

What is a K-1?

January 2019

info@teucrium.com

| 1-802-540-0019

| www.teucrium.com

How and when will I receive my K-1? You will receive your K-1 in the mail at the address provided by your broker **or it can be provided in an electronic format for even faster delivery.** Visit <https://www.taxpackagesupport.com/teucrium> to eliminate the paper K-1.

The statements are generally available by mid-February.

Through the link above you will be able to: view your tax package, print your tax package including instructions, automatically transfer amounts from your Schedule K-1 to IRS forms filed by individuals, download a file of your tax information that can be imported into TurboTax software, and request changes to incorrect information.

The toll-free number, 877-826-1588, is available for support and questions.

What is a K-1? A Schedule K-1 ("K-1") is "a tax document used to report the incomes, losses and dividends of a business' partners or S corporation's shareholders. Rather than being a financial summary for the entire group, the Schedule K-1 document is prepared for each partner or shareholder individually."¹

Why do the Teucrium Funds issue K-1s instead of 1099s?

The Teucrium Commodity Trust (the "Trust") is a Delaware series trust, and each Fund is a series of the Trust. The Trust is organized and will be operated as a statutory trust in accordance with the provisions of the Trust Agreement and applicable Delaware law. Notwithstanding the Trust's status as a statutory trust and each Fund's status as a series of that trust, due to the nature of its activities, each Fund will be treated as a partnership rather than a trust for U.S. federal income tax purposes. In addition, the trading of Shares on the NYSE Arca will cause each Fund to be classified as a publicly traded partnership for federal income tax purposes. Therefore, because the Funds are considered to be partnerships, each Fund will issue K-1s annually to shareholders instead of 1099s.¹

What will the K-1 reflect? In situations where a partner's interest in a partnership is redeemed or sold during a taxable year, the United States federal tax code generally requires that partnership tax items for the year be allocated to the partner using either an interim closing of the books or a daily proration method. Each Fund intends to allocate tax items using an interim closing of the books method under which income, gains, losses and deductions will be determined on a monthly basis, taking into account the Fund's accrued income and deductions and gains and losses (both realized and unrealized) for the month. The tax items for each month during a taxable year will then be allocated among the holders of Shares in proportion to the number of Shares owned by them as of the close of trading on the last trading day of the preceding month (the "monthly allocation convention").²

Risks and Disclosure

- *Commodities and futures generally are volatile, and instruments whose underlying investments include commodities and futures are not suitable for all investors.*

- *This material must be preceded or accompanied by a prospectus. Please read the prospectus carefully before investing or sending money. To obtain a current prospectus visit the link below:*

<http://www.teucriumcornfund.com/pdfs/corn-prospectus.pdf>

<http://www.teucriumcanefund.com/pdfs/cane-prospectus.pdf>

<http://www.teucriumsoybfund.com/pdfs/soyb-prospectus.pdf>

<http://www.teucriumweatfund.com/pdfs/weat-prospectus.pdf>

<http://www.teucriumtagsfund.com/pdfs/tags-prospectus.pdf>

- *The Funds are not mutual funds or any other type of investment company within the meaning of the Investment Company Act of 1940, as amended, and are not subject to regulation thereunder.*

- *Because the Funds will invest primarily in commodity futures contracts and other derivative instruments based on the price of the underlying commodity, an investment in the Funds will subject the investor to the risks of that market, and this could result in substantial fluctuations in the price of the shares.*

¹<http://www.investopedia.com/terms/s/schedule-k-1.asp>

²[Teucrium Corn Fund Prospectus](#)

What will the K-1 reflect (*continued*)? Under the monthly allocation convention, an investor who disposes of a Share during the current month will be treated as disposing of the Share as of the beginning of the first day of the immediately succeeding month. For example, an investor who buys a Share on April 10 of a year and sells it on May 20 of the same year will be allocated all of the tax items attributable to May (because the shareholder is deemed to hold the Share through the last day of May) but none of those attributable to April. The tax items attributable to that Share for April will be allocated to the person who is the actual or deemed holder of the Share as of the close of trading on the last trading day of March. Under the monthly allocation convention, an investor who purchases and sells a Share during the same month, and therefore does not hold (and is not deemed to hold) the Share at the close of the last trading day of either that month or the previous month, will receive no allocations with respect to that Share for any period. Accordingly, investors may receive no allocations with respect to Shares that they actually held, or may receive allocations with respect to Shares attributable to periods that they did not actually hold the Shares. Investors who hold a Share on the last trading day of the first month of the Fund's operation will be allocated the tax items for that month, as well as the tax items for the following month, attributable to the Share.²

The Fund creates and redeems Shares only in blocks called Creation Baskets and Redemption Baskets, respectively. Only Authorized Purchasers may purchase or redeem Creation Baskets or Redemption Baskets. For any month in which a Creation Basket is issued or a Redemption Basket is redeemed, the Fund will credit or debit the "book" capital accounts of existing Shareholders with the amount of any unrealized gain or loss, respectively, on Fund assets. For this purpose, unrealized gain or loss will be computed based on the lowest Net Asset Value ("NAV") of the Fund's assets during the month in which Shares are issued or redeemed, which may be different than the value of the assets on the date of an issuance or redemption. The capital accounts as adjusted in this manner will be used in making tax allocations intended to account for differences between the tax basis and fair market value of property owned by the Fund at the time new Shares are issued or outstanding Shares are redeemed (so-called "reverse Code section 704(c) allocations"). The intended effect of these adjustments is to equitably allocate among Shareholders any unrealized appreciation or depreciation in the Fund's assets existing at the time of a contribution or redemption for book and tax purposes.²

Under the IRS Code, special rules apply to instruments constituting "section 1256 contracts.". Section 1256 contracts held at the end of each taxable year are treated as if they were sold for their fair market value on the last business day of the taxable year (*i.e.*, are "marked to market"). In addition, any gain or loss realized from a disposition, termination or marking-to-market of a section 1256 contract is treated as long-term capital gain or loss to the extent of 60% thereof, and as short-term capital gain or loss to the extent of 40% thereof, without regard to the actual holding period ("60-40 treatment").²

Information regarding the tax consequences of ownership of shares in each of the Teucrium Funds for U.S. shareholders is available in the prospectus for each Fund under U.S. Federal Income Tax Consideration.

- *Shares of the Funds are not insured by the Federal Deposit Insurance Corporation ("FDIC"), may lose value and have no bank guarantee.*
- *Unlike mutual funds, the Funds generally will not distribute dividends to its shareholders. Investors may choose to use the Funds as a means of investing indirectly in commodities, and there are risks involved in such investments.*
- *Prior to the launch of the Teucrium Corn Fund, Teucrium Trading, LLC had never operated a commodity pool. Investors may choose to use the Funds as vehicles to hedge against the risk of loss, and there are risks involved in such hedging activities.*
- *This material is not an offer or solicitation of any kind to buy or sell any securities outside of the United States of America.*

The Teucrium Funds

Teucrium Corn Fund

NYSE: CORN

Teucrium Soybean Fund

NYSE: SOYB

Teucrium Sugar Fund

NYSE: CANE

Teucrium Wheat Fund

NYSE: WEAT

Teucrium Agricultural Fund

NYSE: TAGS