card.

Question: Why are the Reorganizations being proposed?

Answer: On June 8, 2016, the Board, including the Board's Independent Trustees, accepted NFA's resignation as the investment adviser of the Acquired Funds, to be effective after the close of business on June 30, 2016, and approved an interim investment advisory agreement, as well as expense limitation agreement, between the Trust and Shelton. In order to assure a smooth transition of the management of the Acquired Funds, the Board, including the Board's Independent Trustees, also approved an interim investment sub-advisory agreement between Shelton and NFA, pursuant to which NFA would serve as the sub-adviser to the AR Capital Real Estate Income Fund and AR Capital Global Real Estate Income Fund. In addition, the Board, including the Board's Independent Trustees, approved an interim investment sub-advisory agreement between Shelton and BDCA Adviser, LLC ("BDCA Adviser"), pursuant to which BDCA Adviser would serve as the sub-adviser to the AR Capital BDC Income Fund. BDCA Adviser served as sub-adviser to the AR Capital BDC Income Fund prior to NFA's resignation.

The interim advisory and sub-advisory agreements may only remain in place for up to 150 days. The Board, after considering potential courses of action with respect to future management of the Acquired Funds and the Trust, and upon the recommendations of NFA and Shelton, authorized the officers of the Trust to negotiate a plan of reorganization with Shelton and SCM Trust. At a telephonic meeting held on July 20, 2016, the Board determined that each of the Reorganizations was in the best interests of the Acquired Funds and the Acquired Funds' shareholders. The Board, including the Board's Independent Trustees, approved the Reorganizations and directed that the Reorganizations be submitted to the Acquired Funds' shareholders for approval. Therefore, the Board is soliciting the approval of the Acquired Funds' shareholders. It is anticipated that the Reorganizations would occur shortly after the Reorganizations are approved by the Acquired Funds' shareholders.

Question: Who is Shelton?

Shelton Capital Management, or Shelton, is the current investment adviser of the Acquired Funds pursuant to an interim investment advisory agreement between the Trust and Shelton on behalf of each of the Acquired Funds. Shelton is also the investment adviser and administrator for Shelton Funds Trust and SCM Trust. The Acquiring Funds are series of SCM Trust.

As of June 30, 2016, Shelton managed mutual funds and separate accounts with roughly $1.5 billion in aggregate assets. Shelton operates two offices located in Denver and San Francisco. More information about Shelton is available at www.Sheltoncap.com.

Question: Why did the Board approve the Reorganizations?

After considering potential courses of action with respect to future management of the Acquired Funds and the Trust, the Board, including the Board's Independent Trustees, determined that the Reorganizations were in the best interests of the Acquired Funds and their shareholders based upon the following factors, among others:

- the recommendations of NFA and Shelton;
- the terms and conditions of the Reorganizations;
- the experience and expertise of Shelton, and access to Shelton's resources and investment platform;
- for the AR Capital Real Estate Income Fund and the AR Capital Global Real Estate Income Fund, the portfolio managers of the Acquired Funds will be the portfolio managers of the corresponding Acquiring Fund following the Reorganizations;
- the investment objective, strategies and risks and policies of the Acquired Funds compared to their corresponding Acquiring Funds;
- with respect to each current share class of the Acquired Funds, the total annual fund operating expenses of the corresponding share class of each Acquiring Fund are expected to be the same, or in the case of the Class C shareholders, lower following the Reorganizations;
- neither the Acquired Funds nor their shareholders will bear any costs associated with the Reorganizations; and
- the Reorganizations are not expected to result in recognition of gain or loss by the Acquired Funds or their shareholders for U.S. federal income tax purposes.

Question: What happens if one or more of the Reorganizations are not approved?

If a Reorganization is not approved, the Board will consider other options for the future management and organization of the affected Acquired Fund. No Reorganization is conditioned upon the approval of the other Reorganizations. Accordingly, if shareholders of one Acquired Fund approve a Reorganization, but shareholders of the other Acquired Funds do not approve the other Reorganizations, it is expected that the approved Reorganization will take place as described in the Combined Proxy Statement/Prospectus.

Question: What is the anticipated timing of the Reorganizations?

Answer: The Special Meeting is scheduled to occur on August 25th, 2016. If all necessary approvals are obtained, the proposed Reorganizations will likely take place on August 31st, 2016.

Question: Are there any significant differences between the investment objectives and policies of the Acquired and Acquiring Funds?

Answer: The Acquiring Funds are newly-organized funds without assets or liabilities that have been created for the purpose of acquiring the assets and liabilities of the Acquired Funds.

The investment objective of each Acquired Fund is identical to the investment objective of the corresponding Acquiring Fund. The principal investment strategies of the AR Capital BDC Income Fund and the Shelton BDC Income Fund are identical. The principal investment strategies of the AR Capital Real Estate Income Fund and the Shelton Real Estate Income Fund, as well as the principal investment strategies of the AR Capital Global Real Estate Income Fund and the Shelton Real Estate Income Fund are similar. The funds differ in the extent to which they invest in foreign securities. Specifically, the AR Capital Global Real Estate Income Fund invests at least 40% of its net assets in real estate securities of companies that are organized or located outside of the United States and that principally invest in non-U.S. markets. The AR Capital Real Estate Income Fund has historically invested substantially all of its assets in domestic securities, although it has the flexibility to invest up to 20% of its net assets in foreign securities. The Shelton Real Estate Income Fund may invest up to 20% of its net assets in real estate securities of companies that are organized or located outside of the United States and that principally invest in non-U.S. markets.

Therefore, the Shelton Real Estate Income Fund generally invests in foreign securities to a lesser extent than the AR Capital Global Real Estate Income Fund. As a result, the risks associated with investments in foreign securities will impact the Shelton Real Estate Income Fund to a lesser extent than the AR Capital Global Real Estate Income Fund. Furthermore, even though the AR Capital Real Estate Income Fund and the Shelton Real Estate Income Fund have the same ability to invest in foreign securities, given that the AR Capital Real Estate Income Fund has not invested in foreign securities, to the extent the Shelton Real Estate Income Fund invests in foreign securities, the risks associated with investments in foreign securities will impact the Shelton Real Estate Income Fund to a greater extent than the AR Capital Real Estate Income Fund.

The Acquiring Funds will not commence operations until the date the Reorganizations are effected.

Question: How will the proposed Reorganizations affect fees and expenses?

Answer: The net annual operating expenses (i.e., the total fund operating expenses after expense reimbursement) of each share class of each Acquiring Fund immediately after the Reorganizations are expected to be the same as or lower than the corresponding share class of the corresponding Acquired Fund immediately before the Reorganizations. Specifically:

- the net annual operating expenses of the Investor Class shares of each Acquiring Fund are expected to be the same as the net annual operating expenses of the Class A shares of the corresponding Acquired Fund;

- the net annual operating expenses of the Investor Class shares of each Acquiring Fund are expected to be lower than the net annual operating expenses of the Class C shares of the corresponding Acquired Fund; and

- the net annual operating expenses of the Institutional Class shares of each Acquiring Fund are expected to be the same as the net annual operating expenses of the Advisor Class shares of the corresponding Acquired Fund.

Shelton has agreed to expense limitations for the Acquiring Funds that will cap the Acquiring Funds' "other expenses" through December 31, 2017 at the expense caps currently in place for the Acquired Funds. The expense caps to which Shelton has agreed for the Acquiring Funds are subject to recapture provisions similar to those in the current expense limitation agreements for the Acquired Funds, and the recapture rights under the Acquired Funds' expense limitation agreements have been assigned from NFA to Shelton.

With respect to particular fees:

- Each Acquiring Fund has an equivalent or lower management fees compared to its corresponding Acquired Fund.

- The Class A shares of the Acquired Funds and the Class C shares of the Acquired Funds assess a 0.25% 12b-1 fee and a 1.00% 12b-1 fee, respectively. The Investor Class of the Acquiring Funds will have a 0.25% 12b-1 fee. Neither the Advisor Class shares of the Acquired Funds nor the Institutional Class shares of the Acquiring Funds impose a 12b-1 fee.

- The Class A shares of the Acquired Funds assess a maximum sales charge upon purchase of up to 4.5%. Neither Advisor Class nor Class C shares of the Acquired Funds have sale charges upon purchase. The Acquiring Funds do not assess sales charges upon purchase.

- The Class A and Class C shares of the Acquired Funds may charge up to a maximum 1.00% deferred sales charge upon redemption. The Acquiring Funds do not assess exchange or deferred sales charges.

Question: Will I be charged a sales charge or contingent deferred sales charge as a result of the Reorganizations

No. If the Reorganizations are approved and effected, shareholders of the Acquired Funds will receive shares of the corresponding Acquiring Funds without the imposition of any sales charges or contingent deferred sales charges.

Question: Will there be changes in the management and operation of the Acquired Funds?

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Answer: As of July 1, 2016, Shelton became the Acquired Funds' investment adviser, replacing NFA. Shelton will also be the investment adviser for the Acquiring Funds. Currently, Shelton utilizes sub-advisers to manage each of the three Acquired Funds. After the Reorganizations, Shelton will directly manage each of the Acquiring Funds without the use of a sub-adviser. Thus, neither NFA nor BDCA Adviser will be involved in the management of the Acquiring Funds. Additionally, the portfolio manager for the Shelton BDC Income Fund will not be the same as the portfolio manager for the AR Capital BDC Income Fund. However, it is expected that the current portfolio manager of the AR Capital Real Estate Income Fund and AR Capital Global Real Estate Income Fund will become the portfolio manager of the Shelton Real Estate Fund in a new capacity as a portfolio manager at Shelton.

The Acquiring Funds will use a number of different service providers than the Acquired Funds. Among the service providers, the Acquiring Funds will have the same transfer agent, fund accountant and distributor as the Acquired Funds, but a different administrator and custodian. The table below lists the service providers of the Acquired Funds and the Acquiring Funds. Additionally, the Boards of Trustees of the Acquired Funds and the Acquiring Funds will differ.

Acquired Funds	Acquiring Funds
Transfer agency, fund administration and fund accounting	Transfer agency and fund accounting
Gemini Fund Services	Gemini Fund Services Fund administration Shelton Capital Management
Distribution	
RFS Partners, LP	RFS Partners, LP
Custodian	
MUFG Union Bank, N.A.	U.S. Bank, National Association

Question: How will the Reorganizations work?

Answer: Pursuant to the Plan (attached as Appendix A to the Combined Proxy Statement/Prospectus), each Acquired Fund will transfer all of its assets and liabilities to SCM Trust, which shall assign all such assets and liabilities to the corresponding Acquiring Fund, in exchange for shares of the Acquiring Fund. The Acquired Fund will then distribute the shares it receives to its shareholders upon its liquidation. As a result, shareholders of the Acquired Fund will become shareholders of the corresponding Acquiring Fund, with no dilution in the dollar amount any shareholder's investment. Each Acquiring Fund has two classes of shares: Investor Class and Institutional Class. Class A and Class C shareholders of each Acquired Fund will receive Investor Class shares of the corresponding Acquiring Fund. Advisor Class shareholders of each Acquired Fund will receive Institutional Class shares of the corresponding Acquiring Fund. The shares of the Acquired Funds will be cancelled following the Reorganizations.

If the Plan is carried out as proposed, we do not expect that the Reorganizations will have any federal income tax consequences for the Acquired Funds or their shareholders. Please refer to the Combined Proxy Statement/Prospectus for a detailed explanation of the proposals.

Shareholders of the Acquired Funds will receive shares of the corresponding Acquiring Funds based upon the Acquired Funds' and Acquiring Funds' respective net asset values as of the close of the New York Stock Exchange (typically 4:00 pm Eastern Time) on the date the Reorganizations are effected. The Reorganizations will not change the dollar value of your investment at the time that the Reorganizations are effected.

Question: Why do I need to vote?

Answer: Your vote is needed to ensure that the proposals can be acted upon at the Special Meeting. Your immediate response, even if you are a small investor, on the enclosed Proxy Card will help prevent the need for any further solicitations for a shareholder vote. We encourage all shareholders to participate.

Question: How does the Board suggest that I vote?

Answer: After careful consideration and upon recommendations of NFA and Shelton, the Board recommends that you vote "FOR" the Reorganizations.

Question: Who is paying for expenses related to the Special Meeting and the Reorganizations?

Answer: The estimated cost for the Reorganizations is $40,000. Shelton will pay (or Shelton will cause to be paid) all expenses of SCM Trust relating to the Reorganizations. National Fund Advisors, LLC ("NFA"), the Acquired Funds' previous investment adviser, will pay (or will cause to be paid) all expenses of the Acquired Funds relating to the Reorganizations. Neither the Acquired Funds, the Acquiring Funds, nor their shareholders will bear any expenses relating to the Reorganizations.

Question: How do I cast my vote?

Answer: You may vote on the Internet at the website provided on your Proxy Card or you may vote by telephone using the toll free number found on your Proxy Card. You may also use the enclosed postage-paid envelope to mail your Proxy Card. Please follow the enclosed instructions to use these methods of voting. You also may vote in person at the Special Meeting.

Question: Whom do I call if I have questions?

Answer: We will be happy to answer your questions about the proxy solicitation. Please call shareholder services at (800) 955-9988.

COMBINED PROXY STATEMENT AND PROSPECTUS

August xx, 2016

FOR THE REORGANIZATIONS OF

AR Capital BDC Income Fund,
AR Capital Real Estate Income Fund and
AR Capital Global Real Estate Income Fund
Series of the Realty Capital Income Funds Trust

405 Park Avenue,
New York, NY 10022
(866) 271-9244

INTO

Shelton BDC Income Fund,
Shelton Real Estate Income Fund, and
Shelton Real Estate Income Fund, respectively
Series of SCM Trust

1050 17th Street, Suite 1710
Denver, CO 90265
(800) 955-9988

This Combined Proxy Statement and Prospectus (the "Proxy Statement/Prospectus") is being sent to you in connection with the solicitation of proxies by the Board of Trustees of the Realty Capital Income Funds Trust for use at a Joint Special Meeting of Shareholders (the "Special Meeting") of the AR Capital BDC Income Fund, AR Capital Real Estate Income Fund and AR Capital Global Real Estate Income Fund, (each, an "Acquired Fund" and collectively, the "Acquired Funds"), at the offices of Shelton Capital Management ("Shelton"), the Acquired Funds' investment adviser, located at 1050 17th Street, Denver, CO 80265 on August 25, 2016 at [9:00] a.m. Mountain Time. At the Special Meeting, shareholders of each Acquired Fund will be asked to consider and vote upon three proposals:

Proposal 1. For shareholders of the AR Capital BDC Income Fund:

An Agreement and Plan of Reorganization (or, the "Plan") providing for the transfer of all of the assets of the AR Capital BDC Income Fund to, and the assumption of all of the liabilities of the AR Capital BDC Income Fund by, SCM Trust, which shall assign such assets and liabilities to the Shelton BDC Income Fund (an "Acquiring Fund"), a newly-created series of SCM Trust, in exchange for shares of the Shelton BDC Income Fund to be distributed pro rata by the AR Capital BDC Income Fund to its shareholders upon the fund's liquidation (a "Reorganization"). The Acquiring Fund has two classes of shares: Investor Class and Institutional Class. Class A and Class C shareholders of the Acquired Fund will receive Investor Class shares of the Acquiring Fund. Advisor Class shareholders of the Acquired Fund will receive Institutional Class shares of the Acquiring Fund.

By voting in favor of this Reorganization, shareholders are also voting to approve the investment advisory agreement between Shelton and SCM Trust on behalf of the Shelton BDC Income Fund.

Proposal 2. For shareholders of the AR Capital Real Estate Income Fund:

An Agreement and Plan of Reorganization (or, the "Plan") providing for the transfer of all of the assets of the AR Capital Real Estate Income Fund to, and the assumption of all of the liabilities of the AR Capital Real Estate Income Fund by, SCM Trust, which shall assign such assets and liabilities to the Shelton Real Estate Income Fund (an "Acquiring Fund"), a newly-created series of SCM Trust, in exchange for shares of the Shelton Real Estate Income Fund to be distributed pro rata by the AR Capital Real Estate Income Fund to its shareholders upon the fund's liquidation (a "Reorganization"). The Acquiring Fund has two classes of shares: Investor Class and Institutional Class. Class A and Class C shareholders of the Acquired Fund will receive Investor Class shares of the Acquiring Fund. Advisor Class shareholders of the Acquired Fund will receive Institutional Class shares of the Acquiring Fund.

By voting in favor of this Reorganization, shareholders are also voting to approve the investment advisory agreement between Shelton and SCM Trust on behalf of the Shelton Real Estate Income Fund.

Proposal 3. For shareholders of the AR Capital Global Real Estate Income Fund:

An Agreement and Plan of Reorganization (or, the “Plan”) providing for the transfer of all of the assets of the AR Capital Global Real Estate Income Fund to, and the assumption of all of the liabilities of the AR Capital Global Real Estate Income Fund by, SCM Trust, which shall assign such assets and liabilities to the Shelton Real Estate Income Fund (an “Acquiring Fund”), a newly-created series of SCM Trust, in exchange for shares of the Shelton Real Estate Income Fund to be distributed pro rata by the AR Capital Global Real Estate Income Fund its shareholders upon the fund’s liquidation (a “Reorganization”). The Acquiring Fund has two classes of shares: Investor Class and Institutional Class. Class A and Class C shareholders of the Acquired Fund will receive Investor Class shares of the Acquiring Fund. Advisor Class shareholders of the Acquired Fund will receive Institutional Class shares of the Acquiring Fund.

By voting in favor of this Reorganization, shareholders are also voting to approve the investment advisory agreement between Shelton and SCM Trust on behalf of the Shelton Real Estate Income Fund.

In addition, shareholders may vote on such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

The table below reflects the Acquired Fund and Acquiring Fund involved in each Reorganization, the shareholders of the Acquired Funds to vote on the Reorganizations, and the approximate date the Reorganizations will take effect.

Acquired Fund	Acquiring Fund	Shareholders Solicited	Reorganization will take effect on or about
AR Capital BDC Income Fund	Shelton BDC Income Fund	AR Capital BDC Income Fund shareholders	8/31/2016
AR Capital Real Estate Income Fund	Shelton Real Estate Income Fund	AR Capital Real Estate Income Fund shareholders	8/31/2016
AR Capital Global Real Estate Income Fund	Shelton Real Estate Income Fund	AR Capital Global Real Estate Income Fund shareholders	8/31/2016

Shareholders of each of the Acquired Funds at the close of business on July 22, 2016 (the "Record Date") will be entitled to be present and vote at the Special Meeting. Shareholders who execute proxies may revoke them at any time before they are voted, either by writing to Realty Capital Income Funds Trust, in person at the time of the Special Meeting, or by voting the proxy again through the toll-free number or through the Internet address listed in the enclosed voting instructions. Information on how to obtain directions to be able to attend the meeting and vote in person can be requested by calling shareholder services at (800) 955-9988.

Each Acquired Fund is a series of Realty Capital Income Funds Trust, an open-end management investment company that is registered with the Securities and Exchange Commission (the "SEC") and organized as a Delaware statutory trust. Each Acquiring Fund is a newly-organized series of SCM Trust, an open-end management investment company that is registered with the SEC and organized as a Massachusetts business trust. Each Acquiring Fund currently has no assets or liabilities. The Acquiring Funds will not commence operations until the date the Reorganizations are effected. The Acquiring Funds do not have any annual or semiannual shareholder reports to date.

This Proxy Statement/Prospectus incorporates by reference the following documents, which contain information about the Acquired Funds and the Acquiring Funds:

1. The Acquired Funds' Prospectuses and Statement of Additional Information, dated August 1, 2015, filed with the SEC (File Nos. 333-185734, 811-22785), as supplemented on September 8, 2015; November 3, 2015; November 19, 2015; November 23, 2015; January 4, 2106; April 4, 2016; and June 30, 2016. On August 1, 2016, the financial information in the Acquired Funds' Registration Statement, which includes the Acquired Funds' Prospectuses and Statement of Additional Information incorporated herein by reference, will become stale and no additional shares of the Acquired Funds may be sold.

(Copies of these documents are available upon request and without charge by writing to Realty Capital Income Funds Trust through the Internet at www.arcincomefunds.com or by calling (866) 271-9244. In addition, the most recent prospectus for the applicable Acquired Fund(s) accompanies this Proxy Statement/Prospectus. Please note, however, that on August 1, 2016, the financial information in the Acquired Funds' Registration Statement will become stale and no additional shares of the Acquired Funds may be sold because the Acquired Funds do not intend to file a post-effective amendment to update this information.)

2. The Acquired Funds' Certified Shareholder Report for the fiscal year ended March 31, 2016, filed with the SEC (File Nos. 333-185734, 811-22785), containing audited financial statements with respect to the Acquired Funds.

(Copies of these documents are available upon request and without charge by writing to Realty Capital Income Funds Trust through the Internet at www.arcincomefunds.com or by calling (866) 271-9244.)

3. The Acquiring Funds' Prospectuses and Statement of Additional Information, each dated July 27, 2016, filed with the SEC (File Nos. 333-176060, 811-05617).

(Copies of these documents are available upon request and without charge by writing to SCM Trust through the internet at www.Sheltoncap.com or by calling (800) 955-9988. In addition, a current prospectus for the applicable Acquiring Fund(s) accompanies this Proxy Statement/Prospectus.)

Accompanying this Proxy Statement/Prospectus as Appendix A is a copy of the Plan.

The Acquired Funds expect that this Proxy Statement/Prospectus will be mailed to shareholders on or about August __, 2016.

This Proxy Statement/Prospectus sets forth the basic information you should know before voting on the proposal(s) and investing in any of the Acquiring Funds. You should read it and keep it for future reference. A Statement of Additional Information dated June 30, 2016, relating to this Proxy Statement/Prospectus, contains more information about the Reorganizations and the Acquiring Funds and is incorporated herein by reference. The Statement of Additional Information has been filed with the SEC and is available upon request without charge by writing to Realty Capital Income Funds Trust or by calling toll free (866) 271-9244.

THE U.S. SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The shares offered by this Proxy Statement/Prospectus are not deposits or obligations of any bank, and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. An investment in any of the Acquiring Funds involves investment risk, including the possible loss of principal.

Important Notice Regarding Internet Availability of Proxy Materials for the Shareholder Meeting To Be Held on [August 25], 2016

The Notice of Shareholder Meeting, this Proxy Statement/Prospectus and the
Proxy Card are available at www.Sheltoncap.com
The Acquired Funds' annual and semi-annual reports
are available by calling (866) 271-9244.

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OVERVIEW

This Overview is a summary of certain information contained elsewhere in this Proxy Statement/Prospectus or incorporated by reference into this Proxy Statement/Prospectus. Shareholders should read this entire Proxy Statement/Prospectus carefully. The Overview is qualified in its entirety by reference to the Prospectuses and Statements of Additional Information for the Acquired Funds and Acquiring Funds. For more complete information, please read the Prospectuses and Statements of Additional Information for the Acquired Funds and Acquiring Funds. Please note, however, that on August 1, 2016, the financial information in the Acquired Funds' Registration Statement will become stale and no additional shares of the Acquired Funds may be sold because the Acquired Funds do not intend to file a post-effective amendment to update this information.

The Reorganizations

Pursuant to the Plan, each Acquired Fund will transfer all of its assets and liabilities to SCM Trust, which shall assign all such assets and liabilities to the corresponding Acquiring Fund, in exchange solely for shares of the Acquiring Fund (the liabilities being transferred are the typical liabilities associated with the day-to-day operations of a mutual fund, and no Acquired Fund is aware of any other outstanding liabilities). The Acquired Fund will then distribute the Acquiring Fund shares that it receives to its shareholders upon its complete liquidation. The result of the Reorganizations is that shareholders of the Acquired Funds will become shareholders of the corresponding Acquiring Funds. Each Acquiring Fund has two classes of shares: Investor Class and Institutional Class. Class A and Class C shareholders of each Acquired Fund will receive Investor Class shares of the corresponding Acquiring Fund. Advisor Class shareholders of each Acquired Fund will receive Institutional Class shares of the corresponding Acquiring Fund. No front-end sales charges or contingent deferred sales charges will be imposed in connection with the Reorganizations. The shares of the Acquired Funds will be cancelled following the Reorganizations.

If a Reorganization is not approved, the Board will consider other options for the future management and organization of the affected Acquired Fund. No Reorganization is conditioned upon the approval of the other Reorganizations. Accordingly, if shareholders of one Acquired Fund approve a Reorganization, but shareholders of the other Acquired Funds do not approve the other Reorganizations, it is expected that the approved Reorganization will take place as described in the Combined Proxy Statement/Prospectus.

The Board of Trustees of the Acquired Funds— including the trustees who are not "interested persons" (the "Independent Trustees") within the meaning of Section 2 (a)(19) of the Investment Company Act of 1940, as amended (the "1940 Act")—have concluded that each Reorganization is in the best interests of the applicable Acquired Fund and its shareholders.

The Board of Trustees of the Acquired Funds recommends that you vote FOR the approval of the Reorganizations.

The Reorganizations are intended to qualify for federal income tax purposes as tax-free reorganizations. Assuming the Reorganizations qualify as tax-free reorganizations, shareholders of the Acquired Funds will not recognize a gain or loss in the transaction.

By voting in favor of a Reorganization, shareholders are also voting to approve the investment advisory agreement between Shelton and SCM Trust on behalf of the applicable Acquiring Fund. Please see "Acquiring Funds' Investment Advisory Agreement" later in this Proxy Statement/Prospectus for a description of the Acquiring Funds' advisory agreement and the discussion of the approval of the Acquiring Funds' advisory agreement by SCM Trust's Board of Trustees.

The Funds

Each Acquiring Fund is a separate series of SCM Trust, an open-end management investment company organized as a Massachusetts business trust. The Acquiring Funds will continuously offer their shares to the public upon the commencement of operations. Each Acquiring Fund has two classes of shares: Investor Class and Institutional Class.

Each Acquired Fund is a separate series of Realty Capital Income Funds Trust, an open-end management investment company organized as a Delaware statutory trust. The Acquired Funds currently offer their shares to the public on a continuous basis. Each of the Acquired Funds offers three classes of shares: Class A, Class C and Advisor Class.

If the Reorganizations are approved, shareholders of each Acquired Fund will receive shares of the corresponding Acquiring Fund. Class A and Class C shareholders of each Acquired Fund will receive Investor Class shares of the corresponding Acquiring Fund. Advisor Class shareholders of each Acquired Fund will receive Institutional Class shares of the corresponding Acquiring Fund.

The investment objective of each Acquired Fund is identical to the investment objective of the corresponding Acquiring Fund.

The principal investment strategies of the AR Capital BDC Income Fund and the Shelton BDC Income Fund are identical.

The principal investment strategies of the AR Capital Real Estate Income Fund and the Shelton Real Estate Income Fund, as well as the principal investment strategies of the AR Capital Global Real Estate Income Fund and the Shelton Real Estate Income Fund are similar. The funds differ in the extent to which they invest in foreign securities. Specifically, the AR Capital Global Real Estate Income Fund invests at least 40% of its net assets in real estate securities of companies that are organized or located outside of the United States and that principally invest in non-U.S. markets. The AR Capital Real Estate Income Fund has historically invested substantially all of its assets in domestic securities, although it has the flexibility to invest up to 20% of its net assets in foreign securities. The Shelton Real Estate Income Fund may invest up to 20% of its net assets in real estate securities of companies that are organized or located outside of the United States and that principally invest in non-U.S. markets.

Therefore, the Shelton Real Estate Income Fund generally invests in foreign securities to a lesser extent than the AR Capital Global Real Estate Income Fund. As a result, the risks associated with investments in foreign securities will impact the Shelton Real Estate Income Fund to a lesser extent than the AR Capital Global Real Estate Income Fund. Furthermore, even though the AR Capital Real Estate Income Fund and the Shelton Real Estate Income Fund have the same ability to invest in foreign securities, given that the AR Capital Real Estate Income Fund has not invested in foreign securities, to the extent the Shelton Real Estate Income Fund invests in foreign securities, the risks associated with investments in foreign securities will impact the Shelton Real Estate Income Fund to a greater extent than the AR Capital Real Estate Income Fund.

Comparison of Fees and Expenses

If the Reorganizations are approved by the Acquired Funds' shareholders, you will pay the fees and expenses of the Acquiring Fund(s) in which you will be invested. Like all mutual funds, each of the Acquired Funds and Acquiring Funds incurs certain fees and expenses in its operations and, as a shareholder, you pay these expenses indirectly.

The costs of mutual funds are often measured by their expense ratios (i.e., the ratio of their total expenses for a year divided by their average daily net asset value over the same year). In order to limit the expenses of the Acquiring Funds, Shelton has contractually agreed from the date of commencement of the Acquiring Funds' operations through December 31, 2017 to limit each Acquiring Fund's "Other Expenses" to 0.35% of the Acquired Funds' average daily net assets, which is the same expense cap to which the Acquired Funds are subject. These contractual limitations may be terminated during this period only by the Acquiring Funds' Board of Trustees, and will automatically terminate upon termination of the investment advisory agreement between an Acquired Fund and Shelton. The expense caps to which Shelton has agreed for the Acquiring Funds are subject to recapture provisions similar to those in the current expense limitation agreements for the Acquired Funds, and the recapture rights under the Acquired Funds' expense limitation agreements have been assigned from NFA to Shelton. As a result of similar management fees and the expense limitation agreement, total annual fund operating expenses are expected to the be the same for the Acquiring Funds as compared to the Acquired Funds with a few exceptions: (1) shareholders of the AR Global Real Estate Fund will experience a reduction in management fees as a shareholders of the Shelton Real Estate Fund and (2) shareholder of Class C shares of the Acquired Funds will pay a lower 12b-1 fee as shareholders of the Investor Class shares of the Acquiring Funds, which will result in a substantial fee savings. Additionally, unlike the Acquired Funds, the Acquiring Funds do not charge sales loads or redemption fees.

The following tables compare the fees and expenses of each Acquired Fund for the most recent fiscal year ended March 31, 2016 with the current estimated fees and expenses for the corresponding Acquiring Fund on a pro forma basis assuming consummation of the Reorganizations. Because the Acquiring Funds were not operational as of the date of this Proxy Statement/Prospectus, the expenses shown for each Acquiring Fund are based, in part, on estimates.

Comparison of Fees and Expenses

Proposal No. 1 – AR Capital BDC Income Fund into Shelton BDC Income Fund

	AR Capital BDC Income Fund Class A	AR Capital BDC Income Fund Class C	Shelton BDC Income Fund Investor Class
Shareholder fees (fees paid directly from your investment)			
Maximum Sales Charges (Load) Imposed on Purchases			
(as a percentage of the offering price)	4.50%[1]	None	None
Maximum Deferred Sales Charge (Load)	1.00%[2]	1.00%[3]	None
(as a percentage of the original purchase price or redemption proceeds, whichever is lower)			

(1) The initial sales charge may be waived for purchases by certain types of accounts, including fee-based advisory accounts.

(2) Only applies for purchases of greater than $1 million that are redeemed within one year of purchase.

(3) For Class C shares, no deferred sales charge applies after one year.

Annual Fund Operating Expenses			
(expenses that you pay each year as a percentage of the value of your investment)			
Management Fees	0.90%	0.90%	0.90%
Distribution and Service (12b-1) Fees	0.25%	1.00%	0.25%
Other Expenses	5.88%	5.88%	0.60%
Acquired Fund Fees and Expenses[1]			
(fees and expenses incurred directly by the fund as a result of investment in shares of one or more other funds)	9.14%	9.14%	9.14%
Total Annual Fund Operating Expenses	16.17%	16.92%	10.89%
Expense Reimbursement	(5.53)%[2]	(5.53)%[2]	(0.25)%[3]
Total Fund Operating Expenses			
After Expense Reimbursement	10.64%	11.39%	10.64%

(1) “Acquired Fund Fees and Expenses’’ are the indirect costs of investing in other investment companies.

(2) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the “Other Expenses” to 0.35% of average daily net assets of the fund’s shares (the “Expense Cap”). The Expense Cap will remain in effect indefinitely. Shelton may recover from the fund any fees or expenses previously waived or paid by Shelton or

NFA pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Cap as in effect at the time such fees were waived or expenses were paid.

(3) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Reimbursement"). The Expense Reimbursement will remain in effect for at least one year following the consummation of the Reorganiztion, and may be terminated before that date only by the Board of Trustees of SCM Trust. Shelton may recover any previously waived fees and paid expenses from the fund pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Reimbursement as in effect at the time such fees were waived or expenses were paid.

	AR Capital BDC Income Fund Advisor Class	Shelton BDC Income Fund Institutional Class
Shareholder fees (fees paid directly from your investment)	None	None
Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)		
Management Fees	0.90%	0.90%
Distribution and Service (12b-1) Fees	None	None
Other Expenses	5.88%	0.60%
Acquired Fund Fees and Expenses[1]		
(fees and expenses incurred directly by the fund as a result of investment in shares of one or more other funds)	9.14%	9.14%
Total Annual Fund Operating Expenses	15.92%	10.64%
Expense Reimbursement	(5.53)%[2]	(0.25)%[3]
Total Fund Operating Expenses		
After Expense Reimbursement	10.39%	10.39%

(1) "Acquired Fund Fees and Expenses'' are the indirect costs of investing in other investment companies.

(2) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Cap"). The Expense Cap will remain in effect indefinitely. Shelton may recover from the fund any fees or expenses previously waived or paid by Shelton or NFA pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Cap as in effect at the time such fees were waived or expenses were paid.

(3) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Reimbursement"). The Expense Reimbursement will remain in effect for at least one year following the consummation of the Reorganization, and may be terminated before that date only by the Board of Trustees of SCM Trust. Shelton may recover any previously waived fees and paid expenses from the fund pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Reimbursement as in effect at the time such fees were waived or expenses were paid.

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Proposal No. 2 – AR Capital Real Estate Income Fund into Shelton Real Estate Income Fund

	AR Capital Real Estate Income Fund Class A	AR Capital Real Estate Income Fund Class C	Shelton Real Estate Income Fund Investor Class
Shareholder fees (fees paid directly from your investment)			
Maximum Sales Charges (Load)	4.50%[(1)]	None	None
Imposed on Purchases (as a percentage of the offering price)			
Maximum Deferred Sales Charge (Load)	1.00%[(2)]	1.00%[(3)]	None
(as a percentage of the original purchase price or redemption proceeds, whichever is lower)			

(1) The initial sales charge may be waived for purchases by certain types of accounts, including fee-based advisory accounts.

(2) Only applies for purchases of greater than $1 million that are redeemed within one year of purchase.

(3) For Class C shares, no deferred sales charge applies after one year.

Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)			
Management Fees	0.80%	0.80%	0.80%
Distribution and Service (12b-1) Fees	0.25%	1.00%	0.25%
Other Expenses	1.41%	1.41%	0.67%
Acquired Fund Fees and Expenses[(1)]	0.02%	0.02%	0.02%
(fees and expenses incurred directly by the fund as a result of investment in shares of one or more other funds)			
Total Annual Fund Operating Expenses	2.48%	3.23%	1.74%
Expense Reimbursement	(1.06)%[(2)]	(1.06)%[(2)]	(0.32)%[(3)]
Total Fund Operating Expenses			
After Expense Reimbursement	1.42%	2.17%	1.42%

(1) "Acquired Fund Fees and Expenses'' are the indirect costs of investing in other investment companies.

(2) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Cap"). The Expense Cap will remain in effect indefinitely. Shelton may recover from the fund any fees or expenses previously waived or paid by Shelton or NFA pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Cap as in effect at the time such fees were waived or expenses were paid.

(3) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Reimbursement"). The Expense Reimbursement will remain in effect for at least one year following the consummation of the Reorganization, and may be terminated before that date only by the Board of Trustees of SCM Trust. Shelton may recover any previously waived fees and paid expenses from the fund pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Reimbursement as in effect at the time such fees were waived or expenses were paid.

	AR Capital Real Estate Income Fund Advisor Class	Shelton Real Estate Income Fund Institutional Class
Shareholder fees (fees paid directly from your investment)	None	None
Annual Fund Operating Expenses		
(expenses that you pay each year as a percentage of the value of your investment)		
Management Fees	0.80%	0.80%
Distribution and Service (12b-1) Fees	None	None
Other Expenses	1.41%	0.67%
Acquired Fund Fees and Expenses[1]	0.02%	0.02%
(fees and expenses incurred directly by the fund as a result of investment in shares of one or more other funds)		
Total Annual Fund Operating Expenses	2.23%	1.49%
Expense Reimbursement	(1.06)%[2]	(0.32)%[3]
Total Fund Operating Expenses		
After Expense Reimbursement	1.17%	1.17%

(1) "Acquired Fund Fees and Expenses'' are the indirect costs of investing in other investment companies.

(2) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Cap"). The Expense Cap will remain in effect indefinitely. Shelton may recover from the fund any fees or expenses previously waived or paid by Shelton or NFA pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Cap as in effect at the time such fees were waived or expenses were paid.

(3) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Reimbursement"). The Expense Reimbursement will remain in effect for at least one year following the consummation of the Reorganization, and may be terminated before that date only by the Board of Trustees of SCM Trust. Shelton may recover any previously waived fees and paid expenses from the fund pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Reimbursement as in effect at the time such fees were waived or expenses were paid.

Proposal No. 3 – AR Capital Global Real Estate Income Fund into Shelton Real Estate Income Fund

	AR Capital Global Real Estate Income Fund Class A	AR Capital Global Real Estate Income Fund Class C	Shelton Real Estate Income Fund Investor Class
Shareholder fees (fees paid directly from your investment)			
Maximum Sales Charges (Load)	4.50%[1]	None	None
Imposed on Purchases (as a percentage of the offering price)			
Maximum Deferred Sales Charge (Load)	1.00%[2]	1.00%[3]	None
(as a percentage of the original purchase price or redemption proceeds, whichever is lower)			

(1) The initial sales charge may be waived for purchases by certain types of accounts, including fee-based advisory accounts.

(2) Only applies for purchases of greater than $1 million that are redeemed within one year of purchase.

(3) For Class C shares, no deferred sales charge applies after one year.

Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)			
Management Fees	0.90%	0.90%	0.80%
Distribution and Service (12b-1) Fees	0.25%	1.00%	0.25%
Other Expenses	3.68%	3.68%	0.67%
Acquired Fund Fees and Expenses[1]			
(fees and expenses incurred directly by the fund as a result of investment in shares of	0.02%	0.02%	0.02%

one or more other funds)			
Total Annual Fund Operating Expenses	4.85%	5.60%	1.74%
Expense Reimbursement	(3.33)%[(2)]	(3.33)%[(2)]	(0.32)%[(3)]
Total Fund Operating Expenses			
After Expense Reimbursement	1.52%	2.27%	1.42%

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(1) "Acquired Fund Fees and Expenses'' are the indirect costs of investing in other investment companies.

(2) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Cap"). The Expense Cap will remain in effect indefinitely. Shelton may recover from the fund any fees or expenses previously waived or paid by Shelton or NFA pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Cap as in effect at the time such fees were waived or expenses were paid.

(3) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Reimbursement"). The Expense Reimbursement will remain in effect for at least one year following the Reorganization, and may be terminated before that date only by the Board of Trustees of SCM Trust. Shelton may recover any previously waived fees and paid expenses from the fund pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Reimbursement as in effect at the time such fees were waived or expenses were paid.

	AR Capital Global Real Estate Income Fund Advisor Class	Shelton Real Estate Income Fund Institutional Class
Shareholder fees (fees paid directly from your investment)	None	None
Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)		
Management Fees	0.90%	0.80%
Distribution and Service (12b-1) Fees	None	None
Other Expenses	3.68%	0.67%
Acquired Fund Fees and Expenses[1]		
(fees and expenses incurred directly by the fund as a result of investment in shares of one or more other funds)	0.02%	0.02%
Total Annual Fund Operating Expenses	4.60%	1.49%
Expense Reimbursement	(3.33)%[2]	(0.32)%[3]
Total Fund Operating Expenses		
After Expense Reimbursement	1.27%	1.17%

(1) "Acquired Fund Fees and Expenses'' are the indirect costs of investing in other investment companies.

(2) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Cap"). The Expense Cap will remain in effect indefinitely. Shelton may recover from the fund any fees or expenses previously waived or paid by Shelton or NFA pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Cap as in effect at the time such fees were waived or expenses were paid.

(3) Shelton has contractually agreed to waive a portion or all of its management fees and pay fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the "Other Expenses" to 0.35% of average daily net assets of the fund's shares (the "Expense Reimbursement"). The Expense Reimbursement will remain in effect for at least one year following the consummation of the Reorganization, and may be terminated before that date only by the Board of Trustees of SCM Trust. Shelton may recover any previously waived fees and paid expenses from the fund pursuant to this agreement for three years from the date they were waived or paid. Shelton's ability to recover any previously waived fees and paid expenses is subject to the Expense Reimbursement as in effect at the time such fees were waived or expenses were paid.

As illustrated above, with respect to particular fees:

- Each Acquiring Fund has an equivalent or lower management fees compared to its corresponding Acquired Fund.

- The Class A shares of the Acquired Funds and the Class C shares of the Acquired Funds assess a 0.25% 12b-1 fee and a 1.00% 12b-1 fee, respectively. The Investor Class of the Acquiring Funds will have a 0.25% 12b-1 fee. Neither the Advisor Class shares nor the Institutional Class shares of the Acquiring Funds impose a 12b-1 fee.

- The Class A shares of the Acquired Funds assess a maximum sales charge of up to 4.5%. Neither Advisor Class nor Class C shares of the Acquired Funds have sale charges upon purchase. The Acquiring Funds do not assess sales charges upon purchase.

- The Class A and Class C shares of the Acquired Funds may charge up to a maximum 1.00% deferred sales charge upon redemption. The Acquiring Funds do not assess exchange or deferred sales charges.

- The total fund operating expenses after expense reimbursement for each share class of an Acquiring Fund is equal to or lower than those of the corresponding share class of the corresponding Acquired Fund.

Example

This Example is intended to help you compare the cost of investing in each share class of the Acquired Funds with the cost of investing in the corresponding share class of the Acquiring Fund, assuming the Reorganizations have been completed. The Example assumes that you invest $10,000 in each of the Acquired Funds and corresponding Acquiring Fund for the time periods indicated, that your investment has a 5% return each year, and that each of the Acquired Funds' and corresponding Acquiring Funds' operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions you would pay the following expenses if you redeem all of your shares at the end of the time periods indicated:

Proposal No. 1 – AR Capital BDC Income Fund into Shelton BDC Income Fund

	1 Year	3 Years
AR Capital BDC Income Fund, Class A	$1,437	$4,035
AR Capital BDC Income Fund, Class C	$1,103	$3,904
Shelton BDC Income Fund, Investor Class	$1,034	$2,970

	1 Year	3 Years
AR Capital BDC Income Fund, Advisor Class	$1,011	$3,703
Shelton BDC Income Fund, Institutional Class	$1,011	$2,912

Proposal No. 2 – AR Capital Real Estate Income Fund into Shelton Real Estate Income Fund

	1 Year	3 Years
AR Capital Real Estate Income Fund, Class A	$588	$1,091
AR Capital Real Estate Income Fund, Class C	$220	$896
Shelton Real Estate Income Fund, Investor Class	$145	$517

	1 Year	3 Years
AR Capital Real Estate Income Fund, Advisor Class	$119	$595
Shelton Real Estate Income Fund, Institutional Class	$1,019	$440

Proposal No. 3 – AR Capital Global Real Estate Income Fund into Shelton Real Estate Income Fund

	1 Year	3 Years
AR Capital Global Real Estate Income Fund, Class A	$598	$1,558
AR Capital Global Real Estate Income Fund, Class C	$230	$1,374
Shelton Real Estate Income Fund, Investor Class	$145	$517

	1 Year	3 Years
AR Capital Global Real Estate Income Fund, Advisor Class	$129	$1,088
Shelton Real Estate Income Fund, Institutional Class	$119	$440

The Example above should not be considered a representation of future expenses. Actual expenses may be greater or less than those shown.

Pro Forma Capitalization

The following tables set forth the capitalization of each Acquired Fund (and each share class thereof) as of June 30, 2016 and, on a pro forma basis, the capitalization of the corresponding Acquiring Fund (and each share class thereof), assuming that the Reorganizations have been completed. Additionally, the table shows that capitalization of the Shelton Real Estate Income Fund if Proposal 2 and 3 are approved. Pro forma capitalization information is provided for the Acquiring Funds, as such funds will not have commenced operations prior to the Reorganizations. The following is an example of the number of shares of each Acquiring Fund that would be exchanged for shares of the corresponding Acquired Fund if the Reorganizations were consummated on June 30, 2016 and do not reflect the number of shares or value of shares that would actually be received if the Reorganizations, as depicted, occur. Each shareholder of each Acquired Fund will receive the number of full and fractional corresponding shares of the corresponding Acquiring Fund equal in value to the value (as of the Valuation Time) of the shares of the Acquired Fund held by the shareholder. As noted, the Acquiring Funds are newly-organized funds, without assets or liabilities, and were created for the purpose of acquiring the assets and liabilities of the Acquired Funds. The Acquired Funds will be the accounting survivors for financial statement purposes.

Proposal No. 1 – AR Capital BDC Income Fund into Shelton BDC Income Fund

Acquired Fund – Class A & C	Acquired Fund (unaudited)	Pro Forma Adjustments to Capitalization	Acquiring Fund – Investor Class After Reorganization (estimated) (unaudited)
Net Assets	$16,987,372.52	--	$16,987,372.52
Total Shares Outstanding	1,943,946.462	(245,209,210)	1,698,737.252
Net Asset Value Per Share		--	$10.00

Acquired Fund – Advisor Class			
Net Assets	$421,177.21	--	$421,177.21
Total Shares Outstanding	48,722.949	(6,605,228)	42,117.721
Net Asset Value Per Share		--	$10.00

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Proposal No. 2 – AR Capital Real Estate Income Fund into Shelton Real Estate Income Fund

Acquired Fund – Class A & C	Acquired Fund (unaudited)	Pro Forma Adjustments to Capitalization	Acquiring Fund – Investor Class After Reorganization (estimated) (unaudited)
Net Assets	$16,858,249.35	--	$16,858,249.35
Total Shares Outstanding	1,521,001.325	164,823.610	1,685,824.935
Net Asset Value Per Share		--	$10.00

Acquired Fund – Advisor Class			
Net Assets	$691,407.64	--	$691,407.64
Total Shares Outstanding	62,292.024	6,848.740	69,140.764
Net Asset Value Per Share		--	$10.00

Proposal No. 3 – AR Capital Global Real Estate Income Fund into Shelton Real Estate Income Fund

Acquired Fund – Class A &C	Acquired Fund (unaudited)	Pro Forma Adjustments to Capitalization	Acquiring Fund – Investor Class After Reorganization (estimated) (unaudited)
Net Assets	$2,571,942.75	--	$2,571,942.75
Total Shares Outstanding	285,252.188	(28,057.913)	257,194.275
Net Asset Value Per Share		--	$9.02

Acquired Fund – Advisor Class			
Net Assets	$497,106.93	--	$497,106.93
Total Shares Outstanding	54,993.775	(5,283.082)	49,710.693
Net Asset Value Per Share		--	$10.00

Combined Proposals 2 and 3 AR Real Estate Income Fund and AR Capital Global Real Estate Income Fund into Shelton Real Estate Income Fund

Acquired Funds – Class A & C	Acquired Funds (unaudited)	Pro Forma Adjustments to Capitalization	Acquiring Fund – Investor Class After Reorganization (estimated) (unaudited)
Net Assets	$19,430,192.10	--	$19,430,192.10
Total Shares Outstanding	1,806,253.513	136,765,697	1,943,019.210
		--	$10.00
Acquired Funds – Advisor Class			
Net Assets	$1,188,514.57	--	$1,188,514.57
Total Shares Outstanding	117,285.799	1,565.658	118,851.457
Net Asset Value Per Share		--	$10.00

Portfolio Turnover

The Acquired Funds and the Acquiring Funds pay transaction costs, such as commissions, when they buy and sell securities (or "turn over" their portfolios). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect a fund's performance. The Acquiring Funds do not have portfolio turnover rates to report because they have not yet commenced operations. However, because each Acquiring Fund will be managed in a similar manner as the corresponding Acquired Fund, the portfolio turnover rate of each Acquiring Fund is anticipated to be similar to that of the corresponding Acquired Fund. During the fiscal year ended March 31, 2016:

- The portfolio turnover rate of the AR Capital BDC Income Fund was 166% of the average value of its portfolio.
- The portfolio turnover rate of the AR Capital Real Estate Income Fund was 99% of the average value of its portfolio.
- The portfolio turnover rate of the AR Capital Global Real Estate Income Fund was 289% of the average value of its portfolio.

Comparison of Investment Objectives, Strategies and Policies

Each Acquiring Fund is designed to be similar from an investment perspective to its corresponding Acquired Fund. Indeed, the investment objective of each Acquired Fund is identical to the investment objective of the corresponding Acquiring Fund.

The principal investment strategies of the AR Capital BDC Income Fund and the Shelton BDC Income Fund are identical.

As described in further detail below, the principal investment strategies of the AR Capital Real Estate Income Fund and the Shelton Real Estate Income Fund, as well as the principal investment strategies of the AR Capital Global Real Estate Income Fund and the Shelton Real Estate Income Fund are similar. The funds differ in the extent to which they invest in foreign securities. Specifically, the AR Capital Global Real Estate Income Fund invests at least 40% of its net assets in real estate securities of companies that are organized or located outside of the United States and that principally invest in non-U.S. markets. The AR Capital Real Estate Income Fund has historically invested substantially all of its assets in domestic securities, although it has the flexibility to invest up to 20% of its net assets in foreign securities. The Shelton Real Estate Income Fund may invest up to 20% of its net assets in real estate securities of companies that are organized or located outside of the United States and that principally invest in non-U.S. markets.

Therefore, the Shelton Real Estate Income Fund generally invests in foreign securities to a lesser extent than the AR Capital Global Real Estate Income Fund. As a result, the risks associated with investments in foreign securities will impact the Shelton Real Estate Income Fund to a lesser extent than the AR Capital Global Real Estate Income Fund. Furthermore, even though the AR Capital Real Estate Income Fund and the Shelton Real Estate Income Fund have the same ability to invest in foreign securities, given that the AR Capital Real Estate Income Fund has not invested in foreign securities, to the extent the Shelton Real Estate Income Fund invests in foreign securities, the risks associated with investments in foreign securities will impact the Shelton Real Estate Income Fund to a greater extent than the AR Capital Real Estate Income Fund.

In addition, for the AR Capital Real Estate Income Fund and AR Capital Global Real Estate Income Fund, there will be significant continuity in portfolio management following the Reorganizations, as the Funds’ current portfolio manager is expected to serve as the portfolio manager for the Shelton Real Estate Income Fund.

The remainder of this section describes the investment objectives and principal investment strategies of each of the Acquired Funds and corresponding Acquiring Funds. Please be aware that this is only a brief discussion. More complete information may be found in the Prospectuses of the Acquired Funds and Acquiring Funds. Please note, however, that on August 1, 2016, the financial information in the Acquired Funds’ Registration Statement will become stale and no additional shares of the Acquired Funds may be sold because the Acquired Funds do not intend to file a post-effective amendment to update this information.

Investment Objective

The AR Capital BDC Income Fund and the Shelton BDC Income Fund have the same investment objective: to provide a high level of income with the potential for capital appreciation.

The AR Capital Real Estate Income Fund and the Shelton Real Estate Income Fund have the same investment objective: to provide current income with the potential for capital appreciation.

The AR Capital Global Real Estate Income Fund and the Shelton Real Estate Income Fund have the same investment objective: to provide current income with the potential for capital appreciation.

Principal Investment Strategy and Policies

AR Capital BDC Income Fund and Shelton BDC Income Fund (each, a "Fund")

Please note that the principal investment strategies of the AR Capital BDC Income Fund and the Shelton BDC Income Fund provided below are identical, except that all references to the AR Capital BDC Income Fund's sub-adviser are replaced with references to the Shelton BDC Income Fund's adviser. In the description below, both are referred to as "the Fund's adviser."

The Funds invest, under normal circumstances, substantially all (and under normal market conditions, at least 80%) of their net assets (plus any borrowings for investment purposes) in common stocks and other equity securities of business development companies ("BDCs") that are traded on one or more nationally recognized securities exchanges. The equity securities in which the Funds may invest consist of:

- common stocks;
- securities convertible into common stocks; and
- preferred stocks.

In addition, although the Funds typically invest in equity securities, the Funds may invest up to 20% of their net assets in debt securities of BDCs and other issuers of any maturity, duration or credit rating.

BDCs are publicly-held, closed-end investment funds that are regulated by the 1940 Act. BDCs primarily lend to or invest in private or thinly-traded companies. They also offer managerial assistance to the companies in which they invest. BDCs must adhere to various substantive regulatory requirements under the 1940 Act.

For example, the 1940 Act restricts the types of assets in which a BDC may invest (i.e., at least 70% of the BDC's total assets must be "qualifying assets," as defined in the 1940 Act). The 1940 Act also regulates how BDCs employ "leverage" (i.e., how BDCs use borrowed funds to make investments). Because the 1940 Act applies unique "coverage ratio" tests to BDCs, BDCs may incur more debt than other regulated closed-end investment companies. Specifically, on one hand, the total assets of a closed-end investment company (other than a BDC) must exceed the fund's outstanding debt by at least 300%. On the other hand, the total assets of a BDC must exceed the BDC's outstanding debt by only 200%, thereby allowing a BDC to employ more leverage than other regulated closed-end investment companies. Leverage magnifies the potential for gain and loss on amounts invested and, as a result, increases the risks associated with the securities of leveraged companies.

The Fund's adviser evaluates equity securities primarily on the BDC's or other issuer's ability to sustain its current dividend and secondarily considers the potential for capital appreciation. The Fund's adviser intends to allocate the Funds' assets among BDCs that, in its view, are paying attractive rates of distribution and appear capable of sustaining that distribution level over time. The Fund's adviser incorporates into its assessment, among other factors, dividend yield, price to book, financial operations, portfolio of investments and management quality. The Fund's adviser will also consider the amount of leverage employed by a BDC or other issuer before deciding to invest in its securities. In selecting securities for investment, the Fund's adviser generally seeks to invest in securities with relatively high distribution rates, and that it believes will continue to pay distributions at those rates for the foreseeable future.

Distributions from such securities may consist of income, capital gains and/or return of capital and cannot be guaranteed to continue.

When selecting securities for the Funds, the Fund's adviser may utilize fundamental, technical and other related methodologies to determine the intrinsic value of a security. The Fund's adviser expects that it will sell a security if, in the judgment of the portfolio manager, the security's income potential has been compromised, an issuer's fundamentals have deteriorated or may deteriorate or a more attractive investment opportunity is identified.

The Funds may invest up to 15% of their net assets in illiquid securities.

AR Capital Global Real Estate Income Fund and Shelton Real Estate Income Fund (each, a "Fund")

Please note that the principal investment strategies of the AR Capital Global Real Estate Income Fund and the Shelton Real Estate Income Fund differ only with respect to their investments in foreign securities.

The Funds concentrate their investments in securities of issuers in the real estate industry (also referred to herein as "real estate securities"), including securities issued by real estate investments trusts ("REITs") and REIT-like entities. The Funds invest substantially all (and under normal market conditions, at least 80%) of their net assets (plus any borrowings for investment purposes) in income producing real estate securities. The adviser evaluates securities based primarily on the relative attractiveness of income and secondarily considers the potential for capital appreciation. The adviser considers real estate securities to be securities issued by a company that (a) derives at least 50% of its revenues from the ownership, construction, financing, management or sale of commercial, industrial or residential real estate, or (b) has at least 50% of its assets invested in such real estate. The adviser plans to sell a security if, in the judgment of the portfolio manager, the security's income potential has been compromised, an issuer's fundamentals have deteriorated or may deteriorate or a more attractive investment opportunity is identified.

The Funds invest in both equity and debt securities, and invests to a substantial degree in securities issued by REITs. REITs are pooled investment vehicles that own interests in real estate, real-estate related loans or similar interests, and their revenue primarily consists of rent derived from owned, income-producing real estate properties and capital gains from the sale of such properties. A majority of the REITs in which the Funds invest are generally considered by the Advisor to be medium- or small-capitalization companies. The Funds will not invest in non-traded REITs that are sponsored, managed or distributed by affiliates of NFA.

Equity securities in which the Funds may invest include common and preferred stocks, convertible securities, rights and warrants to purchase common stock and depositary receipts. Although the adviser anticipates that the Funds will invest a substantial portion of their assets in equity securities, the Funds may invest up to 100% of their net assets in debt securities of any maturity, duration or credit rating. Debt securities in which the Funds may invest include corporate debt obligations and commercial mortgage-backed securities ("CMBS"). Debt securities acquired by the Funds may also include high-yield debt securities (commonly referred to as "junk" bonds) issued or guaranteed by real estate companies or other companies. The Funds invest in securities across all market capitalization ranges.

The AR Capital Global Real Estate Income Fund invests significantly in foreign securities. The AR Capital Global Real Estate Income Fund invests (at least 40% of its net assets) in real estate securities of companies that are organized or located outside of the U.S. and that principally invest in non-U.S. markets. If the adviser deems market conditions to be unfavorable, the AR Capital Global Real Estate Income Fund will invest at least 30% of its net assets in such non-U.S. companies.

The Shelton Real Estate Income Fund, on the other hand, may invest up to 20% of its net assets in real estate securities of companies that are organized or located outside of the U.S. and that principally invest in non-U.S. markets.

The Funds consider a company that derives at least 50% of its revenue from investments outside the U.S. or that has at least 50% of its assets invested outside of the U.S. as principally invested in non-U.S. markets.

Under normal market conditions, the Funds expect to have investments across different countries and regions, but in no less than three different countries, including the U.S. The non-U.S. companies in which the Funds invest may include those located or invested in emerging markets. Emerging markets are typically in countries that are in the process of industrialization and have lower gross national products than more developed countries. The Funds are not limited in the extent to which they may invest in companies located or invested in emerging markets.

The adviser expects that a portion of the Funds' investments in non-U.S. companies will be in the form of American Depositary Receipts ("ADRs"). An ADR is a negotiable certificate that evidences an ownership interest in American Depositary Shares, which, in turn, represent an interest in the shares of a non-U.S. company that has been deposited with a U.S. bank. ADRs trade in U.S. dollars and clear through U.S. settlement systems. The ADRs in which the Funds invest are listed on a U.S. stock exchange or traded over-the-counter in the U.S. The Funds may invest in "sponsored" and "unsponsored" ADRs. Sponsored ADRs are those in which the non-U.S. company enters into an agreement directly with the U.S. depositary bank to arrange for recordkeeping, forwarding of shareholder communications, payment of dividends and other services. An unsponsored ADR is setup without the cooperation of the non-U.S. company, and may be initiated by a broker-dealer wishing to establish a U.S. trading market.

To manage the Funds' currency exposures stemming from its investments in foreign securities, the Funds may enter into foreign currency exchange contracts to gain or hedge currency exposure or control risk.

The Funds may invest up to 15% of their net assets in illiquid securities.

AR Capital Real Estate Income Fund and Shelton Real Estate Income Fund (each, a "Fund")

Although each fund has the ability to invest up to 20% of its net assets in foreign securities, please note that the AR Capital Real Estate Income Fund has not historically invested in foreign securities.

The Funds concentrate their investments in real estate securities (i.e., securities of issuers in the real estate industry), including securities issued by REITs and REIT-like entities. The Funds invest, under normal circumstances, substantially all (and under normal market conditions, at least 80%) of their net assets (plus any borrowings for investment purposes) in income producing real estate securities. The adviser evaluates securities based primarily on the relative attractiveness of income and secondarily considers the potential for capital appreciation. The adviser considers real estate securities to be securities issued by a company that (a) derives at least 50% of its revenues from the ownership, construction, financing, management or sale of commercial, industrial or residential real estate, or (b) has at least 50% of its assets invested in such real estate. The adviser plans to sell a security if, in the judgment of the portfolio manager, the security's income potential has been compromised, an issuer's fundamentals have deteriorated or may deteriorate or a more attractive investment opportunity is identified.

The Funds invest in both equity and debt securities, and invests to a substantial degree in securities issued by REITs. REITs are pooled investment vehicles that own interests in real estate, real-estate related loans or similar interests, and their revenue primarily consists of rent derived from owned, income-producing real estate properties and capital gains from the sale of such properties. A majority of the REITs in which the Funds invest are generally considered by the adviser to be medium- or small-capitalization companies. The Funds will not invest in non-traded REITs that are sponsored, managed or distributed by affiliates of the adviser.

Equity securities in which the Funds may invest include common and preferred stocks, convertible securities, rights and warrants to purchase common stock and depositary receipts. Although the adviser anticipates that the Funds will invest a substantial portion of their assets in equity securities, the Funds may invest up to 100% of their net assets in debt securities of any maturity, duration or credit rating. Debt securities in which the Funds may invest include corporate debt obligations and CMBS. Debt securities acquired by the Funds may also include high-yield debt securities (commonly referred to as "junk" bonds) issued or guaranteed by real estate companies or other companies. The Funds invest in securities across all market capitalization ranges.

With respect to investments in foreign securities, each Fund has the flexibility to invest up to 20% of its net assets in foreign securities, although the AR Capital Real Estate Income Fund has historically invested substantially all of its assets in domestic securities.

The Shelton Real Estate Income Fund considers a company that derives at least 50% of its revenue from investments outside the U.S. or that has at least 50% of its assets invested outside of the U.S. as principally invested in non-U.S. markets.

Under normal market conditions, the Shelton Real Estate Income Fund expects to have investments across different countries and regions, but in no less than three different countries, including the U.S. The non-U.S. companies in which the Shelton Real Estate Income Fund invests may include those located or invested in emerging markets. Emerging markets are typically in countries that are in the process of industrialization and have lower gross national products than more developed countries. The Shelton Real Estate Income Fund is not limited in the extent to which it may invest in companies located or invested in emerging markets.

The adviser expects that a portion of the Shelton Real Estate Income Fund's investments in non-U.S. companies will be in the form of American Depositary Receipts ("ADRs"). An ADR is a negotiable certificate that evidences an ownership interest in American Depositary Shares, which, in turn, represent an interest in the shares of a non-U.S. company that has been deposited with a U.S. bank. ADRs trade in U.S. dollars and clear through U.S. settlement systems. The ADRs in which the Shelton Real Estate Income Fund invests are listed on a U.S. stock exchange or traded over-the-counter in the U.S. The Shelton Real Estate Income Fund may invest in "sponsored" and "unsponsored" ADRs. Sponsored ADRs are those in which the non-U.S. company enters into an agreement directly with the U.S. depositary bank to arrange for recordkeeping, forwarding of shareholder communications, payment of dividends and other services. An unsponsored ADR is setup without the cooperation of the non-U.S. company, and may be initiated by a broker-dealer wishing to establish a U.S. trading market.

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To manage the Shelton Real Estate Income Fund’s currency exposures stemming from its investments in foreign securitirder-top:1pt none #D9D9D9 ;border-left:1pt none #D9D9D9 ;border-bottom:1pt none #D9D9D9 ;border-right:1pt none #D9D9D9 ;height:12.75pt;padding:0pt;">

2,678

Other

57

104

Changes in operating assets and liabilities before effects of business combinations:

Accounts receivable

(36,431)

(3,051)

Inventories

46,126

(8,045)

Derivative financial instruments

6,279

18,503

Prepaid expenses and other assets

(849)

6,732

Accounts payable and accrued liabilities

(23,704)

(56,636)

Current income taxes

8,089

(1,532)

Other

1,150

1,300

Net cash provided (used) by operating activities

60,981

(7,480)

Cash flows from investing activities:

Purchases of property and equipment

(35,658)

(44,464)

Acquisition of businesses, net of cash acquired

(252,488)

-

Investments in unconsolidated subsidiaries

(1,388)

(3,309)

Net cash used by investing activities

(289,534)

(47,773)

Cash flows from financing activities:

Proceeds from the issuance of long-term debt

337,000

178,400

Payments of principal on long-term debt

(40,578)

(194,819)

Proceeds from short-term borrowings

2,969,034

2,382,589

Payments on short-term borrowings

(2,967,191)

(2,391,874)

Proceeds from issuance of Green Plains Partners common units, net

-

157,422

Payments for repurchase of common stock

(6,005)

(4,003)

Payments of cash dividends and distributions

(27,837)

(10,646)

Change in restricted cash

(7,200)

13,085

Payments of loan fees

(7,810)

(5,314)

Proceeds from exercises of stock options

1,632

766

Net cash provided by financing activities

251,045

125,606

Net change in cash and cash equivalents

22,492

70,353

Cash and cash equivalents, beginning of period

384,867

425,510

Cash and cash equivalents, end of period

$

407,359

$

495,863

Continued on the following page

GREEN PLAINS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

Continued from the previous page

	Nine Months Ended September 30,	
	2016	2015
Supplemental disclosures of cash flow		
Cash paid for income taxes	$ 3,348	$ 43,347
Cash paid for interest	$ 24,280	$ 23,262

See accompanying notes to the consolidated financial statements.

GREEN PLAINS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References to the Company

References to “Green Plains” or the “company” in the consolidated financial statements and in these notes to the consolidated financial statements refer to Green Plains Inc., an Iowa corporation, and its subsidiaries.

Consolidated Financial Statements

The consolidated financial statements include the company’s accounts and all significant intercompany balances and transactions are eliminated. Unconsolidated entities are included in the financial statements on an equity basis. Interim period results are not necessarily indicative of the results to be expected for the entire year. Effective April 1, 2016, the company increased its ownership of BioProcess Algae, a joint venture formed in 2008, to 82.8% and consolidated BioProcess Algae in its consolidated financial statements beginning on that date.

The accompanying unaudited consolidated financial statements are prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Because they do not include all of the information and footnotes required by GAAP, the consolidated financial statements should be read in conjunction with the company’s annual report on Form 10-K for the year ended December 31, 2015.

The unaudited financial information reflects adjustments which are, in the opinion of management, necessary for a fair presentation of results of operations, financial position and cash flows for the periods presented. The adjustments are normal and recurring in nature, unless otherwise noted.

Reclassifications

Certain prior year amounts were reclassified to conform to the current year presentation. These reclassifications did not affect total revenues, costs and expenses, net income or stockholders' equity.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and 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. The company bases its estimates on historical experience and assumptions it believes are proper and reasonable under the circumstances and regularly evaluates the appropriateness of its estimates and assumptions. Actual results could differ from those estimates. Key accounting policies, including but not limited to those relating to revenue recognition, depreciation of property and equipment, impairment of long-lived assets and goodwill, derivative financial instruments, and accounting for income taxes, are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements.

Description of Business

Green Plains is the third largest ethanol producer in North America. The company operates within four business segments: (1) ethanol production, which includes the production of ethanol, distillers grains and corn oil, (2) agribusiness, which includes grain handling and storage and cattle feedlot operations, (3) marketing and distribution, which includes marketing and merchant trading for company-produced and third-party ethanol, distillers grains, corn oil, natural gas and other commodities, and (4) partnership, which includes fuel storage and transportation services. The company is also a partner in a joint venture focused on developing technology to grow and harvest algae in commercially viable quantities.

Revenue Recognition

The company recognizes revenue when the following criteria are satisfied: persuasive evidence that an arrangement exists, title of product and risk of loss are transferred to the customer, price is fixed and determinable and collectability is reasonably assured.

Sales of ethanol, distillers grains, corn oil, natural gas and other commodities by the company's marketing business are recognized when title of product and risk of loss are transferred to an external customer. Revenues related to marketing for third parties are presented on a gross basis when the company takes title of the product and assumes risk of loss. Unearned revenue is recorded for goods in transit when the company has received payment but the title has not yet been transferred to the customer. Revenues for receiving, storing, transferring and transporting ethanol and other fuels are recognized when the product is delivered to the customer.

The company routinely enters into fixed-price, physical-delivery energy commodity purchase and sale agreements. At times, the company settles these transactions by transferring its obligations to other counterparties rather than delivering the physical commodity. These transactions are reported net as a component of revenues. Revenues also include realized gains and losses on related derivative financial instruments, ineffectiveness on cash flow hedges and reclassifications of realized gains and losses on effective cash flow hedges from accumulated other comprehensive income or loss.

Sales of agricultural commodities, including cattle, are recognized when title of product and risk of loss are transferred to the customer, which depends on the agreed upon terms. The sales terms provide passage of title when shipment is made or the commodity is delivered. Revenues related to grain merchandising are presented gross and include shipping and handling, which is also a component of cost of goods sold. Revenues from grain storage are recognized when services are rendered.

A substantial portion of the partnership revenues are derived from fixed-fee commercial agreements for storage, terminal or transportation services. The partnership recognizes revenue when there is evidence an arrangement exists; risk of loss and title transfer to the customer; the price is fixed or determinable; and collectability is reasonably assured. Revenues from base storage, terminal or transportation services are recognized once these services are performed, which occurs when the product is delivered to the customer.

Cost of Goods Sold

Cost of goods sold includes direct labor, materials and plant overhead costs. Direct labor includes all compensation and related benefits of non-management personnel involved in ethanol plant and cattle feedlot operations. Grain purchasing and receiving costs, excluding labor costs for grain buyers and scale operators, are also included in cost of goods sold. Materials include the cost of corn feedstock, denaturant, process chemicals, cattle and veterinary supplies. Corn feedstock costs include unrealized gains and losses on related derivative financial instruments not designated as cash flow hedges, inbound freight charges, inspection costs and transfer costs as well as realized gains and losses on related derivative financial instruments, ineffectiveness on cash flow hedges and reclassifications of realized gains and losses on effective cash flow hedges from accumulated other comprehensive income or loss. Plant overhead consists primarily of plant and feedlot utilities, repairs and maintenance, yard expenses and outbound freight charges. Shipping costs incurred by the company, including railcar costs, are also reflected in cost of goods sold.

The company uses exchange-traded futures and options contracts to minimize the effect of price changes on the agribusiness segment's grain and cattle inventories and forward purchase and sales contracts. Exchange-traded futures and options contracts are valued at quoted market prices and settled predominantly in cash. The company is exposed to loss when counterparties default on forward purchase and sale contracts. Grain inventories held for sale and forward purchase and sale contracts are valued at market prices when available or other market quotes adjusted for differences, primarily in transportation, between the exchange-traded market and local market where the terms of the contract is based. Changes in the fair value of grain inventories held for sale, forward purchase and sale contracts, and exchange-traded futures and options contracts are recognized as a component of cost of goods sold.

Operations and Maintenance Expenses

In the partnership segment, transportation expenses represent the primary component of operations and maintenance expenses. Transportation expenses includes railcar leases, freight and shipping of the company's ethanol and co-products, as well as costs incurred storing ethanol at destination terminals.

Derivative Financial Instruments

The company uses various derivative financial instruments, including exchange-traded futures and exchange-traded and over-the-counter options contracts, to minimize risk and the effect of price changes related to corn, ethanol, cattle and natural gas. The company monitors and manages this exposure as part of its overall risk management policy to reduce the adverse effect market volatility may have on its operating results. The company may hedge these commodities as one way to mitigate risk, however, there may be situations when the hedging activities themselves result in losses.

By using derivatives to hedge exposures to changes in commodity prices, the company is exposed to credit and market risk. The company's exposure to credit risk includes the counterparty's failure to fulfill its performance obligations under the terms of the derivative contract. The company minimizes credit risk by entering into transactions with high quality counterparties, limiting the amount of financial exposure it has with each counterparty and monitoring their financial condition. Market risk is the risk that the value of the financial instrument might be adversely affected by a change in commodity prices or interest rates. The company manages market risk by incorporating parameters to monitor exposure within its risk management strategy which limits the types of derivative instruments and strategies the company can use and the degree of market risk it can take using derivative instruments.

The company evaluates its physical delivery contracts to determine if they qualify for normal purchase or sale exemptions which are expected to be used or sold over a reasonable period in the normal course of business. Contracts that do not meet the normal purchase or sale criteria are recorded at fair value. Changes in fair value are recorded in operating income unless the contracts qualify for, and the company elects to use, hedge accounting treatment.

Certain qualifying derivatives related to the ethanol production and agribusiness segments are designated as cash flow hedges. The company evaluates the derivative instrument to ascertain its effectiveness prior to entering into cash flow hedges. Ineffectiveness is recognized in current period results, while other unrealized gains and losses are reflected in accumulated other comprehensive income until the gain or loss from the underlying hedged transaction is realized. When it becomes probable a forecasted transaction will not occur, the cash flow hedge treatment is discontinued, which affects earnings. These derivative financial instruments are recognized in current assets or other current liabilities at fair value.

At times, the company hedges its exposure to changes in the value of inventories and designates qualifying derivatives as fair value hedges. The carrying amount of the hedged inventory is adjusted in current period results for changes in fair value. Ineffectiveness is recognized in current period results to the extent the change in fair value of the inventory is not offset by the change in fair value of the derivative.

Recent Accounting Pronouncements

Effective January 1, 2016, the company adopted the amended guidance in ASC Topic 835-30, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a deduction from the carrying amount of the debt, consistent with debt discounts. The amended guidance has been applied on a retrospective basis, and the balance sheet of each individual period presented has been adjusted to reflect the period-specific effects of the new guidance.

Effective January 1, 2017, the company will adopt the amended guidance in ASC 718, Compensation – Stock Compensation, which requires all income tax effects of awards to be recognized in the income statement when the awards vest or settle. The amended guidance also will allow an employer to repurchase more of an employee’s shares than it can currently for tax withholding purposes without triggering liability accounting and make a policy election to account for forfeitures as they occur. Early application is permitted. The company is currently evaluating the impact the adoption of the amended guidance will have on the consolidated financial statements and related disclosures.

Effective January 1, 2017, the company will adopt the amended guidance in ASC 330, Inventory: Simplifying the Measurement of Inventory, which requires inventory to be measured at lower of cost or net realizable value. Net realizable value is the estimated selling prices during the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amended guidance will be applied prospectively.

Effective January 1, 2018, the company will adopt the amended guidance in ASC 606, Revenue from Contracts with Customers, which requires revenue recognition to reflect the transfer of promised goods or services to customers. The updated standard permits either the retrospective or cumulative effect transition method. Early application beginning January 1, 2017, is permitted. The company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

Effective January 1, 2019, the company will adopt the amended guidance in ASC 842, Leases, which aims to make leasing activities more transparent and comparable and requires substantially all leases to be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. Early application is permitted. The company is currently evaluating the impact the adoption of the amended guidance will have on the consolidated financial statements and related disclosures.

2. GREEN PLAINS PARTNERS LP

Initial Public Offering of Subsidiary

On July 1, 2015, Green Plains Partners LP, or the partnership, a newly formed subsidiary of the company, closed its initial public offering, or the IPO. In conjunction with the IPO, the company contributed its downstream ethanol transportation and storage assets to the partnership. A total of 11,500,000 common units, representing limited partner interests, including 1,500,000 common units pursuant to the underwriters' overallotment option, were sold to the public for $15.00 per common unit. The partnership received net proceeds of approximately $157.5 million, after deducting underwriting discounts, structuring fees and offering expenses. The partnership used the proceeds to make a distribution to the company of $155.3 million and to pay approximately $0.9 million in origination fees under its new $100.0 million revolving credit facility. The remaining $1.3 million was retained for general partnership purposes. The company now owns a 62.5% limited partner interest, consisting of 4,389,642 common units and 15,889,642 subordinated units, and a 2.0% general partner interest in the partnership. The public owns the remaining 35.5% limited partner interest in the partnership. As such, the partnership is consolidated in the company's financial statements.

The partnership is a fee-based master limited partnership formed by Green Plains to provide fuel storage and transportation services by owning, operating, developing and acquiring ethanol and fuel storage tanks, terminals, transportation assets and other related assets and businesses. The partnership's assets currently include (i) 38 ethanol storage facilities, located at or near the company's 17 ethanol production plants, which have the ability to efficiently and effectively store and load railcars and tanker trucks with all of the ethanol produced at the company's ethanol production plants, (ii) eight fuel terminal facilities, located near major rail lines, which enable the partnership to receive, store and deliver fuels from and to markets that seek access to renewable fuels, and (iii) transportation assets, including a leased railcar fleet of approximately 3,100 railcars, which is contracted to transport ethanol from the company's ethanol production plants to refineries throughout the United States and international export terminals. The partnership expects to be the company's primary downstream logistics provider to support its approximately 1.5 Bgy ethanol marketing and distribution business since the partnership's assets are the principal method of storing and delivering the ethanol the company produces.

A substantial portion of the partnership's revenues are derived from long-term, fee-based commercial agreements with Green Plains Trade, a subsidiary of the company. In connection with the IPO, the partnership (1) entered into (i) a ten-year fee-based storage and throughput agreement; (ii) a six-year fee-based rail transportation services agreement; and (iii) a one-year fee-based trucking transportation agreement, and (2) assumed (i) an approximately 2.5-year terminal services agreement for the partnership's Birmingham, Alabama-unit train terminal; and (ii) various other terminal services agreements for its other fuel terminal facilities, each with Green Plains Trade. The partnership's storage and throughput agreement, and certain terminal services agreements, including the terminal services agreement for the Birmingham facility, are supported by minimum volume commitments. The partnership's rail transportation services agreement is supported by minimum take-or-pay capacity commitments. The company also has agreements which establish fees for general and administrative, and operational and maintenance services it provides. These transactions are eliminated in the presentation of consolidated financial results.

3. ACQUISITIONS

Acquisition of Abengoa Ethanol Plants

On September 23, 2016, the company acquired three ethanol plants located in Madison, Illinois, Mount Vernon, Indiana, and York, Nebraska from subsidiaries of Abengoa S.A. for approximately $237.4 million for the ethanol plant assets and $15.2 million for working capital acquired or assumed, subject to certain post-closing adjustments. These ethanol facilities have a combined annual production capacity of 236 mmgy. The company recorded $0.8 million of acquisition costs for the Abengoa ethanol plants to selling, general and administrative expenses during the three months ended September 30, 2016.

The purchase price allocation is based on the preliminary results of an independent valuation. The purchase price and purchase price allocation are preliminary until contractual post-closing working capital adjustments are finalized and the final independent valuation report is issued. The following is a summary of the preliminary purchase price of assets acquired and liabilities assumed (in thousands):

Amounts of Identifiable Assets Acquired and Liabilities Assumed	
Inventory	$ 16,456
Accounts receivable, net	1,588
Prepaid expenses and other	457
Property and equipment, net	235,395
Other assets	60
Current liabilities	(1,403)
Total identifiable net assets	$ 252,553

Concurrently with the company's acquisition of the Abengoa ethanol plants, on September 23, 2016, the partnership acquired the storage assets of the Abengoa ethanol plants from the company for $90 million in a transfer between entities under common control and entered into amendments to the related commercial agreements with Green Plains Trade.

Disclosure of pro forma combined total revenues and net income (loss) information for the acquisition of the Abengoa ethanol plants is not currently practicable because financial statements for the acquired plants are currently under audit and have not yet been provided by the sellers. The company expects to report pro forma financial information in the annual report on Form 10-K for the year ending December 31, 2016.

Acquisition of Hereford Ethanol Plant

On November 12, 2015, the company acquired an ethanol production facility in Hereford, Texas, with an annual production capacity of approximately 100 mmgy for approximately $78.8 million for the ethanol plant assets, as well as working capital acquired or assumed of approximately $19.4 million.

The following is a summary of the final purchase price of assets acquired and liabilities assumed (in thousands):

	Amounts of Identifiable Assets Acquired and Liabilities Assumed
Inventory	$ 20,487
Derivative financial instruments	2,625
Property and equipment, net	78,786
Current liabilities	(2,542)
Other liabilities	(1,128)
Total identifiable net assets	$ 98,228

Effective January 1, 2016, the partnership acquired the storage and transportation assets of the Hereford and Hopewell production facilities in a transfer between entities under common control for approximately $62.3 million and entered into amendments to the related commercial agreements with Green Plains Trade.

4. FAIR VALUE DISCLOSURES

The following methods, assumptions and valuation techniques were used to estimate the fair value of the company's financial instruments:

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Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities the company can access at the measurement date. Level 1 unrealized gains and losses on commodity derivatives relate to exchange-traded open trade equity and option values in the company's brokerage accounts.

Level 2 – directly or indirectly observable inputs such as quoted prices for similar assets or liabilities in active markets other than quoted prices included within Level 1, quoted prices for identical or similar assets in markets that are not active, and other inputs that are observable or can be substantially corroborated by observable market data through correlation or other means. Grain inventories held for sale in the agribusiness segment are valued at nearby futures values, plus or minus nearby basis.

Level 3 – unobservable inputs that are supported by little or no market activity and comprise a significant component of the fair value of the assets or liabilities. The company currently does not have any recurring Level 3 financial instruments.

There have been no changes in valuation techniques and inputs used in measuring fair value. The company's assets and liabilities by level are as follows (in thousands):

	Fair Value Measurements at September 30, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Reclassification for Balance Sheet Presentation	Total
Assets:				
Cash and cash equivalents	$ 407,359	$ -	$ -	$ 407,359
Restricted cash	34,219	-	-	34,219
Margin deposits	8,792	-	(8,792)	-
Inventories carried at market	-	45,199	-	45,199
Unrealized gains on derivatives	26,098	17,468	(4,989)	38,577
Other assets	116	-	-	116
Total assets measured at fair value	$ 476,584	$ 62,667	$ (13,781)	$ 525,470
Liabilities:				
Unrealized losses on derivatives	$ 10,938	$ 23,674	$ (13,781)	$ 20,831
Other	-	15	-	15
Total liabilities measured at fair value	$ 10,938	$ 23,689	$ (13,781)	$ 20,846

	Fair Value Measurements at December 31, 2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Reclassification for Balance Sheet Presentation	Total
Assets:				
Cash and cash equivalents	$ 384,867	$ -	$ -	$ 384,867
Restricted cash	27,018	-	-	27,018
Margin deposits	7,658	-	(7,658)	-
Inventories carried at market	-	43,936	-	43,936
Unrealized gains on derivatives	19,756	7,145	3,639	30,540
Other assets	117	-	-	117
Total assets measured at fair value	$ 439,416	$ 51,081	$ (4,019)	$ 486,478
Liabilities:				
Unrealized losses on derivatives	$ 4,492	$ 7,772	$ (4,019)	$ 8,245
Total liabilities measured at fair value	$ 4,492	$ 7,772	$ (4,019)	$ 8,245

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The company believes the fair value of its debt was approximately $913.8 million compared with a book value of $923.5 million at September 30, 2016, and the fair value of its debt was approximately $661.8 million compared with a book value of $663.6 million at December 31, 2015. The company estimated the fair value of its outstanding debt using Level 2 inputs. The company believes the fair values of its accounts receivable and accounts payable approximated book value, which were $132.6 million and $129.3 million, respectively, at September 30, 2016, and $96.2 million and $167.0 million, respectively, at December 31, 2015.

Although the company currently does not have any recurring Level 3 financial measurements, the fair values of tangible assets and goodwill acquired and the equity component of convertible debt represent Level 3 measurements which were derived using a combination of the income approach, market approach and cost approach for the specific assets or liabilities being valued.

5. SEGMENT INFORMATION

Company management reports the financial and operating performance in the following four operating segments: (1) ethanol production, which includes the production of ethanol, distillers grains and corn oil, (2) agribusiness, which includes grain handling and storage and cattle feedlot operations, (3) marketing and distribution, which includes marketing and merchant trading for company-produced and third-party ethanol, distillers grains, corn oil, natural gas and other commodities, and (4) partnership, which includes fuel storage and transportation services.

Under GAAP, when transferring assets between entities under common control, the entity receiving the net assets initially recognizes the carrying amounts of the assets and liabilities at the date of transfer. The transferee's prior period financial statements are restated for all periods its operations were part of the parent's consolidated financial statements. On July 1, 2015, Green Plains Partners received ethanol storage and railcar assets and liabilities in a transfer between entities under common control. Effective January 1, 2016, the partnership acquired the storage and transportation assets of the Hereford and Hopewell production facilities in a transfer between entities under common control and entered into amendments to the related commercial agreements with Green Plains Trade. The transferred assets and liabilities are recognized at our historical cost and reflected retroactively in the segment information of the consolidated financial statements presented in this Form 10-Q. The assets of Green Plains Partners were previously included in the ethanol production and marketing and distribution segments. Expenses related to the ethanol storage and railcar assets, such as depreciation, amortization and railcar lease expenses, are also reflected retroactively in the following segment information. There were no revenues related to the operation of the ethanol storage and railcar assets in the partnership segment prior to their respective transfers to the partnership, when the related commercial agreements with Green Plains Trade became effective.

Corporate activities include selling, general and administrative expenses, consisting primarily of compensation, professional fees and overhead costs not directly related to a specific operating segment.

During the normal course of business, the operating segments do business with each other. For example, the ethanol production segment sells ethanol to the marketing and distribution segment, the agribusiness segment sells grain to the ethanol production segment and the partnership segment provides fuel storage and transportation services for the marketing and distribution segment. These intersegment activities are treated like third-party transactions and recorded at market values. Consequently, these transactions affect segment performance; however, they do not impact the company’s consolidated results since the revenues and corresponding costs are eliminated in consolidation.

The following tables set forth certain financial data for the company's operating segments (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues (1):				
Ethanol production:				
Revenues from external customers	$ 74,892	$ 37,702	$ 222,424	$ 140,640
Intersegment revenues	457,549	352,215	1,249,333	1,145,879
Total segment revenues	532,441	389,917	1,471,757	1,286,519
Agribusiness:				
Revenues from external customers	83,615	54,519	242,049	191,495
Intersegment revenues	359,715	255,671	1,058,813	783,388
Total segment revenues	443,330	310,190	1,300,862	974,883
Marketing and distribution:				
Revenues from external customers	681,279	648,413	2,008,268	1,887,184
Intersegment revenues	54,704	21,914	165,558	93,176
Total segment revenues	735,983	670,327	2,173,826	1,980,360
Partnership:				
Revenues from external customers	2,066	2,163	6,042	6,356
Intersegment revenues	24,139	19,247	69,445	21,895
Total segment revenues	26,205	21,410	75,487	28,251
Revenues including intersegment activity	1,737,959	1,391,844	5,021,932	4,270,013
Intersegment eliminations	(896,107)	(649,047)	(2,543,149)	(2,044,338)
Revenues as reported	$ 841,852	$ 742,797	$ 2,478,783	$ 2,225,675

(1) Revenues from external customers include realized gains and losses from derivative financial instruments.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Cost of goods sold:				
Ethanol production	$ 494,225	$ 365,348	$ 1,410,720	$ 1,184,595

Agribusiness	434,582	307,995	1,278,211	962,979
Marketing and distribution	726,323	656,934	2,147,803	1,950,327
Intersegment eliminations	(896,247)	(650,929)	(2,543,639)	(2,049,522)
	$ 758,883	$ 679,348	$ 2,293,095	$ 2,048,379

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating income (loss):				
Ethanol production	$ 15,311	$ 5,528	$ (7,385)	$ 43,139
Agribusiness	6,251	365	15,039	5,833
Marketing and distribution	5,252	9,406	13,908	17,446
Partnership	15,084	11,030	42,958	416
Intersegment eliminations	141	1,882	491	5,264
Corporate activities	(11,184)	(8,378)	(29,393)	(23,759)
	$ 30,855	$ 19,833	$ 35,618	$ 48,339

The following table sets forth third-party revenues by product line (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Ethanol	$ 550,724	$ 468,005	$ 1,622,168	$ 1,381,203
Distillers grains	129,345	121,273	357,070	359,164
Corn oil	49,844	28,949	111,727	67,649
Grain	30,003	47,106	145,800	199,982
Cattle	70,012	56,904	201,423	168,381
Service revenues	2,066	2,163	6,042	6,356
Other	9,858	18,397	34,553	42,940
	$ 841,852	$ 742,797	$ 2,478,783	$ 2,225,675

The following table sets forth total assets by operating segment (in thousands):

	September 30, 2016	December 31, 2015
Total assets (1):		
Ethanol production	$ 1,199,374	$ 1,002,270
Agribusiness	271,290	300,364
Marketing and distribution	279,368	230,651
Partnership	75,541	81,430
Corporate assets	362,121	314,068
Intersegment eliminations	(10,736)	(10,863)
	$ 2,176,958	$ 1,917,920

(1) Asset balances by segment exclude intercompany payable and receivable balances.

6. INVENTORIES

Inventories are carried at lower of cost or market, except for commodities held for sale and fair-value hedged inventories, which are reported at market value.

The components of inventories are as follows (in thousands):

	September 30, 2016	December 31, 2015
Finished goods	$ 68,654	$ 71,595
Commodities held for sale	35,880	43,936
Raw materials	94,080	116,673
Work-in-process	95,303	96,950
Supplies and parts	30,370	24,803
	$ 324,287	$ 353,957

7. GOODWILL

The company did not have any changes in the carrying amount of goodwill, which was $40.9 million at September 30, 2016, and December 31, 2015. Goodwill of $30.3 million is attributable to the ethanol production segment and $10.6 million is attributable to the partnership segment.

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8. DERIVATIVE FINANCIAL INSTRUMENTS

At September 30, 2016, the company's consolidated balance sheet reflected unrealized losses of $0.1 million, net of tax, in accumulated other comprehensive income (loss). The company expects these losses will be reclassified in operating income over the next 12 months as a result of hedged transactions that are forecasted to occur. The amount realized in operating income will differ as commodity prices change.

Fair Values of Derivative Instruments

The fair values of the company's derivative financial instruments and the line items on the consolidated balance sheets where they are reported are as follows (in thousands):

	Asset Derivatives' Fair Value		Liability Derivatives' Fair Value	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Derivative financial instruments (1)	$ 29,785 (2)	$ 22,882 (3)	$ -	$ -
Accrued and other liabilities	-	-	20,831	8,245
Other liabilities	-	-	15	-
Total	$ 29,785	$ 22,882	$ 20,846	$ 8,245

(1) Derivative financial instruments as reflected on the consolidated balance sheets are net of related margin deposit assets of $8.8 million and $7.7 million at September 30, 2016 and December 31, 2015, respectively.

(2) Balance at September 30, 2016 includes $4.2 million of net unrealized gains on derivative financial instruments designated as cash flow hedging instruments.

(3)Balance at December 31, 2015 includes $2.3 million of net unrealized losses on derivative financial instruments designated as cash flow hedging instruments.

Refer to Note 4 - Fair Value Disclosures, which contains fair value information related to derivative financial instruments.

Effect of Derivative Instruments on Consolidated Statements of Operations and Consolidated Statements of Stockholders' Equity and Comprehensive Income

The gains or losses recognized in income and other comprehensive income related to the company's derivative financial instruments and the line items on the consolidated financial statements where they are reported are as follows (in thousands):

Gains (Losses) on Derivative Instruments Not Designated in a Hedging Relationship	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$ (1,084)	$ (9,431)	$ 6,187	$ (9,597)
Cost of goods sold	(39)	20,992	(8,740)	2,783
Net increase (decrease) recognized in earnings before tax	$ (1,123)	$ 11,561	$ (2,553)	$ (6,814)

Gains (Losses) Due to Ineffectiveness of Cash Flow Hedges	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$ 34	$ 14	$ (5)	$ (45)
Cost of goods sold	96	(23)	(65)	-
Net increase (decrease) recognized in earnings before tax	$ 130	$ (9)	$ (70)	$ (45)

Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Net Income	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$ 25,254	$ 935	$ 12,029	$ 4,643
Cost of goods sold	(28,548)	515	(15,904)	(5,763)
Net increase (decrease) recognized in earnings before tax	$ (3,294)	$ 1,450	$ (3,875)	$ (1,120)

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Effective Portion of Cash Flow Hedges Recognized in Other Comprehensive Income (Loss)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Commodity Contracts	$ 3,250	$ 5,914	$ (2,157)	$ 14,799

Gains (Losses) from Fair Value Hedges of Inventory	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Revenues (effect of change in inventory value)	$ (40)	$ -	$ 1,379	$ -
Cost of goods sold (effect of change in inventory value)	(470)	376	7,712	(1,994)
Revenues (effect of fair value hedge)	40	-	(1,379)	-
Cost of goods sold (effect of fair value hedge)	918	842	(7,648)	4,742
Ineffectiveness recognized in earnings before tax	$ 448	$ 1,218	$ 64	$ 2,748

There were no gains or losses from discontinuing cash flow or fair value hedge treatment during the three and nine months ended September 30, 2016 and 2015.

The open commodity derivative positions as of September 30, 2016, are as follows (in thousands):

September 30, 2016

Derivative Instruments	Exchange Traded Net Long & (Short) (1)		Non-Exchange Traded Long (2)	(Short) (2)	Unit of Measure	Commodity
Futures	(30,405)				Bushels	Corn, Soybeans and Wheat
Futures	18,905	(3)			Bushels	Corn
Futures	(7,950)	(4)			Bushels	Corn
Futures	13,986				Gallons	Ethanol
Futures	(95,760)	(3)			Gallons	Ethanol
Futures	(7,773)				mmBTU	Natural Gas
Futures	(8,730)	(4)			mmBTU	Natural Gas
Futures	(200)				Pounds	Livestock
Futures	(80,440)	(3)			Pounds	Livestock
Futures	(966)				Barrels	Crude Oil
Futures	7,560				Pounds	Soybean Oil

Futures	6,342			Gallons	Denaturant
Options	(488)			Bushels	Corn, Soybeans and Wheat
Options	(23,798)			Gallons	Ethanol
Options	(1,838)			Pounds	Livestock
Options	96			Barrels	Crude Oil
Options	56			mmBTU	Natural Gas
Options	340			Pounds	Sugar
Forwards		40,871	(1,405)	Bushels	Corn and Soybeans
Forwards		5,594	(107,750)	Gallons	Ethanol
Forwards		143	(343)	Tons	Distillers Grains
Forwards		41,648	(79,215)	Pounds	Corn Oil
Forwards (4)		-	(26,993)	Pounds	Corn Oil
Forwards		15,827	(806)	mmBTU	Natural Gas
Forwards		1,532	(614)	Barrels	Crude Oil

(1) Exchange traded futures and options are presented on a net long and (short) position basis. Options are presented on a delta-adjusted basis.
(2) Non-exchange traded forwards are presented on a gross long and (short) position basis including both fixed-price and basis contracts.
(3) Futures used for cash flow hedges.
(4) Futures or non-exchange traded forwards used for fair value hedges.

Energy trading contracts that do not involve physical delivery are presented net in revenues on the consolidated statements of operations. Included in revenues are net gains on energy trading contracts of $2.7 million and $5.7 million for the three and nine months ended September 30, 2016, respectively, and net gains of $2.9 million and $10.7 million for the three and nine months ended September 30, 2015, respectively.

9. DEBT

The components of long-term debt are as follows (in thousands):

	September 30, 2016	December 31, 2015
Green Plains Partners:		
$155.0 million revolving credit facility	$ 132,000	$ -
Green Plains Processing:		
$345.0 million term loan	303,105	306,439
Corporate:		
$120.0 million convertible notes due 2018	107,339	103,072
$170.0 million convertible notes due 2022	125,799	-
Other	26,183	27,135
Total long-term debt	694,426	436,646
Less: current portion of long-term debt	(13,244)	(4,507)
Long-term debt	$ 681,182	$ 432,139

Short-term notes payable and other borrowings at September 30, 2016, include working capital revolvers at Green Plains Cattle, Green Plains Grain and Green Plains Trade with outstanding balances of $63.0 million, $73.0 million and $93.1 million, respectively. Short-term notes payable and other borrowings at December 31, 2015, include working capital revolvers at Green Plains Cattle, Green Plains Grain and Green Plains Trade with outstanding balances of $69.7 million, $77.0 million and $80.2 million, respectively.

Effective January 1, 2016, the company adopted ASC 835-30, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs, which resulted in the reclassification of approximately $11.4 million from other assets to long-term debt within the balance sheet as of December 31, 2015. As of September 30, 2016, there was $13.7 million of debt issuance costs recorded as a reduction of the carrying value of the company's long-term debt.

Ethanol Production Segment

Green Plains Processing has a $345.0 million senior secured credit facility, which is guaranteed by the company and subsidiaries of Green Plains Processing and secured by the stock and substantially all of the assets of Green Plains Processing. The interest rate is 5.50% plus LIBOR, subject to a 1.00% floor. The terms of the credit facility require the borrower to maintain a maximum total leverage ratio of 4.00 to 1.00 at the end of each quarter, decreasing to 3.25 to 1.00 over the life of the credit facility, and a minimum fixed charge coverage ratio of 1.25 to 1.00. Effective September 30, 2016, the maximum total leverage ratio is 3.75 to 1.00. The credit facility also has a provision requiring the company to make special quarterly payments of 50% to 75% of its available free cash flow, subject to certain limitations.

At September 30, 2016, the interest rate on this term debt was 6.50%. Scheduled principal payments are $0.9 million each quarter.

Agribusiness Segment

Green Plains Grain has a $125.0 million senior secured asset-based revolving credit facility, to finance working capital up to the maximum commitment based on eligible collateral equal to the sum of percentages of eligible cash, receivables and inventories, less miscellaneous adjustments. The credit facility was amended on July 27, 2016, extending the maturity date to July 26, 2019. Advances under the amended credit facility are subject to an interest rate equal to LIBOR plus 3.00% or the lenders' base rate plus 2.00%. The credit facility also includes an accordion feature that enables the facility to be increased by up to $75.0 million with agent approval. The credit facility can also be increased by up to $50.0 million for seasonal borrowings. Total commitments outstanding cannot exceed $250.0 million.

Lenders receive a first priority lien on certain cash, inventory, accounts receivable and other assets owned by subsidiaries in the agribusiness segment as security on the credit facility. The terms impose affirmative and negative covenants, including maintaining minimum working capital and tangible net worth. Capital expenditures are limited to $8.0 million per year under the credit facility, plus equity contributions from the company and unused amounts from the previous year. In addition, the credit facility requires the company to maintain a minimum fixed charge coverage ratio of 1.25 to 1.00 and a maximum annual leverage ratio of 6.00 to 1.00 at the end of each quarter. The credit facility also contains restrictions on distributions related to capital stock, with exceptions for distributions up to 50% of net profit before tax, subject to certain conditions.

Green Plains Cattle has a $100.0 million senior secured asset-based revolving credit facility, which matures on October 31, 2017, to finance working capital for the cattle feedlot operations up to the maximum commitment based on eligible collateral equal to the sum of percentages of eligible receivables, inventories and other current assets, less miscellaneous adjustments. Advances are subject to variable interest rates equal to LIBOR plus 2.00% to 3.00%, or the base rate plus 0.00% to 0.25%, depending upon availability. The credit facility also includes an accordion feature that enables the credit facility to be increased by up to $50.0 million with agent approval.

Lenders receive a first priority lien on certain cash, inventory, accounts receivable, property and equipment and other assets owned by Green Plains Cattle as security on the credit facility. The terms impose affirmative and negative covenants, including maintaining working capital of $15.0 million and tangible net worth of $20.3 million for 2016 and a total debt to tangible net worth ratio of 3.50 to 1.00. Capital expenditures are limited to $3.0 million per year under the credit facility, plus unused amounts from the previous year.

Marketing and Distribution Segment

Green Plains Trade has a $150.0 million senior secured asset-based revolving credit facility, which matures on November 26, 2019, to finance working capital for marketing and distribution activities based on eligible collateral equal to the sum of percentages of eligible receivables and inventories, less miscellaneous adjustments. The outstanding balance is subject to the lender’s floating base rate plus the applicable margin or LIBOR plus the applicable margin.

The terms impose affirmative and negative covenants, including maintaining a fixed charge coverage ratio of 1.15 to 1.00. Capital expenditures are limited to $1.5 million per year under the credit facility. The credit facility also contains restrictions on distributions related to capital stock, with exceptions for distributions up to 50% of net income if, on a pro forma basis, (a) availability has been greater than $10.0 million for the last 30 days and (b) the borrower would be in compliance with the fixed charge coverage ratio on the distribution date.

At September 30, 2016, Green Plains Trade had $16.1 million presented as restricted cash on the consolidated balance sheet, the use of which was restricted for repayment towards the outstanding loan balance.

Partnership Segment

Green Plains Partners, through a wholly owned subsidiary, has a $155.0 million revolving credit facility, which matures in July 2020, to fund working capital, acquisitions, distributions, capital expenditures and other general partnership purposes. The credit facility was amended on September 16, 2016, increasing the revolving credit facility available from $100.0 million to $155.0 million. Advances under this amended credit facility are subject to a floating interest rate based on the partnership's maximum consolidated net leverage ratio equal to (a) a base rate plus 1.25% to 2.00% or (b) a LIBOR rate plus 2.25% to 3.00%. The amended credit facility may be increased up to $100.0 million without the consent of the lenders.

The partnership's obligations under the credit facility are secured by a first priority lien on (i) the capital stock of the partnership's present and future subsidiaries, (ii) all of the partnership's present and future personal property, such as investment property, general intangibles and contract rights, including rights under agreements with Green Plains Trade, and (iii) all proceeds and products of the equity interests of the partnership's present and future subsidiaries and its personal property. The terms impose affirmative and negative covenants including restricting the partnership's ability to incur additional debt, acquire and sell assets, create liens, invest capital, pay distributions and materially amend the partnership's commercial agreements with Green Plains Trade. The credit facility also requires the partnership to maintain a maximum consolidated net leverage ratio of no more than 3.50 to 1.00, and a minimum consolidated interest coverage ratio of no less than 2.75 to 1.00, each of which is calculated on a pro forma basis with respect to acquisitions and divestitures occurring during the applicable period.

Corporate Activities

In August 2016, the company issued $170.0 million of 4.125% convertible senior notes due 2022, or the 4.125% notes. The 4.125% notes are senior, unsecured obligations of the company, with interest payable on March 1 and September 1 of each year. The company may settle the 4.125% notes in cash, common stock or a combination of cash and common stock. The company intends to repay the 4.125% notes with cash for the principal and cash or common stock for the conversion premium.

The 4.125% notes contain liability and equity components which were bifurcated and accounted for separately. The liability component of the 4.125% notes, as of the issuance date, was calculated by estimating the fair value of a similar liability issued at a 9.31% effective interest rate, which was determined by considering the rate of return investors would require for comparable debt of the company without conversion rights. The amount of the equity component was calculated by deducting the fair value of the liability component from the principal amount of the 4.125% notes, resulting in the initial recognition of $40.6 million as debt discount costs recorded in additional paid-in capital. The carrying amount of the 4.125% notes will be accreted to the principal amount over the remaining term to maturity, and the company will record a corresponding amount of noncash interest expense. Additionally, the company incurred debt issuance costs of $5.7 million related to the 4.125% notes and allocated $4.3 million of debt issuance costs to the liability component of the 4.125% notes. These costs will be amortized to noncash interest expense over the six-year term of the 4.125% notes.

Prior to March 1, 2022, the 4.125% notes are not convertible unless certain conditions are satisfied. The conversion rate is subject to adjustment upon the occurrence of certain events, including when the quarterly cash dividend exceeds $0.12 per share and upon redemption of the 4.125% notes. The initial conversion rate is 35.7143 shares of common stock per $1,000 of principal, which is equal to a conversion price of approximately $28.00 per share.

The company may redeem all, but not less than all, of the 4.125% notes at any time on or after September 1, 2020, if the company’s common stock equals or exceeds 140% of the applicable conversion price for a specified time period ending on the trading day immediately prior to the date the company delivers notice of the redemption. The redemption price will equal 100% of the principal plus any accrued and unpaid interest. Holders of the 4.125% notes have the option to require the company to repurchase the 4.125% notes in cash at a price equal to 100% of the principal plus accrued and unpaid interest when there is a fundamental change, such as change in control. If an event of default occurs, it could result in the 4.125% notes being declared due and payable.

In September 2013, the company issued $120.0 million of 3.25% convertible senior notes due 2018, or the 3.25% notes. The 3.25% notes are senior, unsecured obligations of the company, with interest payable on April 1 and October 1 of each year. The company may settle the 3.25% notes in cash, common stock or a combination of cash and common stock. The company intends to repay the 3.25% notes with cash for the principal and cash or common stock for the conversion premium.

Prior to April 1, 2018, the 3.25% notes are not convertible unless certain conditions are satisfied. The conversion rate is subject to adjustment when the quarterly cash dividend exceeds $0.04 per share. The conversion rate was recently adjusted to 49.2564 shares of common stock per $1,000 of principal, which is equal to a conversion price of approximately $20.30 per share. The company may be obligated to increase the conversion rate in certain events, including redemption of the 3.25% notes.

The company may redeem all of the 3.25% notes at any time on or after October 1, 2016, if the company's common stock equals or exceeds 140% of the applicable conversion price for a specified time period ending on the trading day immediately prior to the date the company delivers notice of the redemption. The redemption price will equal 100% of the principal plus any accrued and unpaid interest. Holders of the 3.25% notes have the option to require the company to repurchase the 3.25% notes in cash at a price equal to 100% of the principal plus accrued and unpaid interest when there is a fundamental change, such as change in control. If an event of default occurs, it could result in the 3.25% notes being declared due and payable.

Covenant Compliance

The company was in compliance with its debt covenants as of September 30, 2016.

Capitalized Interest

The company had $483 thousand and $1.4 million of capitalized interest during the three and nine months ended September 30, 2016, respectively, and $313 thousand and $707 thousand during the three and nine months ended September 30, 2015, respectively.

Restricted Net Assets

At September 30, 2016, there were approximately $624.5 million of net assets at the company's subsidiaries that could not be transferred to the parent company in the form of dividends, loans or advances due to restrictions contained in the credit facilities of these subsidiaries.

10. STOCK-BASED COMPENSATION

The company has an equity incentive plan that reserves 3,500,000 shares of common stock for issuance to its directors and employees. The plan provides for shares, including options to purchase shares of common stock, stock appreciation rights tied to the value of common stock, restricted stock, and restricted and deferred stock unit awards, to be granted to eligible employees, non-employee directors and consultants. The company measures stock-based compensation at fair value on the grant date, adjusted for estimated forfeitures. The company records noncash compensation expense related to equity awards in its consolidated financial statements over the requisite period on a straight-line basis. Substantially all of the existing stock-based compensation has been equity awards.

The activity related to the exercisable stock options for the nine months ended September 30, 2016, is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)

Outstanding at December 31, 2015	298,750	$	9.81	2.4	$ 3,866
Granted	-		-	-	-
Exercised	(140,000)		7.14	-	2,093
Forfeited	-		-	-	-
Expired	-		-	-	-
Outstanding at September 30, 2016	158,750	$	12.16	3.1	$ 2,229
Exercisable at September 30, 2016 (1)	158,750	$	12.16	3.1	$ 2,229

(1) Includes in-the-money options totaling 158,750 shares at a weighted-average exercise price of $12.16.

Option awards allow employees to exercise options through cash payment for the shares of common stock or simultaneous broker-assisted transactions in which the employee authorizes the exercise and immediate sale of the options in the open market. The company uses newly issued shares of common stock to satisfy its stock-based payment obligations.

The non-vested stock award and deferred stock unit activity for the nine months ended September 30, 2016, is as follows:

	Non-Vested Shares and Deferred Stock Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Vesting Term (in years)
Non-Vested at December 31, 2015	736,728	$ 22.96	
Granted	793,463	13.73	
Forfeited	(34,789)	18.94	
Vested	(373,265)	20.36	
Non-Vested at September 30, 2016	1,122,137	$ 17.42	1.8

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Green Plains Partners

Green Plains Partners has adopted the LTIP, an incentive plan intended to promote the interests of the partnership, its general partner and affiliates by providing incentive compensation based on units to employees, consultants and directors to encourage superior performance. The incentive plan reserves 2,500,000 common units for issuance in the form of options, restricted units, phantom units, distributable equivalent rights, substitute awards, unit appreciation rights, unit awards, profits interest units or other unit-based awards. The partnership measures unit-based compensation related to equity awards in its consolidated financial statements over the requisite service period on a straight-line basis.

The non-vested unit-based awards activity for the nine months ended September 30, 2016, is as follows:

	Non-Vested Shares and Deferred Stock Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Vesting Term (in years)
Non-Vested at December 31, 2015	10,089	$ 14.93	
Granted	16,260	15.82	
Forfeited	(5,333)	14.93	
Vested	(6,007)	14.69	
Non-Vested at September 30, 2016	15,009	$ 15.99	0.8

Compensation costs for stock-based and unit-based payment plans during the three and nine months ended September 30, 2016, were approximately $2.4 million and $7.0 million, respectively, and $2.5 million and $6.8 million during the three and nine months ended September 30, 2015. At September 30, 2016, there was $13.3 million of unrecognized compensation costs from stock-based and unit-based compensation related to non-vested awards. This compensation is expected to be recognized over a weighted-average period of approximately 1.8 years. The potential tax benefit related to stock-based payment is approximately 38.0% of these expenses.

11. EARNINGS PER SHARE

Basic earnings per share, or EPS, is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the treasury stock method by dividing net income by the weighted average number of common shares outstanding during the period, adjusted for the dilutive effect of any outstanding dilutive securities.

The basic and diluted EPS are calculated as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Basic EPS:				
Net income (loss) attributable to Green Plains	$ 7,928	$ 6,179	$ (8,019)	$ 10,653
Weighted average shares outstanding - basic	38,282	38,066	38,301	37,966
EPS - basic	$ 0.21	$ 0.16	$ (0.21)	$ 0.28
Diluted EPS:				
Net income (loss) attributable to Green Plains - diluted	$ 7,928	$ 6,179	$ (8,019)	$ 10,653
Weighted average shares outstanding - basic	38,282	38,066	38,301	37,966
Effect of dilutive convertible debt - 3.25% notes	760	355	-	1,154
Effect of dilutive stock-based compensation awards	94	135	-	146
Weighted average shares outstanding - diluted	39,136	38,556	38,301	39,266
EPS - diluted	$ 0.20	$ 0.16	$ (0.21)	$ 0.27

For the nine months ended September 30, 2016, 108 thousand shares related to stock-based compensation awards were excluded from the computation of diluted EPS as the inclusion of these shares would have been antidilutive.

12. STOCKHOLDERS' EQUITY

Components of stockholders' equity are as follows (in thousands):

	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accum. Other Comp. Income (Loss)	Treasury Stock Shares	Amount	Total Green Plains Stockholders' Equity	Non-Controlling Interests	Total Stockholders' Equity
Balance, December 31, 2015	45,282	$ 45	$ 577,787	$ 290,974	$ (1,165)	7,392	$ (69,811)	$ 797,830	$ 161,079	$ 958,909
Net income (loss)	-	-	-	(8,019)	-	-	-	(8,019)	14,072	6,053
Cash dividends and distributions declared	-	-	-	(13,820)	-	-	-	(13,820)	(14,017)	(27,837)
Other comprehensive loss, before reclassification	-	-	-	-	(1,395)	-	-	(1,395)	-	(1,395)
Amounts reclassified from accum. other comprehensive income	-	-	-	-	2,506	-	-	2,506	-	2,506
Other comprehensive	-	-	-	-	1,111	-	-	1,111	-	1,111

loss, net of tax										
Transfer of assets to Green Plains Partners LP	-	-	47,389	-	-	-	-	47,389	(47,389)	-
Consolidation of BioProcess Algae	-	-	-	-	-	-	-	-	2,807	2,807
Investment in BioProcess Algae	-	-	928	-	-	-	-	928	(928)	-
Repurchase of common stock	-	-	-	-	-	323	(6,005)	(6,005)	-	(6,005)
Issuance of 4.125% convertible notes due 2022, net of tax	-	-	24,350	-	-	-	-	24,350	-	24,350
Stock-based compensation	630	1	4,436	-	-	-	-	4,437	82	4,519
Stock options exercised	140	-	1,632	-	-	-	-	1,632	-	1,632
Balance, September 30, 2016	46,052	$ 46	$ 656,522	$ 269,135	$ (54)	7,715	$ (75,816)	$ 849,833	$ 115,706	$ 965,539

Amounts reclassified from accumulated other comprehensive income are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Statements of Operations Classification
	2016	2015	2016	2015	
Gains (losses) on cash flow hedges:					
Ethanol commodity derivatives	$ 25,254	$ 935	$ 12,029	$ 4,643	Revenues
Corn commodity derivatives	(28,548)	515	(15,904)	(5,763)	Cost of goods sold
Total	(3,294)	1,450	(3,875)	(1,120)	Income before income taxes
Income tax expense (benefit)	(1,144)	547	(1,369)	(420)	Income tax expense (benefit)
Amounts reclassified from accumulated other comprehensive income (loss)	$ (2,150)	$ 903	$ (2,506)	$ (700)	

13. INCOME TAXES

Beginning in 2016, the company records actual income tax expense or benefit during interim periods rather than on an annual effective tax rate method. Certain items are given discrete period treatment and the tax effect of those items are reported in full in the relevant interim period. Green Plains Partners is a limited partnership, which is treated as a flow-

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through entity for federal income tax purposes and is not subject to federal income taxes. The partnership is subject to state income taxes in certain states. As a result, the company's consolidated financial statements reflect a benefit or provision for income taxes on pre-tax income or loss attributable to the noncontrolling interest in the partnership.

Income tax expense was $5.1 million and income tax benefit was $4.3 million for the three and nine months ended September 30, 2016, respectively, compared with income tax benefit of $0.6 million and income tax expense of $2.2 million for three and nine months ended September 30, 2015, respectively. The variation in tax expense was due primarily to the impact of the noncontrolling interest in the partnership on the consolidated financial results.

The amount of unrecognized tax benefits for uncertain tax positions was $0.2 million as of September 30, 2016, and December 31, 2015. Recognition of these benefits would have a favorable impact on the company's effective tax rate.

The 2016 effective tax rate can be affected by variances among the estimates and amounts of taxable income among the various states, entities and activity types, realization of tax credits, adjustments from resolution of tax matters under review, valuation allowances and the company's assessment of its liability for uncertain tax positions.

14. COMMITMENTS AND CONTINGENCIES

Operating Leases

The company leases certain facilities, equipment and parcels of land under agreements that expire at various dates. For accounting purposes, rent expense is based on a straight-line amortization of the total payments required over the lease. The company incurred lease expenses of $9.1 million and $27.2 million during the three and nine months ended September 30, 2016, respectively and $8.0 million and $24.8 million during the three and nine months ended September 30, 2015, respectively.

Aggregate minimum lease payments under these agreements for the remainder of 2016 and in future years are as follows (in thousands):

Year Ending December 31,	Amount

2016	$ 8,422
2017	30,213
2018	22,065
2019	14,872
2020	12,123
Thereafter	20,497
Total	$ 108,192

Commodities

As of September 30, 2016, the company had contracted future purchases of grain, corn oil, natural gas, crude oil, ethanol, distillers grains and cattle, valued at approximately $383.7 million.

Legal

In November 2013, the company acquired two ethanol plants located in Fairmont, Minnesota and Wood River, Nebraska. There is ongoing litigation related to the consideration for this acquisition. On August 19, 2016, the Delaware Superior Court granted Green Plains' motion for summary judgment and ordered that the seller's attempt to disclaim liability for certain shortfall amounts was ineffective. Based on the court order, the company determined that previously accrued contingent liabilities of approximately $6.3 million no longer represent probable losses. These accruals were reversed as a reduction of cost of goods sold during the three months ended September 30, 2016, because the adjustment relates to a reduction in the cost of inventory purchased in the acquisitions. The court has directed the company and the seller to work together to determine the precise total of the shortfall amount due to Green Plains. The company believes the remaining amount due to Green Plains is approximately $5.5 million; however, the seller has the right to dispute the details of the calculation and appeal the underlying Superior Court order. Accordingly, the total amount Green Plains may receive is yet to be determined. The remaining amount due to the company represents a gain contingency which will not be recorded until all contingencies are resolved.

In addition to the above-described proceeding, the company is currently involved in litigation that has arisen in the ordinary course of business, but does not believe any pending litigation will have a material adverse effect on its financial position, results of operations or cash flows.

15. RELATED PARTY TRANSACTIONS

Commercial Contracts

Three subsidiaries of the company have executed separate financing agreements for equipment with Axis Capital Inc. Gordon Glade, Vice Chairman/Founder of Axis Capital, is a member of the company's board of directors. In March 2014, a subsidiary of the company entered into $1.4 million of new equipment financing agreements with Axis Capital with monthly payments beginning in April 2014. Balances of approximately $0.9 million and $1.0 million related to these financing arrangements were included in debt at September 30, 2016, and December 31, 2015, respectively. Payments, including principal and interest, totaled $69 thousand and $207 thousand during the three and nine months ended September 30, 2016, respectively, and $69 thousand and $207 thousand during the three and nine months ended September 30, 2015, respectively. The weighted average interest rate for the financing agreements with Axis Capital was 6.8%.

Aircraft Leases

Effective January 1, 2015, the company entered into two agreements with an entity controlled by Wayne Hoovestol for the lease of two aircrafts. Mr. Hoovestol is chairman of the company's board of directors. The company agreed to pay $9,766 per month for the combined use of up to 125 hours per year of the aircrafts. Flight time in excess of 125 hours per year will incur additional hourly charges. Payments related to these leases totaled $49 thousand and $137 thousand during the three and nine months ended September 30, 2016, respectively, and $49 thousand and $153 thousand during the three and nine months ended September 30, 2015, respectively. The company had no outstanding payables related to these agreements at September 30, 2016 or December 31, 2015.

16. SUBSEQUENT EVENTS

Acquisition of Fleischmann's Vinegar Company, Inc.

On October 3, 2016, the company, through an indirect wholly-owned subsidiary, entered into a stock purchase agreement with SCI Ingredients, Stone Canyon Industries LLC and other selling shareholders to purchase all of the issued and outstanding capital stock of SCI Ingredients for $250 million in cash, subject to certain post-closing adjustments. A portion of the purchase price was used to fully repay existing debt. SCI Ingredients is the holding company of Fleischmann's Vinegar, the world's largest manufacturer and marketer of food-grade industrial vinegar.

The closing of the transaction occurred immediately following the execution of the purchase agreement, on October 3, 2016. The transaction was financed using $135 million of debt described under "Credit Agreement" below, with the balance paid from cash on hand.

Credit Agreement

On October 3, 2016, in order to partially fund the acquisition of Fleischmann's Vinegar described above, certain subsidiaries of the company entered into a credit agreement with a group of lenders, consisting of a term loan and a revolving loan commitment.

The subsidiaries borrowed $130 million under the term loan. The term loan principal is scheduled to be repaid in installments of $325,000 per quarter beginning December 31, 2016 through September 30, 2022, with a final balloon payment of $122.2 million on October 3, 2022. The revolving loan commitment provides for principal borrowings of up to $15 million through October 3, 2022. The subsidiaries initially borrowed $5 million under the revolving loan commitment. Both the term loan and loans under the revolving loan commitment are subject to mandatory prepayments based on, as defined, excess cash flow, extraordinary receipts, asset dispositions and proceeds from equity and debt issuances. Voluntary term loan prepayments and mandatory term loan prepayments based on debt issuances and certain equity issuances are generally subject to prepayment fees of (i) 2.0% if prepaid on or before the first anniversary of the credit agreement or (ii) 1.0% if prepaid after the first anniversary but on or before the second anniversary of the credit agreement.

The term loan and loans under the revolving loan commitment each bear interest at a floating rate based on the consolidated total net leverage ratio for the Fleischmann's Vinegar operations, adjusted quarterly, equal to (i) for portions of

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the term loan and/or revolving credit advances designated as base rate loans, the sum of the base rate plus an applicable margin of 5.0% to 6.0% and (ii) for portions of the term loan and/or revolving credit advances designated as LIBOR loans, the sum of the LIBOR rate, subject to a 1.00% floor, plus an applicable margin of 6.0% to 7.0%. The initial interest rate on both the term loan and revolving loan was 8.0%. The unused portion of the revolving loan commitment is also subject to a commitment fee of 0.5% per annum.

The obligations under the credit agreement are secured by a first priority lien on (i) all of the assets of Fleischmann's Vinegar, and (ii) all of the capital stock of the parent company of Fleischmann's Vinegar and its subsidiaries.

The credit agreement contains certain customary representations and warranties, affirmative covenants, negative covenants, financial covenants and events of default. The negative covenants include restrictions on the Fleischmann's Vinegar operations' ability to incur additional indebtedness, acquire and sell assets, create liens, make investments, make distributions and enter into transactions with affiliates. The financial covenants include requirements to maintain a minimum consolidated fixed charge coverage ratio and a maximum consolidated total net leverage ratio for the Fleischmann's Vinegar operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

The following discussion and analysis provides information we believe is relevant to understand our consolidated financial condition and results of operations. This discussion should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements contained in this report together with our annual report on Form 10-K for the year ended December 31, 2015.

Cautionary Information Regarding Forward-Looking Statements

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Forward-looking statements generally do not relate strictly to historical or current facts, but rather plans and objectives for future operations based on management's reasonable estimates of future results or trends, and include statements preceded by, followed by, or that include words such as "anticipates," "believes," "continue," "estimates," "expects," "intends," "outlook," "plans," "predicts," "may," "could," "should," "will," and similar words and phrases, and inclu not limited to, statements regarding future operating or financial performance, business strategy, business environment, key trends, and benefits of actual or planned acquisitions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The forward-looking statements are made in accordance with safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although we believe our expectations regarding future events are based on reasonable assumptions, any or all forward-looking statements in this report may be based on inaccurate assumptions or not account for known or unknown risks and uncertainties, and therefore, be incorrect. Consequently, no forward-looking statement is guaranteed, and actual future results may vary materially from the results expressed or implied in our forward-looking statements. The cautionary statements in this report expressly qualify all of our forward-looking statements. In addition, we are not obligated, and do not intend, to update any of our forward-looking statements at any time unless an update is required by applicable securities laws.

Factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include, but are not limited to, those discussed in Part I, Item 1A – Risk Factors of our annual report on Form 10-K for the year ended December 31, 2015 and Part II, Item 1A– Risk Factors of this quarterly report on Form 10-Q. Specifically, we may experience significant fluctuations in future operating results due to a number of economic conditions, including, but not limited to, competition in the ethanol and other industries in which we operate, commodity market risks including those that may result from current weather conditions, financial market risks, counterparty risks, risks associated with changes to federal policy or regulation, risks related to closing and achieving anticipated results from acquisitions, risks associated with merchant trading, risks associated with the operations of a cattle-feeding business, risks associated with the joint venture to commercialize algae production and growth potential of the algal biomass industry, risks associated with the recent acquisitions of three Abengoa ethanol plants and Fleischmann's Vinegar, and other risk factors detailed in our reports filed with the SEC. Also in relation to Green

Plains Partners LP, or the partnership, additional risks include, but are not limited to, compliance with commercial contractual obligations, potential tax consequences related to our investment in the partnership and risks disclosed in the partnership's SEC filings and associated with the operation of the partnership as a separate, publicly traded entity.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this report or any document incorporated by reference might not occur. We caution investors not to place undue reliance on the forward-looking statements, which represent management's views only as of the date of this report or document incorporated by reference. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

Green Plains is a vertically integrated ethanol producer, marketer and distributor focused on generating stable operating margins through our diversified business segments and risk management strategy. We have operations throughout the ethanol value chain, beginning upstream with our grain handling and storage operations, continuing through our ethanol, distillers grains and corn oil production operations, and ending downstream with our marketing, terminal and transportation services. We believe owning and operating assets throughout the ethanol value chain enables us to mitigate changes in commodity prices, differentiating us from companies focused only on ethanol production. We formed Green Plains Partners LP, a master limited partnership, to be our primary downstream logistics provider since its assets are the principal method of storing and delivering the ethanol we produce. The partnership completed its IPO on July 1, 2015. We own a 62.5% limited partner

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interest, a 2.0% general partner interest and all of the partnership's incentive distribution rights. The public owns the remaining 35.5% limited partner interest. The partnership is consolidated in our financial statements.

Recent Developments

On October 3, 2016, we acquired Fleischmann's Vinegar, the world's largest manufacturer and marketer of food-grade industrial vinegar, for $250 million in cash and certain post-closing adjustments. A portion of the purchase price was used to repay existing debt. The transaction was partially financed using $135 million of debt under a new credit agreement, consisting of a $130 million term loan and $5 million borrowed under a $15 million revolving credit facility. The balance of the transaction was paid from cash on hand. This acquisition is expected to be immediately accretive to earnings.

On September 23, 2016, we acquired three ethanol plants located in Madison, Illinois, Mount Vernon, Indiana, and York, Nebraska, from subsidiaries of Abengoa S.A. for total consideration of approximately $237 million in cash, plus certain inventory adjustments. The plants have a combined annual production capacity of approximately 236 million gallons of ethanol. Concurrently, the partnership acquired the storage assets of these three ethanol production facilities from us for $90 million. The partnership used its revolving credit facility to fund the purchase of the assets. In connection with this transaction, the partnership and Green Plains amended the omnibus agreement, operational services agreement, and ethanol storage and throughput agreement.

On August 25, 2016, the partnership filed a shelf registration statement on Form S-3 with the SEC, declared effective September 2, 2016, registering an indeterminate number of debt and equity securities with a total offering price not to exceed $500,000,250. The partnership also registered 13,513,500 common units, consisting of 4,389,642 common units and 9,123,858 common units that may be issued upon conversion of subordinated units, in each case, currently held by Green Plains.

On June 14, 2016, we announced that we formed a 50/50 joint venture with Jefferson Gulf Coast Energy Partners, a subsidiary of Fortress Transportation and Infrastructure Investors LLC, to construct and operate an intermodal export and import fuels terminal at Jefferson's existing Beaumont, Texas terminal. The joint venture is expected to invest approximately $55 million in its Phase I development, which will initially focus on storage and throughput capabilities for multiple grades of ethanol. The joint venture's terminal will have direct access to multiple transportation options, including Aframax vessels, inland and coastwise barges, trucks, and unit trains with direct mainline service from the Union Pacific, BNSF and Kansas City Southern railroads. Construction of Phase I is expected to be completed in the second quarter of 2017. We will offer our interest in the joint venture to the partnership once commercial development is completed.

Results of Operations

We operated our facilities at approximately 92.5% of capacity, resulting in record ethanol production of 292.2 million gallons for the third quarter of 2016, compared with 215.6 million gallons for the same quarter last year. The increase in production volumes and associated revenues were primarily attributable to production at the Hereford, Texas plant, which was acquired on November 12, 2015; the Hopewell, Virginia plant, which was acquired on October 23, 2015, and resumed ethanol production on February 8, 2016; and the Madison, Illinois, Mount Vernon, Indiana, and York, Nebraska plants, which were acquired on September 23, 2016.

Industry Trends and Factors Affecting our Results of Operations

According to the EIA, domestic ethanol production in the third quarter of 2016 averaged 1,005,000 barrels per day, compared with an average of 962,000 barrels per day during the third quarter of last year. The blend rate of ethanol into the U.S. gasoline supply remained at 9.9% during the third quarter of 2016. U.S. domestic ethanol ending stocks were 20.2 million barrels as of September 30, 2016, 6.4% lower than the inventory at the beginning of the quarter.

U.S. demand for gasoline was 2.6% higher in the third quarter of 2016, compared to the same period a year ago. Higher gasoline demand for the third quarter led to a similar increase in ethanol demand. In addition, the number of retail stations offering E15 has increased since the beginning of the year. As of September 30, 2016, 355 retail stations were selling E15, up from 182 stations at December 31, 2015.

On October 12, 2016, the USDA updated its corn production estimate for the 2016-17 marketing year to 15.057 billion bushels, an 11% increase in its production forecast over the 2015-16 marketing year. The projected range for the 2016-17 marketing year's average corn price is $2.95 to $3.55 per bushel, according to the October WASDE report. The average price

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of sugar increased to July 2012 levels, averaging 21 cents per pound during the third quarter due to concerns regarding the world's sugar supply. Brazil, the second-largest ethanol producing country, uses sugarcane to produce sugar and ethanol.

As of August 31, 2016, year-to-date domestic ethanol exports were 594.3 million gallons, up 5.3% from year-to-date August 2015 volumes. According to the EIA, net U.S. ethanol exports are forecasted to be approximately 900 million gallons for 2016, up from 730 million gallons in 2015. Canada, China, Brazil, India and the Philippines accounted for approximately 80% of August year-to-date U.S. ethanol export volumes.

On September 23, 2016, China's Ministry of Commerce issued a preliminary determination in the anti-dumping investigation against U.S. distillers grains, proposing a 33.8% tariff on imports. Year-to-date U.S. distillers grains exports were 7.6 million metric tons, of which China accounted for 26% of export volumes. China was 50% of export volumes for all of 2015. China, Mexico, Vietnam, South Korea, Turkey and Thailand accounted for approximately 70% of total U.S. distillers export volumes.

Comparability of our Financial Results

Under GAAP, when transferring assets between entities under common control, the entity receiving the net assets initially recognizes the carrying amounts of the assets and liabilities at the date of transfer. The transferee's prior period financial statements are restated for all periods its operations were part of the parent's consolidated financial statements. On July 1, 2015, Green Plains Partners received ethanol storage and railcar assets and liabilities in a transfer between entities under common control. Effective January 1, 2016, the partnership acquired the storage and transportation assets of the Hereford and Hopewell production facilities in a transfer between entities under common control. The transferred assets and liabilities are recognized at our historical cost and reflected retroactively in the segment information of the consolidated financial statements presented in this Form 10-Q. The assets of Green Plains Partners were previously included in the ethanol production and marketing and distribution segments. Expenses related to the ethanol storage and railcar assets, such as depreciation, amortization and railcar lease expenses, are also reflected retroactively in the following segment information. There are no revenues related to the operation of these ethanol storage and railcar assets in the partnership segment prior July 1, 2015, the date the related commercial agreements with Green Plains Trade became effective.

We report the financial and operating performance in the following four operating segments: (1) ethanol production, which includes the production of ethanol, distillers grains and corn oil, (2) agribusiness, which includes grain handling and storage and cattle feedlot operations, (3) marketing and distribution, which includes marketing and merchant trading for company-produced and third-party ethanol, distillers grains, corn oil, natural gas and other commodities and (4) partnership, which includes fuel storage and transportation services.

On October 23, 2015, we acquired an ethanol production facility located in Hopewell, Virginia. The dry mill ethanol plant's production capacity is approximately 60 mmgy. We resumed ethanol production at the plant in February of 2016, and corn oil processing began operating in July of 2016.

On November 12, 2015, we acquired an ethanol production facility in Hereford, Texas. The purchase includes an ethanol plant with production capacity of approximately 100 mmgy, a corn oil extraction system, working capital and other related assets.

On September 23, 2016, we acquired three ethanol production facilities located in Madison, Illinois, Mount Vernon, Indiana, and York, Nebraska, with combined annual production capacity of 236 million gallons per year.

Corporate activities include selling, general and administrative expenses, consisting primarily of compensation, professional fees and overhead costs not directly related to a specific operating segment.

During the normal course of business, the operating segments do business with each other. For example, the ethanol production segment sells ethanol to the marketing and distribution segment, the agribusiness segment sells grain to the ethanol production segment and the partnership segment provides fuel storage and transportation services for the marketing and distribution segment. These intersegment activities are treated like third-party transactions and recorded at market values. Consequently, these transactions affect segment performance; however, they do not impact the company's consolidated results since the revenues and corresponding costs are eliminated in consolidation.

We, together with our subsidiaries, own a 62.5% limited partner interest and a 2.0% general partner interest in the partnership and own all of the partnership's incentive distribution rights, with the remaining 35.5% limited partner interest owned by public common unitholders for the three months ended September 30, 2016. We consolidate the financial results of

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the partnership, and record a noncontrolling interest for the economic interest in the partnership held by the public common unitholders.

Effective April 1, 2016, we increased our ownership of BioProcess Algae, a joint venture formed in 2008, to 82.8% and currently own approximately 90.0%. Beginning April 1, 2016, we consolidate the financial results of BioProcess Algae, and record a noncontrolling interest for the economic interest in the joint venture held by others.

Segment Results

The selected operating segment financial information are as follows (in thousands):

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2016	2015	Variance	2016	2015	Variance
Revenues (1):						
Ethanol production:						
Revenues from external customers	$ 74,892	$ 37,702	98.6%	$ 222,424	$ 140,640	58.2%
Intersegment revenues	457,549	352,215	29.9	1,249,333	1,145,879	9.0
Total segment revenues	532,441	389,917	36.6	1,471,757	1,286,519	14.4
Agribusiness:						
Revenues from external customers	83,615	54,519	53.4	242,049	191,495	26.4
Intersegment revenues	359,715	255,671	40.7	1,058,813	783,388	35.2
Total segment revenues	443,330	310,190	42.9	1,300,862	974,883	33.4
Marketing and distribution:						
Revenues from external customers	681,279	648,413	5.1	2,008,268	1,887,184	6.4
Intersegment revenues	54,704	21,914	149.6	165,558	93,176	77.7
Total segment revenues	735,983	670,327	9.8	2,173,826	1,980,360	9.8
Partnership:						
Revenues from external customers	2,066	2,163	(4.5)	6,042	6,356	(4.9)
Intersegment revenues	24,139	19,247	25.4	69,445	21,895	*
Total segment revenues	26,205	21,410	22.4	75,487	28,251	*
Revenues including intersegment activity	1,737,959	1,391,844	24.9	5,021,932	4,270,013	17.6

Intersegment eliminations	(896,107)	(649,047)	38.1	(2,543,149)	(2,044,338)	24.4
Revenues as reported	$ 841,852	$ 742,797	13.3	$ 2,478,783	$ 2,225,675	11.4

(1) Revenues from external customers include realized gains and losses from derivative financial instruments.

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2016	2015	Variance	2016	2015	Variance
Cost of goods sold:						
Ethanol production	$ 494,225	$ 365,348	35.3%	$ 1,410,720	$ 1,184,595	19.1%
Agribusiness	434,582	307,995	41.1	1,278,211	962,979	32.7
Marketing and distribution	726,323	656,934	10.6	2,147,803	1,950,327	10.1
Intersegment eliminations	(896,247)	(650,929)	37.7	(2,543,639)	(2,049,522)	24.1
	$ 758,883	$ 679,348	11.7	$ 2,293,095	$ 2,048,379	11.9

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2016	2015	Variance	2016	2015	Variance
Operating income (loss):						
Ethanol production	$ 15,311	$ 5,528	177.0%	$ (7,385)	$ 43,139	(117.1%)
Agribusiness	6,251	365	*	15,039	5,833	157.8
Marketing and distribution	5,252	9,406	(44.2)	13,908	17,446	(20.3)
Partnership	15,084	11,030	36.8	42,958	416	*
Intersegment eliminations	141	1,882	(92.5)	491	5,264	(90.7)
Corporate activities	(11,184)	(8,378)	33.5	(29,393)	(23,759)	23.7
	$ 30,855	$ 19,833	55.6	$ 35,618	$ 48,339	(26.3)

* Percentage variance not considered meaningful.

Three Months Ended September 30, 2016, compared with the Three Months Ended September 30, 2015

Consolidated Results

Consolidated revenues increased $99.1 million for the three months ended September 30, 2016, compared with the same period in 2015. Revenues from ethanol, corn oil and cattle increased $82.7 million, $20.9 million and $13.1 million, respectively, while revenues from grain decreased $17.1 million. Ethanol and cattle revenues were affected by increased volumes sold, partially offset by lower average realized prices. Corn oil revenues were impacted by an increase in volumes sold. Grain revenues were impacted by both lower volumes sold and lower average realized prices.

Operating income increased $11.0 million for the three months ended September 30, 2016, compared with the same period last year primarily due to increased margins on ethanol production and cattle. Interest expense increased $1.6 million for the three months ended September 30, 2016, compared with the same period in 2015, primarily due to higher average debt outstanding. Income tax expense was $5.1 million for the three months ended September 30, 2016, compared with income tax benefit of $0.6 million for the same period in 2015.

The following discussion provides greater detail about our third quarter segment performance.

Ethanol Production Segment

Key operating data for our ethanol production segment is as follows:

	Three Months Ended September 30,		
	2016	2015	% Variance
Ethanol sold (thousands of gallons)	292,238	215,561	35.6%
Distillers grains sold (thousands of equivalent dried tons)	790	577	36.9
Corn oil sold (thousands of pounds)	72,176	55,918	29.1
Corn consumed (thousands of bushels)	102,113	75,538	35.2

Revenues in our ethanol production segment increased $142.5 million for the three months ended September 30, 2016, compared with the same period in 2015 primarily due to higher volumes of ethanol, distillers grains and corn oil produced and sold, partially offset by lower average ethanol and distillers grains prices realized. The increased volumes produced was primarily due to increased production at our existing ethanol plants and the acquisition of the Hereford and Hopewell ethanol plants, which produced approximately 34.2 mmg of ethanol during the three months ended September 30, 2016.

Cost of goods sold for our ethanol production segment increased $128.9 million for the three months ended September 30, 2016, compared with the same period last year due to higher production volumes, partially offset by lower corn prices, including hedging activity, during the three months ended September 30, 2016. As a result of the factors identified above,

operating income increased $9.8 million for the three months ended September 30, 2016, compared with the same period in 2015. Depreciation and amortization expense for the segment was $15.7 million for the three months ended September 30, 2016, compared with $13.8 million for the same period last year.

Agribusiness Segment

Revenues in our agribusiness segment increased $133.1 million while operating income increased by $5.9 million for the three months ended September 30, 2016, compared with the same period in 2015. Grain revenues increased due to increased volumes sold, partially offset by decreased average realized prices. We sold 105.2 million bushels of grain, including 102.2 million bushels to our ethanol production segment during the third quarter of 2016 compared with sales of 63.2 million bushels of grain, including 62.4 million bushels to our ethanol production segment during the same period last year. Cattle feedlot revenues increased $13.1 million due to a 39% increase in volumes sold during the third quarter of 2016 compared with the same quarter last year, partially offset by decreased average realized prices.

Marketing and Distribution Segment

Revenues in our marketing and distribution segment increased $65.7 million for the three months ended September 30, 2016, compared with the same period in 2015 due to increased ethanol and corn oil revenues of $67.7 million and $21.0 million, respectively, as a result of higher volumes sold, partially offset by decreased grain revenues of $14.2 million and distillers grains revenues of $6.8 million as a result of lower average realized prices. The marketing and distribution segment sold 336.0 mmg and 294.3 mmg of ethanol for the three months ended September 30, 2016 and 2015, respectively.

Operating income decreased $4.2 million for the three months ended September 30, 2016, compared with the same period in 2015 primarily due to lower margins on merchant trading activity, partially offset by increased intersegment marketing fees.

Partnership Segment

Revenues generated by our partnership segment increased $4.8 million for the three months ended September 30, 2016 compared to the same period of 2015, due to higher storage and throughput volumes and increased railcar capacity provided to Green Plains. Operating income increased $4.1 million for the three months ended September 30, 2016, compared with the same period in 2015 due to the higher revenues, partially offset by increased operations and maintenance expenses of $0.8 million for the three months ended September 30, 2016 compared to the same period of

2015 primarily due to increased railcar lease expenses.

Intersegment Eliminations

Intersegment eliminations of revenues increased by $247.1 million for the three months ended September 30, 2016, compared with the same period in 2015 primarily due to the following factors: increased ethanol sales from the ethanol production segment to the marketing and distribution segment of $99.8 million, increased corn sales from the agribusiness segment to the ethanol production segment of $111.0 million, increased corn sales from the marketing and distribution segment to the agribusiness segment of $14.7 million, increased transportation and storage fees from the partnership segment to the marketing and distribution segment of $4.9 million, and increased corn oil sales from the ethanol production segment to the marketing and distribution segment of $4.6 million.

Intersegment eliminations of operating income increased by $1.7 million for the three months ended September 30, 2016, compared with the same period in 2015 due primarily to an increase in average margins eliminated in the third quarter 2016 when compared to the same period in 2015. Ethanol is sold from the ethanol production segment to the marketing and distribution segment as it is produced and transferred into storage tanks located at each respective plant. The finished product is then sold by the marketing and distribution segment to external customers. Profit is recognized by the ethanol production segment upon sale to the marketing and distribution segment, but is eliminated from consolidated results until title to the product has been transferred to a third party.

Corporate Activities

Operating income was impacted by an increase in operating expenses for corporate activities of $2.8 million for the three months ended September 30, 2016, compared with the same period in 2015 primarily due to an increase in personnel costs and the consolidation of BioProcess Algae in the corporate activities segment.

Income Taxes

We recorded income tax expense of $5.1 million for the three months ended September 30, 2016, compared with income tax benefit of $0.6 million for the same period in 2015. The variation in tax expense was due primarily to the impact of the noncontrolling interest in the partnership on the consolidated financial results.

Nine Months Ended September 30, 2016, compared with the Nine Months Ended September 30, 2015

Consolidated Results

Consolidated revenues increased $253.1 million for the nine months ended September 30, 2016, compared with the same period in 2015. Revenues from ethanol, corn oil and cattle sales increased $241.0 million, $44.1 million and $33.0 million, respectively, while revenues from grain sales decreased $54.2 million. Ethanol and cattle revenues were affected by increased volumes sold, partially offset by lower average realized prices. Corn oil revenues were impacted by an increase in volumes sold. Grain revenues were impacted by both lower volumes sold and lower average realized prices.

Operating income decreased $12.7 million for the nine months ended September 30, 2016, compared with the same period last year primarily due to decreased ethanol production margins. Interest expense increased $3.2 million for the nine months ended September 30, 2016, compared with the same period in 2015 due to higher average debt outstanding. Income tax benefit was $4.3 million for the nine months ended September 30, 2016, compared with income tax expense of $2.2 million for the same period in 2015.

The following discussion provides greater detail about our segment performance for the first nine months of 2016.

Ethanol Production Segment

Key operating data for our ethanol production segment is as follows:

	Nine Months Ended September 30,		
	2016	2015	% Variance
Ethanol sold (thousands of gallons)	813,464	686,791	18.4%
Distillers grains sold (thousands of equivalent dried tons)	2,170	1,837	18.1
Corn oil sold (thousands of pounds)	196,530	175,975	11.7
Corn consumed (thousands of bushels)	284,282	241,747	17.6

Revenues in our ethanol production segment increased $185.2 million for the nine months ended September 30, 2016, compared with the same period in 2015 primarily due to higher volumes of ethanol, distillers grains and corn oil produced and sold, partially offset by lower average prices realized for each commodity. The increased volumes produced was primarily due to the acquisition of the Hereford and Hopewell ethanol plants, which produced approximately 90.6 mmg during the nine months ended September 30, 2016 and increased production at our existing ethanol plants.

Cost of goods sold for our ethanol production segment increased $226.1 million for the nine months ended September 30, 2016, compared with the same period last year due to higher production volumes during the nine months ended September 30, 2016. As a result of the factors identified above, operating income decreased $50.5 million for the nine months ended September 30, 2016, compared with the same period in 2015. Depreciation and amortization expense for the segment was $46.7 million for the nine months ended September 30, 2016, compared with $41.1 million for the same period last year.

Agribusiness Segment

Revenues in our agribusiness segment increased $326.0 million and operating income increased by $9.2 million for the nine months ended September 30, 2016, compared with the same period in 2015. Grain revenues increased due to increased volumes sold, partially offset by decreased average realized prices. We sold 292.2 million bushels of grain,

including 284.2

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million bushels to our ethanol production segment during the nine months ended September 30, 2016, compared with sales of 206.6 million bushels of grain, including 201.3 million bushels to our ethanol production segment during the same period last year. Cattle feedlot revenues increased $32.9 million due to a 44% increase in volumes sold during the nine months ended September 30, 2016, compared with the same period last year, partially offset by lower average realized prices.

Marketing and Distribution Segment

Revenues in our marketing and distribution segment increased $193.5 million for the nine months ended September 30, 2016, compared with the same period in 2015 due to increased ethanol and corn oil revenues of $241.1 million and $41.9 million, respectively, as a result of higher volumes sold, partially offset by decreased grain and distillers grains revenues of $45.0 million and $32.9 million, respectively. Grain revenues were impacted by lower volumes sold and lower average realized prices. Distillers grains revenues were impacted by lower average realized prices. The marketing and distribution segment sold 1,017.8 mmg and 870.0 mmg of ethanol for the nine months ended September 30, 2016 and 2015, respectively.

Operating income decreased $3.5 million for the nine months ended September 30, 2016, compared with the same period in 2015 primarily due to lower margins on merchant trading activity, partially offset by increased intersegment marketing fees.

Partnership Segment

As a result of the IPO, the partnership segment received downstream ethanol transportation and storage assets. Expenses related to these contributed assets, such as depreciation, amortization and railcar lease expenses, are reflected retroactively in the partnership segment. No revenues related to the operation of the contributed ethanol storage and railcar assets are reflected in this segment for periods prior to its initial public offering on July 1, 2015, when the storage and transportation agreements became effective.

Revenues generated by our partnership segment from the new ethanol storage and railcar commercial agreements were approximately $64.5 million for the nine months ended September 30, 2016 compared to $17.8 million for the same period of the prior year, as the new agreements were only in effect for three months of the comparable prior year period. Operating income increased $42.5 million for the nine months ended September 30, 2016, compared with the same period in 2015 due to revenues related to these commercial agreements, partially offset by increased operations and maintenance expenses of $3.9 million for the nine months ended September 30, 2016. Operations and maintenance expenses increased primarily due to increased railcar lease and payroll expenses.

Intersegment Eliminations

Intersegment eliminations of revenues increased by $498.8 million for the nine months ended September 30, 2016, compared with the same period in 2015 due to the following factors: increased ethanol sales from the ethanol production segment to the marketing and distribution segment of $132.0 million, increased corn sales from the agribusiness segment to the ethanol production segment of $278.8 million, increased corn sales from the marketing and distribution segment to the agribusiness segment of $64.6 million and increased transportation and storage fees from the partnership segment to the marketing and distribution segment of $50.2 million, partially offset by decreased distillers grains sales from the ethanol production segment to the marketing and distribution segment of $29.2 million.

Intersegment eliminations of operating income increased by $4.8 million for the nine months ended September 30, 2016, compared with the same period in 2015 due primarily to an increase in average margins eliminated during the first nine months of 2016, compared with 2015. Ethanol is sold from the ethanol production segment to the marketing and distribution segment as it is produced and transferred into storage tanks located at each respective plant. The finished product is then sold by the marketing and distribution segment to external customers. Profit is recognized by the ethanol production segment upon sale to the marketing and distribution segment, but is eliminated from consolidated results until title to the product has been transferred to a third party.

Corporate Activities

Operating income was impacted by an increase in operating expenses for corporate activities of $5.6 million for the nine months ended September 30, 2016, compared with the same period in 2015 primarily due to an increase in personnel costs and the consolidation of BioProcess Algae in the corporate activities segment.

Income Taxes

We recorded income tax benefit of $4.3 million for the nine months ended September 30, 2016, compared with income tax expense of $2.2 million for the same period in 2015. The variation in tax expense was due primarily to the impact of the noncontrolling interest in the partnership on the consolidated financial results.

EBITDA

We use EBITDA to compare the financial performance of our business segments and manage those segments. We believe EBITDA allows investors to compare our results with our peers and other companies. EBITDA should not be considered an alternative to, or more meaningful than, net income, which is prepared in accordance with GAAP. Since EBITDA calculations may vary from company to company, our computation of EBITDA may not be comparable with a similarly titled measure.

The reconciliation of net income to EBITDA is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	$ 12,884	$ 10,041	$ 6,053	$ 14,515
Interest expense	11,819	10,196	33,117	29,918
Income tax expense (benefit)	5,083	(604)	(4,339)	2,171
Depreciation and amortization	19,286	16,621	56,132	48,634
EBITDA	$ 49,072	$ 36,254	$ 90,963	$ 95,238

Liquidity and Capital Resources

Our principal sources of liquidity include cash generated from operating activities and bank credit facilities. We fund our operating expenses and service debt primarily with operating cash flows. Capital resources for maintenance and growth expenditures are funded by a variety of sources, including cash generated from operating activities, borrowings under bank credit facilities, or issuance of senior notes or equity. Our ability to access capital markets for debt under reasonable terms depends on our financial condition, credit ratings and market conditions. We believe that our ability to obtain financing at reasonable rates and history of consistent cash flow from operating activities provide a solid foundation to meet our future liquidity and capital resource requirements.

On September 30, 2016, we had $407.4 million in cash and equivalents, excluding restricted cash, consisting of $311.7 million held at our parent company and the remainder held at our subsidiaries. We also had $168.9 million available under our revolving credit agreements, some of which were subject to restrictions or other lending conditions. Funds held by our subsidiaries are generally required for their ongoing operational needs and restricted from distribution. At September 30, 2016, our subsidiaries had approximately $624.5 million of net assets that were not available to us in the form of dividends, loans or advances due to restrictions contained in their credit facilities.

Net cash provided by operating activities was $61.0 million for the nine months ended September 30, 2016, compared with net cash used by operating activities of $7.5 million for the same period in 2015. Operating activities compared to the prior year were primarily affected by changes in working capital and higher adjustments for deferred income tax expense in the comparable period of the prior year. Working capital was relatively unchanged for the nine months ended September 30, 2016, as an increase in accounts receivable and decrease in accounts payable and accrued liabilities were offset by a decrease in inventory. Net cash used by investing activities was $289.5 million for the nine months ended September 30, 2016, due primarily to $252.6 million paid to acquire three ethanol plants and related working capital from subsidiaries of Abengoa S.A., along with capital expenditures at our existing ethanol plants. Net cash provided by financing activities was $251.0 million for the nine months ended September 30, 2016, due primarily to our issuance of $170 million of 4.125% convertible senior notes in August 2016. In addition, the partnership has made net borrowings of $132 million during the nine months ended September 30, 2016, primarily to finance the acquisitions of the storage and transportation assets of the Hereford and Hopewell ethanol plants on January 1, 2016, and the Mount Vernon, Madison and York ethanol plants on September 23, 2016. Additionally, Green Plains Trade, Green Plains Cattle and Green Plains Grain use revolving credit facilities to finance working capital requirements. We frequently draw from and repay these facilities which results in significant cash movements reflected on a gross basis within financing activities as proceeds from and payments on short-term borrowings.

On October 3, 2016, we acquired Fleischmann's Vinegar for $250 million in cash, subject to certain post-closing adjustments. A portion of the purchase price was used to fully repay existing Fleischmann's Vinegar debt. The acquisition was partially financed using $135 million of debt, consisting of a new $130 million term loan and $5 million borrowed under a new $15 million revolving credit facility. The balance of the acquisition was paid from cash on hand.

We incurred capital expenditures of $33.8 million in the first nine months of 2016 for various maintenance and expansion projects. Capital spending for the remainder of 2016 is expected to be approximately $24.0 million for various projects, and is expected to be financed with available borrowings under our credit facilities and cash provided by operating activities.

We have paid a quarterly cash dividend since August 2013 and anticipate declaring a cash dividend in future quarters on a regular basis. Future declarations of dividends, however, are subject to board approval and may be adjusted as our liquidity, business needs or market conditions change. On August 17, 2016, our board of directors declared a quarterly cash dividend of $0.12 per share. The dividend was paid on September 16, 2016, to shareholders of record at the close of business on August 26, 2016.

For each calendar quarter commencing with the quarter ended September 30, 2015, the partnership agreement requires us to distribute all available cash, as defined, to our partners within 45 days after the end of each calendar quarter. Available cash generally means all cash and cash equivalents on hand at the end of that quarter less cash reserves established by our general partner plus all or any portion of the cash on hand resulting from working capital borrowings made subsequent to the end of that quarter. On October 20, 2016, the board of directors of the general partner of the partnership declared a cash distribution of $0.42 per unit on outstanding common and subordinated units. The distribution is payable on November 14, 2016, to unitholders of record at the close of business on November 4, 2016.

In August 2014, we announced a share repurchase program of up to $100 million of our common stock. Under the program, we may repurchase shares in open market transactions, privately negotiated transactions, accelerated share buyback programs, tender offers or by other means. The timing and amount of repurchase transactions are determined by our management based on market conditions, share price, legal requirements and other factors. The program may be suspended, modified or discontinued at any time without prior notice. There were no shares repurchased under the program during the third quarter of 2016. To date, we have repurchased 514,990 shares of common stock for approximately $10.0 million under the program.

On August 25, 2016, the partnership filed a shelf registration statement on Form S-3 with the SEC, declared effective September 2, 2016, registering an indeterminate number of debt and equity securities with a total offering price not to exceed $500,000,250. The partnership also registered 13,513,500 common units, consisting of 4,389,642 common units and 9,123,858 common units that may be issued upon conversion of subordinated units, in each case, currently held by Green Plains.

We believe we have sufficient working capital for our existing operations. A sustained period of unprofitable operations, however, may strain our liquidity making it difficult to maintain compliance with our financing arrangements. We may sell additional equity or borrow capital to improve or preserve our liquidity, expand our business or build additional or acquire existing businesses. We cannot provide assurance that we will be able to secure funding necessary for additional working capital or these projects at reasonable terms, if at all.

Debt

For additional information related to our debt, see Note 9 – Debt included as part of the notes to consolidated financial statements and Note 11 – Debt included as part of the notes to consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2015.

We were in compliance with our debt covenants at September 30, 2016. Based on our forecasts and the current margin environment, we believe we will maintain compliance at each of our subsidiaries for the next twelve months or have sufficient liquidity available on a consolidated basis to resolve noncompliance. We cannot provide assurance that actual results will approximate our forecasts or that we will inject the necessary capital into a subsidiary to maintain compliance with its respective covenants. In the event a subsidiary is unable to comply with its debt covenants, the subsidiary’s lenders may determine that an event of default has occurred, and following notice, the lenders may terminate the commitment and declare the unpaid balance due and payable.

Effective January 1, 2016, we adopted ASC 835-30, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs, which resulted in the reclassification of approximately $11.4 million from other assets to long-term debt within the balance sheet as of December 31, 2015. As of September 30, 2016, there was $13.7 million of debt issuance costs recorded as a direct reduction of the carrying value of our long-term debt.

Ethanol Production Segment

Green Plains Processing has a $345.0 million senior secured credit facility which matures in June of 2020. At September 30, 2016, the outstanding principal balance was $310.6 million and our interest rate was 6.5%.

We also have small equipment financing loans, capital leases on equipment or facilities, and other forms of debt financing.

Agribusiness Segment

Green Plains Grain has a $125.0 million senior secured asset-based revolving credit facility to finance working capital up to the maximum commitment based on eligible collateral. The facility matures in July of 2019. This facility can be increased by up to $75.0 million with agent approval and up to $50.0 million for seasonal borrowings. Total commitments outstanding under the facility cannot exceed $250.0 million. At September 30, 2016, the outstanding principal balance was $73.0 million on the facility and our interest rate was 5.0%.

Green Plains Cattle has a $100.0 million senior secured asset-based revolving credit facility to finance working capital up to the maximum commitment based on eligible collateral. The facility matures in October of 2017. At September 30, 2016, the outstanding principal balance was $63.0 million on the facility and our interest rate was 2.5%.

Marketing and Distribution Segment

Green Plains Trade has a $150.0 million senior secured asset-based revolving credit facility to finance working capital up to the maximum commitment based on eligible collateral. The facility matures in November of 2019. At September 30, 2016, the outstanding principal balance was $93.1 million on the facility and our interest rate was 3.7%.

Partnership Segment

Green Plains Partners, through a wholly owned subsidiary, has a $155.0 million secured revolving credit facility to fund working capital, acquisitions, distributions, capital expenditures and other general partnership purposes. The credit facility was amended on September 16, 2016, increasing the revolving credit facility available from $100.0 million to $155.0 million. The amended facility can be increased by up to $100.0 million without the consent of the lenders. The facility matures in July of 2020. At September 30, 2016, the outstanding principal balance was $132.0 million on the facility and our interest rate was 3.3%.

Corporate Activities

In August 2016, we issued $170.0 million of 4.125% convertible senior notes due in 2022, or 4.125% notes, which are senior, unsecured obligations with interest payable on March 1 and September 1 of each year. Prior to March 1, 2022, the 4.125% notes are not convertible unless certain conditions are satisfied. The initial conversion rate is 35.7143 shares of common stock per $1,000 of principal which is equal to a conversion price of approximately $28.00 per share. The conversion rate is subject to adjustment upon the occurrence of certain events, including when the quarterly cash dividend exceeds $0.12 per share. We intend to repay the 4.125% notes with cash for the principal, and cash or common stock for the conversion premium.

In September 2013, we issued $120.0 million of 3.25% convertible senior notes due in 2018, or 3.25% notes, which are senior, unsecured obligations with interest payable on April 1 and October 1 of each year. Prior to April 1, 2018, the 3.25% notes are not convertible unless certain conditions are satisfied. The conversion rate is subject to adjustment upon the occurrence of certain events, including when the quarterly cash dividend exceeds $0.04 per share. The conversion rate was recently adjusted as of September 30, 2016 to 49.0976 shares of common stock per $1,000 of principal, which is equal to a conversion price of approximately $20.37 per share. We intend to repay the 3.25% notes with cash for the principal, and cash or common stock for the conversion premium.

On October 3, 2016, through certain of our subsidiaries, we partially financed our acquisition of Fleischmann's Vinegar using borrowings under a new credit agreement with a group of lenders, consisting of a term loan and a revolving loan commitment. We borrowed $130 million under the term loan. The term loan principal is scheduled to be repaid in installments of $325,000 per quarter beginning December 31, 2016 through September 30, 2022, with a final balloon payment of $122.2 million on October 3, 2022. The revolving loan commitment provides for principal borrowings of up to $15 million through October 3, 2022. We initially borrowed $5 million under the revolving loan commitment. The initial interest rate on both the term loan and revolving loan was 8.0%.

Contractual Obligations

Contractual obligations as of September 30, 2016, were as follows (in thousands):

	Payments Due By Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term and short-term debt obligations (1)	$ 988,102	$ 242,330	$ 128,888	$ 425,457	$ 191,427
Interest and fees on debt obligations (2)	165,162	45,473	69,309	33,389	16,991
Operating lease obligations (3)	108,192	30,760	41,423	18,818	17,191
Other	7,320	2,148	926	2,713	1,533
Purchase obligations:					
Forward grain purchase contracts (4)	220,392	212,248	3,977	2,000	2,167
Other commodity purchase contracts (5)	163,351	161,438	1,913	-	-
Other	118	47	70	1	-
Total contractual obligations	$ 1,652,637	$ 694,444	$ 246,506	$ 482,378	$ 229,309

(1) Includes the current portion of long-term debt and excludes the effect of any debt discounts and issuance costs.
(2) Interest amounts are calculated over the terms of the loans using current interest rates, assuming scheduled principal and interest amounts are
paid pursuant to the debt agreements. Includes administrative and/or commitment fees on debt obligations.
(3) Operating lease costs are primarily for railcars and office space.
(4) Purchase contracts represent index-priced and fixed-price contracts. Index purchase contracts are valued at current quarter-end prices.
(5) Includes fixed-price ethanol, dried distillers grains and natural gas purchase contracts.

Critical Accounting Policies and Estimates

Key accounting policies, including those relating to revenue recognition, depreciation of property and equipment, asset retirement obligations, impairment of long-lived assets and goodwill, derivative financial instruments, and accounting for income taxes, are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements. Information about our critical accounting policies and estimates are included in our annual report on Form 10-K for the year ended December 31, 2015.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements other than the operating leases, which are entered into during the ordinary course of business and disclosed in the Contractual Obligations section above.

Item 3. Qualitative and Quantitative Disclosures About Market Risk.

We use various financial instruments to manage and reduce our exposure to various market risks, including changes in commodity prices and interest rates. We conduct all of our business in U.S. dollars and are not currently exposed to foreign currency risk.

Interest Rate Risk

We are exposed to interest rate risk through our loans which bear interest at variable rates. Interest rates on our variable-rate debt are based on the market rate for the lender's prime rate or LIBOR. A 10% increase in interest rates would affect our interest cost by approximately $3.3 million per year. At September 30, 2016, we had $923.5 million in debt, $664.2 million of which had variable interest rates.

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See Note 9 – Debt included as part of the notes to consolidated financial statements for more information about our debt.

Commodity Price Risk

Our business is highly sensitive to commodity price risk, particularly for ethanol, distillers grains, corn oil, corn and natural gas. Corn prices are affected by weather conditions, yield, changes in domestic and global supply and demand, and government programs and policies. Natural gas prices are influenced by severe weather in the summer and winter and hurricanes in the spring, summer and fall. Other factors include North American energy exploration and production, and the amount of natural gas in underground storage during injection and withdrawal seasons. Ethanol prices are sensitive to world crude oil supply and demand, the price of crude oil, gasoline and corn, the price of substitute fuels, refining capacity and utilization, government regulation and consumer demand for alternative fuels. Distillers grains prices are impacted by livestock numbers on feed, prices for feed alternatives and supply, which is associated with ethanol plant production.

To reduce the risk associated with fluctuations in the price of corn, natural gas, ethanol, distillers grains and corn oil, at times we use forward fixed-price physical contracts and derivative financial instruments, such as futures and options executed on the Chicago Board of Trade and the New York Mercantile Exchange. We focus on locking in favorable operating margins, when available, using a model that continually monitors market prices for corn, natural gas and other inputs relative to the price for ethanol and distillers grains at each of our production facilities. We create offsetting positions using a combination of forward fixed-price purchases, sales contracts and derivative financial instruments. As a result, we frequently have gains on derivative financial instruments that are offset by losses on forward fixed-price physical contracts or inventories and vice versa.

Ethanol Production Segment

In the ethanol production segment, net gains and losses from settled derivative instruments are offset by physical commodity purchases or sales to achieve the intended operating margins. Our results are impacted when there is a mismatch of gains or losses associated with the derivative instrument during a reporting period when the physical commodity purchases or sale has not yet occurred. During the three and nine months ended September 30, 2016, revenues included net gains of $24.2 million and $16.8 million, respectively, and cost of goods sold included net losses of $27.6 million and $32.4 million, respectively, associated with derivative financial instruments.

Our exposure to market risk, which includes the impact of our risk management activities resulting from our fixed-price purchase and sale contracts and derivatives, is based on the estimated net income effect resulting from a

hypothetical 10% change in price for the next 12 months starting on September 30, 2016, are as follows (in thousands):

Commodity	Estimated Total Volume Requirements for the Next 12 Months (1)	Unit of Measure	Net Income Effect of Approximate 10% Change in Price
Ethanol	1,477,000	Gallons	$ 126,850
Corn	518,000	Bushels	$ 107,846
Distillers grains	3,900	Tons (2)	$ 22,969
Corn Oil	363,000	Pounds	$ 6,188
Natural gas	41,800	mmBTU (3)	$ 5,632

(1) Estimated volumes reflect anticipated expansion of production capacity at our ethanol plants and assumes production at full capacity.

(2) Distillers grains quantities are stated on an equivalent dried ton basis.

(3) Millions of BTUs.

Agribusiness Segment

In the agribusiness segment, our inventories, physical purchase and sale contracts and derivatives are marked to market. To reduce commodity price risk caused by market fluctuations for purchase and sale commitments of grain and cattle, and grain held in inventory, we enter into exchange-traded futures and options contracts that serve as economic hedges.

The market value of exchange-traded futures and options used for hedging are highly correlated with the underlying market value of grain inventories and related purchase and sale contracts for grain and cattle. The less correlated portion of inventory and purchase and sale contract market values, known as basis, is much less volatile than the overall market value of exchange-traded futures and tends to follow historical patterns. We manage this less volatile risk by constantly monitoring our position relative to the price changes in the market. Inventory values are affected by the month-to-month spread in the

futures markets. These spreads are also less volatile than the overall market value of our inventory and tend to follow historical patterns, but cannot be mitigated directly. Our accounting policy for futures and options, as well as the underlying inventory held for sale and purchase and sale contracts, is to reflect their current market values and include gains and losses in the consolidated statement of operations.

Our daily net commodity position consists of inventories related to purchase and sale contracts and exchange-traded contracts. The fair value of our position was approximately $0.6 million for grain and $7.7 million for cattle at September 30, 2016. Our market risk at that date, based on the estimated net income effect resulting from a hypothetical 10% change in price, was approximately $0.1 million for grain and $0.5 million for cattle.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure information that must be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required financial disclosure.

Under the supervision of and participation of our chief executive officer and chief financial officer, management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2016, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act and concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. There were no material changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently involved in litigation that has arisen during the ordinary course of business. We do not believe this litigation will have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors.

Investors should carefully consider the discussion of risks and the other information in our annual report on Form 10-K for the year ended December 31, 2015, including the risk factors discussion in Part I, Item 1A, "Risk Factors," and the discussion of risks and other information in this report, including "Cautionary Information Regarding Forward-Looking Statements," which is included in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Investors should also carefully consider the discussion of risks with the partnership under the heading "Risk Factors" and other information in their annual report on Form 10-K for the year ended December 31, 2015. Although we have attempted to discuss key factors, our investors need to be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. The following risk factor supplements and/or updates risk factors previously disclosed and should be considered in conjunction with the other information included in, or incorporated by reference in, this quarterly report on Form 10-Q.

Owning and operating a food ingredients business involves numerous external factors that are outside of our control.

Our food ingredients operations involve numerous risks that could lead to increased costs or decreased demand for products, which could have an adverse effect on our results of operations and financial condition, including:

- we use many different commodities in the production of vinegar. Commodities are subject to price volatility caused by market fluctuations, and constantly changing and potentially volatile supply and demand, which affect the cost of vinegar. Commodity price increases may result in increases in raw materials, packaging, and energy costs and operating costs. We may not be able to increase our product prices to fully offset these increased costs, and increasing prices may result in reduced sales volume, reduced margins and profitability;
- changes in our relationships with significant customers or suppliers could adversely affect us, as the loss of a significant customer or a material reduction in sales to a significant customer could materially and adversely affect our product sales and results of operations;
- our ability to manufacture, transport and sell our products is critical to our success and any disruptions in our supply chain could have an adverse impact on our business and results of operations;
- the food industry is highly competitive and further consolidation in the industry would likely increase competition;

- our customers have continued to consolidate, resulting in fewer customers upon which we can rely for business. These consolidations have produced large sophisticated customers with increased buying power and negotiating strength, which could have a negative impact on profits;
- consumer preferences evolve over time and the success of our products depends on our ability to identify the tastes of consumers and work with manufacturers to develop products that appeal to those preferences;
- food ingredients used in products for human consumption may be subject to product liability claims and product recalls which could negatively impact our profitability; and
- our facilities and products are subject to many laws and regulations administered by various federal, state and local government agencies related to the processing, packaging, storage, distribution, quality and safety of food products, the health and safety of our employees and the protection of the environment. Failure to comply with applicable laws and regulations could subject us to lawsuits, administrative penalties and civil remedies including fines, injunctions and recalls of our products.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Employees surrender shares when restricted stock grants are vested to satisfy statutory minimum required payroll tax withholding obligations.

The following table lists the shares that were surrendered during the third quarter of 2016:

Period	Total Number of Shares Withheld for Employee Awards	Average Price Paid per Share
July 1 - July 31	51	$ 21.80
August 1 - August 31	1,079	23.10
September 1 - September 30	472	24.85
Total	1,602	$ 23.57

In August 2014, we announced a share repurchase program of up to $100 million of our common stock. Under this program, we may repurchase shares in open market transactions, privately negotiated transactions, accelerated buyback programs, tender offers or by other means. The timing and amount of the transactions are determined by management based on its evaluation of market conditions, share price, legal requirements and other factors. The program may be suspended, modified or discontinued at any time, without prior notice. There were no shares repurchased under the program during the third quarter of 2016. Approximately $90.0 million of shares are remaining to be repurchased under the program.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Exhibit Index

Exhibit No.	Description of Exhibit
2.1	Asset Purchase Agreement, dated September 23, 2016, by and among Green Plains Inc., Green Plains Madison LLC, Green Plains Mount Vernon LLC, Green Plains York LLC, Green Plains Holdings LLC, Green Plains Partners LP, Green Plains Operating Company LLC, Green Plains Ethanol Storage LLC and Green Plains Logistics LLC (incorporated by reference to Exhibit 2.1 to the company's Current Report on Form 8-K dated September 26, 2016)
2.2	Amended and Restated Asset Purchase Agreement, dated August 25, 2016, by and among Green Plains Inc., Abengoa BioEnergy of Illinois, LLC and Abengoa BioEnergy of Indiana, LLC (incorporated by reference to Exhibit 2.2 to the company's Current Report on Form 8-K dated September 26, 2016)
2.3	Amended and Restated Asset Purchase Agreement, dated August 25, 2016, by and among Green Plains Inc. and Abengoa BioEnergy Company, LLC (incorporated by reference to Exhibit 2.1 to the company's Current Report on Form 8-K dated September 1, 2016)
4.1	Indenture relating to the 4.125% Convertible Senior Notes due 2022, dated as of August 15, 2016, between Green Plains Inc. and Wilmington Trust, National Association, including the form of Global Note attached as Exhibit A thereto (incorporated by reference to Exhibit 4.1 to the company's Current Report on Form 8 K dated August 15, 2016)
10.1	Second Amendment to the Omnibus Agreement, dated September 23, 2016, by and among Green Plains Inc., Green Plains Partners LP, Green Plains Holdings LLC and Green Plains Operating Company LLC (incorporated by reference to Exhibit 10.1 to the company's Current Report on Form 8-K dated September 26, 2016)
10.2	Amendment No. 2 to Operational Services and Secondment Agreement, dated September 23, 2016, between Green Plains Inc. and Green Plains Holdings LLC (incorporated by reference to Exhibit 10.2 to the company's Current Report on Form 8-K dated September 26, 2016)
10.3	Amendment No. 2 to Ethanol Storage and Throughput Agreement, dated September 23, 2016, by and between Green Plains Ethanol Storage LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.3 to the company's Current Report on Form 8-K dated September 26, 2016)
10.4	Seventh Amendment to Credit Agreement, dated July 27, 2016, by and among Green Plains Grain Company LLC (including in its capacity as successor by merger to Green Plains Essex Inc.), Green Plains Grain Company TN LLC, BNP Paribas, as the administrative agent under the Credit Agreement, and the lenders party to the Credit Agreement (incorporated by reference to Exhibit 10.7 to the company's Quarterly Report on Form 10-Q filed August 3, 2016)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following information from Green Plains Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive

Income, (iv) Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GREEN PLAINS INC.

(Registrant)

Date: November 3, 2016

By: /s/ Todd A. Becker _

Todd A. Becker
President and Chief Executive Officer

(Principal Executive Officer)

Date: November 3, 2016

By: /s/ Jerry L. Peters _

Jerry L. Peters
Chief Financial Officer

(Principal Financial Officer)