McGladrey & Pullen
Certified Public Accountants

Glacial Lakes Corn Processors

Consolidated Financial Report
August 31, 2009

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McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Glacial Lakes Corn Processors
Watertown, South Dakota

We have audited the accompanying consolidated balance sheets of Glacial Lakes Corn Processors and Subsidiaries (collectively, the Cooperative) as of August 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2009 and 2008 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Glacial Lakes Corn Processors and Subsidiaries as of August 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Sioux Falls, South Dakota
December 15, 2009

Glacial Lakes Corn Processors

Consolidated Balance Sheets
August 31, 2009 and 2008

Assets (Note 6)	2009	2008
Current Assets		
Cash and cash equivalents	$ 27,441,880	$ 26,391,634
Restricted cash (Note 6)	3,561,529	8,065,521
Receivables (Notes 2, 9 and 11)	14,718,020	30,319,905
Inventories (Note 3)	9,775,310	17,076,446
Derivative financial instruments	-	20,556,281
Prepaid expenses	1,307,040	1,414,352
Total current assets	56,803,779	103,824,139
Investments in unconsolidated affiliates (Note 13)	10,237,399	15,810,409
Debt issuance costs, net of accumulated amortization of $931,948 and $461,383 in 2009 and 2008, respectively (Note 5)	1,437,105	1,667,719
Other assets	15,000	15,000
Property and equipment, net (Note 4)	217,857,362	250,763,625
Total assets	$ 286,350,645	$ 372,080,892

Liabilities and Stockholders' Equity	2009	2008
Current Liabilities		
Current maturities of long-term debt (Note 6)	$ 16,921,599	$ 158,715,230
Revolving line of credit (Note 6)	7,120,000	9,900,000
Accounts payable (Note 8)	6,962,787	14,956,872
Construction payable	-	7,558,568
Checks in excess of bank balance	-	869,501
Accrued loss on forward purchase contracts	1,220,000	5,709,011
Accrued expenses	5,750,199	3,954,198
Total current liabilities	37,974,585	201,663,380
Long-Term Liabilities		
Long-term debt, less current maturities (Note 6)	143,948,192	210,926
Interest rate swaps (Note 6)	9,566,286	4,925,816
Deferred income taxes (Note 14)	1,602,426	2,009,500
Total liabilities	193,091,489	208,809,622
Commitments and Contingencies (Notes 8 and 11)		
Stockholders' Equity (Notes 15 and 16)		
Preferred stock, $1.00 par value; authorized 1,000,000 shares; no shares issued and outstanding	-	-
Common stock, $0.00056 par value; authorized 500,000,000 shares; 185,553,152 and 188,119,652 shares issued and outstanding in 2009 and 2008, respectively	103,075	104,513
Additional paid-in capital	113,182,575	114,070,793
Prepaid unit retain and certificates of interest	12,395,355	-
Unallocated capital reserve	(55,376,037)	26,141,776
Allocated capital reserve	22,954,188	22,954,188
	93,259,156	163,271,270
Total liabilities and stockholders' equity	$ 286,350,645	$ 372,080,892

See Notes to Consolidated Financial Statements.

Glacial Lakes Corn Processors

Consolidated Statements of Operations
Years Ended August 31, 2009, 2008, and 2007

	2009	2008	2007
Product sales (Notes 9 and 11)	$ 340,035,011	$ 227,214,115	$ 94,267,005
Service revenue (Note 13)	512,654	1,367,574	863,843
Government incentive revenue	666,667	666,667	835,531
Total revenue	341,214,332	229,248,356	95,966,379
Cost of goods sold (Note 9)	397,615,154	205,045,235	62,731,021
Gross profit (loss)	(56,400,822)	24,203,121	33,235,358
General and administrative expenses	8,436,293	7,347,730	6,722,348
Loss on impairment of assets (Note 11)	-	7,432,651	853,548
Operating income (loss)	(64,837,115)	9,422,740	25,659,462
Other income (expense):			
Interest expense (Note 6)	(16,674,534)	(6,919,684)	(1,161,194)
Interest income	224,845	440,418	2,822,881
Equity in earnings (loss) of unconsolidated affiliates (Note 13)	(2,071,100)	(581,776)	5,423,656
Loss on sale of membership units of affiliate (Note 13)	(1,500,402)	-	-
Loss on impairment of goodwill (Note 12)	-	(3,827,209)	-
Other income, net	31,585	66,489	94,783
Income (loss) from continuing operations before income taxes	(84,826,721)	(1,399,022)	32,839,588
Income tax benefit (expense) (Note14)	1,062,329	345,400	(1,766,400)
Net income (loss) from continuing operations	(83,764,392)	(1,053,622)	31,073,188
Income (loss) from discontinued operations (Note 17)	2,246,579	(1,319,537)	(921,041)
Net income (loss)	$ (81,517,813)	$ (2,373,159)	$ 30,152,147
Distribution of net income (loss):			
Allocated capital reserve	$ -	$ -	$ 24,676,109
Unallocated capital reserve	(81,517,813)	(2,373,159)	5,476,038
Net income (loss)	$ (81,517,813)	$ (2,373,159)	$ 30,152,147
Earnings (loss) from continuing operations per common share (Note 16):			
Basic	$ (0.449)	$ (0.006)	$ 0.181
Diluted	(0.449)	(0.006)	0.180
Earnings (loss) per common share:			
Basic	$ (0.437)	$ (0.013)	$ 0.175
Diluted	(0.437)	(0.013)	0.175

See Notes to Consolidated Financial Statements.

Glacial Lakes Corn Processors

Consolidated Statements of Stockholders' Equity
Years Ended August 31, 2009, 2008, and 2007

	Common Stock	Additional Paid-In Capital	Unit Retain and Certificates of Interest	Unallocated Capital Reserve	Allocated Capital Reserve	Total
Balance, August 31, 2006	77,445	17,104,856	-	23,038,897	15,231,205	55,452,403
Net income	-	-		30,152,147	-	30,152,147
Stock-based compensation, including 937,500 shares issued (Notes 15 and 16)	520	1,744,480	-	-	-	1,745,000
Stock issued, 47,150,000 shares (Note 16)	26,195	94,275,805	-	-	-	94,302,000
Membership fees assessed in connection with stock issuance	-	725,000	-	-	-	725,000
Cost of raising capital	-	(779,411)	-	-	-	(779,411)
Stock issued for merger with MVE, 325,000 shares	181	649,819	-	-	-	650,000
Patronage earnings allocated to stockholders	-	-	-	(24,676,109)	24,676,109	-
Patronage distributions	-	-	-	-	(9,180,123)	(9,180,123)
Balance, August 31, 2007	104,341	113,720,549	-	28,514,935	30,727,191	173,067,016
Net loss	-	-	-	(2,373,159)	-	(2,373,159)
Stock-based compensation, including 412,500 shares issued (Note 15)	233	514,711	-	-	-	514,944
Stock repurchased under stock plan for tax withholding, 107,500 shares	(61)	(164,467)	-	-	-	(164,528)
Patronage distributions	-	-	-	-	(7,773,003)	(7,773,003)
Balance, August 31, 2008	104,513	114,070,793		26,141,776	22,954,188	163,271,270
Net loss	-	-	-	(81,517,813)	-	(81,517,813)
Prepaid unit retain capital call (Note 16)	-	-	11,133,189	-	-	11,133,189
Certificates of interest issued (Note 16)	(1,572)	(1,260,594)	1,262,166			-
Stock-based compensation, including 300,000 shares issued (Notes 15 and 16)	167	382,963	-	-	-	383,130
Stock repurchased under stock plan for tax withholding, 59,000 shares	(33)	(10,587)	-	-	-	(10,620)
Balance, August 31, 2009	$ 103,075	$ 113,182,575	$ 12,395,355	$ (55,376,037)	$ 22,954,188	$ 93,259,156

See Notes to Consolidated Financial Statements.

Glacial Lakes Corn Processors

Consolidated Statements of Cash Flows
Years Ended August 31, 2009, 2008, and 2007

	2009	2008	2007
Cash Flows From Operating Activities			
Net income (loss)	$ (81,517,813)	$ (2,373,159)	$ 30,152,147
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation, amortization and accretion	29,373,686	15,348,024	5,915,969
Deferred income taxes	(407,074)	(893,000)	1,002,500
Gain on sale of assets	(16,399)	-	-
Loss on impairment of assets	-	8,037,972	853,548
Gain on sale of Madison Energy	(1,595,653)	-	-
Change in fair value of interest rate swaps	4,640,470	4,028,412	897,404
Equity in undistributed (earnings) loss of unconsolidated affiliates	2,071,100	2,057,118	(4,775,256)
Loss on sale of units of unconsolidated affiliate	1,500,402	-	-
Loss on impairment of goodwill	-	3,827,202	1,085,000
Stock-based compensation	383,130	514,944	1,745,000
Changes in working capital components:			
Receivables	18,971,893	(21,186,118)	(1,308,379)
Inventories	5,957,534	(11,028,747)	2,559,909
Derivative financial instruments	25,399,067	(16,035,088)	(2,031,419)
Prepaid expenses	107,312	(1,228,878)	(101,877)
Other assets	-	49,114	(64,114)
Accounts payable	(7,994,085)	12,201,661	983,819
Accrued expenses	1,785,381	1,963,691	678,662
Accrued loss on forward purchase contracts	(4,489,011)	5,709,011	-
Net cash provided by (used in) operating activities	(5,830,060)	992,159	37,592,913
Cash Flows From Investing Activities			
Purchases of property and equipment	(6,466,244)	(104,345,266)	(125,911,872)
Proceeds from sale of property and equipment	24,378	-	-
(Increase) decrease in restricted cash	4,503,992	(8,065,521)	-
Acquisitions, net (Note 17)	-	-	(8,117,554)
Proceeds from sale of Madison Energy	1,000,816	-	-
Investment in unconsolidated affiliates	-	(1,508)	(98,750)
Proceeds from sale of units of unconsolidated affiliate	2,000,000	-	-
Net cash (provided by) used in investing activities	1,062,942	(112,412,295)	(134,128,176)
Cash Flows From Financing Activities			
Proceeds from revolving lines of credit	14,220,000	51,661,606	-
Payments on revolving lines of credit	(17,000,000)	(41,761,606)	-
Proceeds from long-term debt	9,786,275	124,704,333	21,073,244
Payments on long-term debt	(11,212,648)	(1,837,519)	(1,085,098)
Debt issuance cost paid	(239,951)	(182,598)	(1,946,404)
Increase (decrease) in checks in excess of bank balance	(869,501)	869,501	-
Member contributions	11,133,189	-	94,302,000
Membership fees assessed in connection with stock issuance	-	-	725,000
Offering costs paid	-	-	(223,124)
Patronage dividends paid	-	(7,773,003)	(9,180,123)
Net cash provided by financing activities	5,817,364	125,680,714	103,665,495
Net increase in cash and cash equivalents	1,050,246	14,260,578	7,130,232
Cash and Cash Equivalents			
Beginning	26,391,634	12,131,056	5,000,824
Ending	$ 27,441,880	$ 26,391,634	$ 12,131,056
Supplemental disclosures of cash flow information			
Cash paid for interest, excluding capitalized interest	$ 12,092,321	$ 5,886,768	$ 1,307,428
Cash paid for capitalized interest	-	5,029,748	1,323,223
Cash paid for income taxes	-	726,351	1,072,300
Supplemental schedule of noncash investing operating activities			
Accounts payable incurred for property and equipment	-	7,558,568	25,851,085
Subordinated note payable issued for broker payable	3,370,008	-	-
Stock repurchased for tax withholding	10,620	164,528	-

See Notes to Consolidated Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Glacial Lakes Corn Processors (GLCP), a cooperative located near Watertown, South Dakota, was organized in May 2001 to build and operate ethanol plants in South Dakota for commercial sales throughout the United States of America. Wholly-owned subsidiaries of GLCP are Glacial Lakes Energy, LLC (GLE), Aberdeen Energy, LLC (AE), Missouri Valley Energy, LLC (MVE) and Madison Energy, LLC (ME). GLE owns and operates a 105 million gallon per year ethanol plant near Watertown, South Dakota and provided management services to unconsolidated affiliates. AE owns and operates a 110 million gallon per year ethanol plant near Aberdeen, South Dakota. MVE owns land held for sale (See Note 11) and ME was sold in October 2008 (See Note 17).

Principles of consolidation: The financial statements include the accounts of GLCP and its wholly-owned subsidiaries (collectively, the Cooperative). All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. Estimates significant to the financial statements include stock-based compensation, accrual for damage to leased railcars, the allowance for doubtful accounts, derivative financial instruments, deferred income taxes, useful lives of property and equipment, and impairment losses.

Revenue recognition: Revenue from product sales is recorded when the product is loaded and title transfers to the customer. Product sales are recorded net of outbound shipping costs and commissions. Service revenue is recognized as earned. Government incentive revenue is recognized in accordance with the terms of the program.

Expense classification: Cost of goods sold primarily includes raw materials, payroll for plant employees and general plant overhead charges. General and administrative expenses consist primarily of payroll for management and accounting employees and fees paid to service providers for legal, accounting and consulting services.

Shipping and commission costs: Shipping costs for product sales are generally paid or reimbursed by the Cooperative's marketers. Shipping and commissions costs paid to the marketers are presented on a net basis in product sales on the consolidated statements of operations. Shipping costs were $54,382,728, $30,860,644 and $10,771,498 and commission costs were $3,331,539, $1,532,769 and $811,570 for the years ended August 31, 2009, 2008 and 2007, respectively.

Concentrations of credit risk: The Cooperative performs periodic credit evaluations of its customers and generally does not require collateral. The Cooperative's operations may vary with the volatility of the markets for inputs (including corn, natural gas, chemicals and denaturant) and for the finished products (ethanol and distiller's grains).

Cash and cash equivalents: The Cooperative considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Cooperative maintains its cash and cash equivalents in bank deposit accounts which frequently exceed federally insured limits. At August 31, 2009 cash was deposited primarily in 3 banks. The Cooperative has not experienced any losses in such accounts. The Cooperative believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 1. Nature of Business and Significant Accounting Policies (continued)

Restricted cash: Restricted cash, which exceeds federally insured limits, represents loan proceeds not used for construction costs and/or deposits into debt service reserve accounts.

Receivables: Receivables are carried at original invoice amount less an allowance made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of receivables. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recognized when received.

Inventories: All inventories, except for distiller's grains and ME's grain inventory, are stated at the lower of cost or market on the first-in, first-out method. Distiller's grains are stated at net realizable value, which approximates historical cost. ME's grain inventory is stated at market value.

Derivative financial instruments: The Cooperative enters into forward purchase and sales contracts for corn, natural gas, denaturant and distiller's grain, which meet the definition of a derivative under accounting standards but qualify for the normal purchase / normal sale exception to fair value accounting. These contracts provide for the purchase or sale of commodities in quantities that are expected to be used or sold over a reasonable period of time in the normal course of operations. These contracts are not marked to market in the financial statements. In circumstances where management estimates that cash contract values from purchased corn cannot be recovered through the sale of ethanol, a loss is recorded on the contract. Such losses are included in cost of goods sold and accrued loss on forward purchase contracts.

Forward contracts entered into by ME and exchange-traded futures contracts are marked to market as derivative financial instruments on the consolidated balance sheets. Changes in fair value are included in product sales or cost of goods sold on the consolidated statements of operations consistent with the commodity being hedged.

Interest rate swap agreements: Fair value of the Cooperative's interest rate swap agreements are recognized as either an asset or liability in the consolidated balance sheets, with changes in fair value reported in interest expense in the consolidated statements of operations.

Investments in unconsolidated affiliates: The Cooperative accounts for its investments in Granite Falls Energy, LLC (GFE) and Redfield Energy, LLC (RE) using the equity method of accounting under which the Cooperative's respective share of the net income (loss) of the unconsolidated affiliates is recognized as equity in earnings (loss) of unconsolidated affiliates on the consolidated statements of operations and the net income (loss), less any distributions received, is added to (subtracted from) the investment accounts.

Note 1. Nature of Business and Significant Accounting Policies (continued)

Property and equipment: Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives as follows:

Land improvements	15-20 years
Buildings	20-30 years
Railroad equipment and rolling stock	5-20 years
Machinery and equipment	7-30 years
Office equipment	3-7 years

Construction in progress is depreciated when construction is complete and the property and equipment is placed into service. Repairs and maintenance costs are expensed as incurred and significant improvements are capitalized.

Long-lived assets: The Cooperative reviews long-lived assets used in operations for impairment when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. In such cases, an impairment loss is recognized for the excess of the carrying value of the asset over its fair value.

Debt issuance costs: Debt issuance costs are amortized over the term of the related debt instrument by a method that approximates the effective interest method.

Goodwill: Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to tangible and identified intangible assets acquired and liabilities assumed. Goodwill is reviewed for impairment annually or more frequently if certain impairment conditions arise. Goodwill that is impaired is written down to fair value.

Income taxes: The Cooperative is a non-exempt cooperative association subject to federal income tax on non-patronage income and patronage income not allocated to members. The Cooperative is permitted to deduct the portion of patronage income allocated to the members in the form of cash dividends and qualified written notice of allocations from taxable income. The Cooperative allocates its patronage income on the tax basis. Deferred income taxes are recorded on the consolidated balance sheets for basis differences related to non-patronage income from the Cooperative's investments in unconsolidated affiliates. The deferred tax liability represents the future tax return consequences of those differences. The Cooperative uses accelerated depreciation methods for income tax purposes, which causes taxable income to be different than net income for financial reporting purposes. Taxable income is also different than net income on the consolidated statements of operations for differences related to derivative financial instruments, interest rate swaps, stock-based compensation and certain recorded losses. No deferred income taxes are recognized on these differences.

Earnings (loss) per common share (EPS): Basic EPS is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that would occur, using the treasury stock method, if securities or other obligations to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in the Cooperative's earnings, unless such effects are antidilutive.

Note 1. Nature of Business and Significant Accounting Policies (continued)

Stock-based compensation: Costs of employee share-based payments are measured at fair value on the award's grant date and recognized in the financial statements over the requisite service period on a straight-line basis.

Fair value: The carrying amounts for cash and cash equivalents, receivables, accounts payable, checks in excess of bank balance, accrued losses and accrued expenses approximate fair value. Fair values for derivative financial instruments are determined based on quoted market prices. Fair values of interest rate swap agreements are obtained from the counterparty, who computes the values based upon nominal and current interest rates and interest yield curves. Derivative financial instruments and interest rate swap agreements are recorded at fair value on the accompanying consolidated balance sheets. The Cooperative does not consider it practicable to estimate the fair value of its revolving lines of credit, long-term debt or subordinated note payable due to the unique nature of the obligations.

Recent accounting pronouncements: In September 2006 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis.

The Cooperative adopted SFAS No. 157 for the fiscal year beginning September 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until the fiscal year beginning September 1, 2009. The adoption of the remaining provisions of SFAS No. 157 is not expected to have a material impact on the Cooperative's financial position, results of operations or cash flows.

In July 2006, The FASB issued interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the statement of financial position, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Cooperative has elected this deferral and, accordingly, will be required to adopt FIN 48 in its year ending August 31, 2010 financial statements. Prior to adoption of FIN 48, the Cooperative will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Cooperative to accrue for losses it believes are probable and can be reasonably estimated. The Cooperative is currently evaluating the impact of adopting FIN 48 on its financial statements.

Note 1. Nature of Business and Significant Accounting Policies (continued)

Recent accounting pronouncements (continued): In December 2007, the FASB issued Statement No. 141 (revised 2008), *Business Combinations*, which significantly changes the financial accounting and reporting of business combination transactions. The Cooperative will adopt FASB Statement No. 141R for the year ending August 31, 2010 and is evaluating the effect, if any, on its financial position or results in operations.

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*, which establishes accounting and reporting standards for noncontrolling interests and separate disclosure of net income (loss) attributable to the parent and to the noncontrolling interests. FASB Statement No. 160 will be effective for the Cooperative for the year ending August 31, 2010 and is evaluating the effect, if any, on its financial position or results in operations.

In March 2008, the FASB issued statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133,* which requires expanded qualitative disclosures about objectives and strategies for using derivatives, qualitative disclosures about fair value amounts of and gains and losses on derivative instruments, and credit-risk related contingent features in derivative instruments. This statement is effective for financial statements issued for reporting periods beginning after November 15, 2008. The Cooperative will adopt FASB Statement No. 161 for the year ending August 31, 2010 and is evaluating the effect, if any, on its financial position or results in operations

Note 2. Receivables

The following table summarizes receivables as of August 31, 2009 and 2008:

	2009	2008
Trade	$ 13,552,996	$ 23,299,260
Government programs	166,667	166,667
Broker	1,127	2,454,415
Income taxes	456,692	487,151
Sales tax refund	-	2,347,505
Other	803,650	1,597,619
	14,981,132	30,352,617
Less allowance for doubtful accounts	263,112	32,712
	$ 14,718,020	$ 30,319,905

Note 3. Inventories

The following table summarizes inventories as of August 31, 2009 and 2008:

	2009	2008
Grain	$ 2,811,227	$ 6,182,221
Ethanol and distiller's grains:		
Finished goods	2,325,841	3,912,350
In process	2,565,788	4,497,816
Chemicals and ingredients	893,479	1,528,286
Spare parts	1,178,975	955,773
	$ 9,775,310	$ 17,076,446

Inventories were reduced by approximately $0 and $1,000,000 as of August 31, 2009 and 2008, respectively, to adjust for market values which were less than cost.

Note 4. Property and Equipment

The following table summarizes property and equipment as of August 31, 2009 and 2008:

	2009	2008
Land and land improvements	$ 8,591,653	$ 8,935,015
Buildings	29,888,959	29,870,247
Railroad equipment and rolling stock	11,372,959	11,587,391
Machinery and equipment	236,415,384	240,109,207
Office equipment	592,281	622,375
Construction in progress	146,571	400,857
	287,007,807	291,525,092
Less accumulated depreciation	69,150,445	40,761,467
	$ 217,857,362	$ 250,763,625

Depreciation expense for the years ended August 31, 2009, 2008 and 2007 was $28,901,613, $14,886,741 and $5,772,387, respectively.

Note 5. Debt Issuance Costs

Debt issuance costs: Amortization of debt issuance costs was $470,565, $461,383 and $0 during the years ended August 31, 2009, 2008 and 2007, respectively. Future amortization of debt issuance costs is as follows:

Years ending August 31,	
2010	$ 492,721
2011	492,721
2012	451,663
	$ 1,437,105

Note 6. Revolving Line of Credit, Long-Term Debt and Subordinated Note Payable

The following table summarized the outstanding balances on revolving lines of credit as of August 31, 2009 and 2008:

	2009	2008
GLE	$ -	$ -
AE	7,120,000	9,900,000
Total	$ 7,120,000	$ 9,900,000

Under the loan agreement with a group of lenders administered by First National Bank of Omaha (the Bank), GLE and AE each had a $10,000,000 revolving line of credit. Each revolving line of credit matured on July 17, 2009. The revolving lines of credit bear an interest rate at 3.25% above the 1-month LIBOR (3.53% at August 31, 2009) and 3.00% above the 1-month LIBOR (5.56% at August 31, 2008). Amounts available under the revolving lines of credit were subject to a borrowing base, which was calculated as a percentage of eligible receivables, certain inventory categories (less related payables) and hedging account balances.

On October 3, 2008, the Bank suspended any availability under the revolving lines of credit based on the level of losses from hedging activities in September and October 2008 and that the amount outstanding on the revolving lines of credit on that date ($7,120,000 for AE) exceeded its borrowing base. On December 3, 2008, the Cooperative, GLE and AE signed the Second Amendment to the loan agreement which continued the suspension of availability under the revolving lines of credit and increased the interest rate by 0.25%. While the combined balance outstanding on the revolving lines of credit exceeded the combined borrowing bases at various times during FY 2009, the combined borrowing bases for GLE and AE on August 31, 2009 exceeded the combined balance outstanding on the revolving lines of credit. On September 29, 2009, the Cooperative, GLE and AE signed the Fourth Amendment to the loan agreement that extended the maturity date on the revolving lines of credit to October 17, 2009, continued the suspension of availability under the revolving lines of credit and increased the interest rate to 6.50% above the 3-month LIBOR (with a floor of 7.00%). On December 15, 2009, the Cooperative, GLE and AE signed the Sixth Amendment to the loan agreement approving the extension of the revolving lines of credit to July 17, 2010 with the maximum amount available of $3,560,000 each for GLE and AE. The Sixth Amendment also stated that the unused fee on the revolving lines of credit will go to 0.50% from 0.375% and hedging account balances would be removed from the borrowing base calculation.

Note 6. Revolving Line of Credit, Long-Term Debt and Subordinated Note Payable (continued)

The following table summarizes long-term debt as of August 31, 2009 and 2008:

	2009	2008
GLE:		
Variable note (see details below)	$ 42,196,790	$ 46,823,385
Swap note (see details below)	29,317,794	31,484,509
Equipment loan, due in monthly installments of $3,285 with a maturity date of March 2010, collateralized by related equipment	22,998	62,423
Total GLE	71,537,582	78,370,317
AE:		
Variable note (see details below)	50,946,530	-
Swap note (see details below)	34,827,743	-
Construction loan (see details below)	-	80,213,725
Equipment loan, due in monthly installments of $9,750 including interest at 4.25%, with a maturity date of April 2011, collateralized by related equipment	187,928	294,469
Equipment loan, due in monthly installments of $23,323 with a maturity date of October 2008, collateralized by related equipment	-	47,645
Total AE	85,962,201	80,555,839
GLE and AE, jointly and severally:		
Subordinated note payable (see details below)	3,370,008	-
	160,869,791	158,926,156
Less current maturities	16,921,599	158,715,230
	$ 143,948,192	$ 210,926

Note 6. Revolving Line of Credit, Long-Term Debt and Subordinated Note Payable (continued)

Loan agreement and amendments: The Cooperative, GLE and AE entered into a loan agreement with the Bank on July 19, 2007. The proceeds from the GLE construction loan were used to payoff the outstanding term loans of $15,000,000 with the Bank. The remaining proceeds were used to fund the expansion of the GLE plant and to construct the AE plant. Under the loan agreement, there are incentive pricing rate reductions available if certain financial ratios are met. Amounts borrowed under the loan agreement are secured by substantially all of the assets of the Cooperative, GLE and AE (except for the interest in MVE).

Upon successful completion of the projects, the construction loans were converted into variable-rate term loans with a five-year maturity (March 20, 2013 for GLE and December 20, 2013 for AE). The term loans consist of a swap note and a variable note. For GLE at conversion in March 2008, the variable note had a balance of $48,000,000 and the swap note had a balance of $32,000,000. For AE at conversion in January 2009, the variable note had a maximum balance of $54,000,000 and the swap note had a balance of $36,000,000. Under the variable notes, fixed quarterly payments of $1,791,816 and $2,015,792 are due for GLE and AE, respectively, with amounts allocated to accrued interest first and then to principal reduction. Under the swap notes, variable quarterly principal payments (based on ten-year amortization) plus accrued interest are due.

The variable notes bear an interest rate of 3.25% above the 3-month LIBOR (3.85% at August 31, 2009) and the swap notes bear an interest rate of 3.05% above the 3-month LIBOR (3.65% at August 31, 2009). The variable note for GLE bore an interest rate of 3.00% above the 3-month LIBOR (5.79% at August 31, 2008) and the swap note for GLE bore an interest rate of 2.80% above the 3-month LIBOR (5.59% at August 31, 2008).

In connection with the conversion of the GLE and AE construction loans to term loans in March 2008 and January 2009, respectively, GLE and AE borrowed up to the full $80,000,000 and $90,000,000 available, respectively, and deposited the excess amounts into escrow accounts held by the Bank. The amounts in the GLE and AE escrow accounts at August 31, 2009 were $3,060,589 and $500,940, respectively, and are shown as restricted cash in the consolidated balance sheet.

Note 6. Revolving Line of Credit, Long-Term Debt and Subordinated Note Payable (continued)

Loan agreement and amendments (continued): On December 3, 2008, the Cooperative, GLE and AE signed the Second Amendment to loan agreement with the Bank. The major provisions of the Second Amendment were as follows: (a) the Cooperative stated that it will approve a prepaid unit retain capital call of no less than $0.06 per share to raise no less than $11,300,000 on a best efforts basis from its shareholders (see Note 16), (b) to consent to any changes needed in the current ethanol marketing agreement to effect an increase in the net price received from the sale of ethanol (see Note 11), (c) the Cooperative agreed to raise additional capital on a best efforts basis in addition to the prepaid unit retain capital call, (d) the Cooperative agreed to retain a professional financial consultant and advisor acceptable to the Bank, (e) the Cooperative agreed not to establish any new hedging positions until a new risk management policy is adopted and approved in writing by the Bank, (f) the Cooperative agreed to provide a report to the Bank by an independent party on hedging activities during calendar year 2008, (g) advances on the revolving lines of credit and draw requests under the AE construction loan will only be made in strict compliance with the amended loan agreements, (h) to consent to executing the subordinated note payable of $3,370,008 with FCStone (any default of the subordinated note shall be a default of this loan agreement, see below), (i) to consent to the sale of the ME elevator (see Note 17) and the sale of 2,000 units of GFE ownership (see Note 13), (j) to allow the Cooperative to use $1,000,000 from the sale of the ME elevator and to use $2,000,000 from the sale of GFE units as working capital (k) to consent to the release of $5,000,000 from the GLE construction escrow account to be used as working capital to match amounts raised by the Cooperative's prepaid unit retain capital call, and (l) to transfer the remaining $3,000,000 balance of the GLE construction escrow account to a debt service reserve account controlled by the Bank. In consideration for the Second Amendment, the Cooperative paid an administration fee to the Bank of $212,500 (0.00125 of the total commitment) and the interest rate on the revolving line of credit and the term loans was increased by 0.25%.

On October 30, 2009, the Cooperative, GLE and AE signed the Fifth Amendment to the loan agreement with the Bank which consented to the indebtedness to be incurred related to the corn dryer and related grain handling equipment for the AE plant of $2,430,000.

On December 15, 2009, the Cooperative, GLE and AE signed the Sixth Amendment to the loan agreement with the Bank approving (a) new swap notes to match the nominal amounts of the interest rate swaps entered into during June 2008 and (b) a new long-term revolver (LTR) note of $3,000,000 each for GLE and AE. The remaining balances on the new variable notes and the balances on the LTR notes will have the interest rate increased to 3-month LIBOR plus 6.50% (with a floor of 7.00%). The fixed quarterly payments required under the old variable notes will be allocated to (a) principal and interest due under the new swap notes, (b) accrued interest on the new variable notes and the LTR notes and (c) principal reduction on the new variable notes and the LTR notes.

Note 6. Revolving Line of Credit, Long-Term Debt and Subordinated Note Payable (continued)

Interest rate swap agreements: The Cooperative has entered into various interest rate swap agreements with the Bank. The swap agreements were entered into to reduce the volatility of interest rates under the variable notes and the swap notes. In conjunction with the swap notes under the loan agreement, the Cooperative entered into two swap agreements on August 16, 2007 with the following terms:

	GLE	AE
Effective date	June 20, 2008	June 20, 2008
Expiration date	March 20, 2013	June 20, 2013
Original notional amount	$ 32,000,000	$ 36,000,000
Notional amount at August 31, 2009	$ 29,317,794	$ 33,621,627
Fixed rate paid by Cooperative	7.950%	7.985%
Variable rate received by Cooperative	2.80% above 3-month LIBOR	

On June 23, 2008, the Cooperative entered into six additional swap agreements with the Bank related to variable notes with the following terms:

	GLE	AE
Effective date	June 20, 2008	June 20, 2008
Expiration dates	June 20, 2011	June 20, 2011
	June 21, 2012	June 21, 2012
	March 20, 2013	June 22, 2013
Combined original notional amount	$ 20,000,000	$ 25,000,000
Notional amount at August 31, 2009	$ 18,614,740	$ 23,268,680
Average fixed rate paid by Cooperative	7.5641%	7.5673%
Variable rate received by Cooperative	3.00% above 3-month LIBOR	

The notional amounts on these swap agreements reduce on a quarterly basis in proportion to the scheduled principal reduction under the notes for the respective time periods. The swap agreements require settlement payments to be made or received quarterly.

The fair value of the swap agreements was recorded as a liability of $9,566,286 as of August 31, 2009 and $4,925,816 as of August 31, 2008. In 2009, the Cooperative recorded the decrease of $4,640,470 in the fair value of the swap agreements in interest expense in the consolidated statement of operations. In 2008, the Cooperative recorded the decrease of $4,028,412 in the fair value of the swap agreements in interest expense in the consolidated statement of operations and as part of the interest capitalized.

Note 6. Revolving Line of Credit, Long-Term Debt and Subordinated Note Payable (continued)

Covenants and requirements of loan agreement: The loan agreement (as amended) and related documents contain (i) a number of covenants restricting excess cash and cash distributions to shareholders, (ii) other requirements such as sufficient property and liability insurance coverage, minimum working capital levels, and minimum tangible net worth and (iii) maintenance of certain financial ratios including a historical fixed charges coverage ratio and a total debt-to-tangible net worth ratio. The loan agreement requires additional principal payments under the variable notes be made quarterly by GLE and/or AE based on 25% of their "excess cash flow", as defined in the loan agreement.

The loan agreement required GLE and AE each to fund a debt service reserve account to be a source for payment of principal and interest in case either entity is not able to make its scheduled quarterly payments. The amounts to be funded into the debt service reserve accounts were originally at $3,000,000 for GLE and $3,300,000 for AE. Under the Third Amendment to the loan agreement signed on December 3, 2008, approximately $3,000,000 received from full funding the construction loan prior to the conversion into the term loans was deposited into the debt service reserve account of GLE and is included in restricted cash in the consolidated balance sheet. In the Sixth Amendment to the loan agreement signed on December 15, 2009, GLE and AE took the balance in their respective debt service reserve accounts and paid down on the outstanding balance of the LTR notes. Once the LTR notes are paid to $0, GLE and AE may reborrow on the LTR notes to make its scheduled quarterly payment to the other notes.

Under the loan agreement, GLE and AE are allowed to make minimum tax distributions (up to 40% of financial-basis income) to GLCP so that they can be passed on to shareholders to pay income taxes on patronage income allocated to them. In order to pay additional distributions to shareholders, GLE and AE are required to (a) fully fund the respective debt service reserve accounts (pay down the LTR notes to $0 with the Sixth Amendment to the loan agreement), (b) pay down the term loans to the "targeted balance" (based on seven-year loan amortization) and (c) show compliance will all financial covenants after the proposed distribution.

At various times during 2009, GLE and AE were not in compliance with the following covenants: minimum tangible net worth (GLE and AE), the historical fixed charges coverage ratio (GLE and AE), the total debt-to-tangible net worth ratio (GLE) and minimum working capital (AE). On December 15, 2009, the Cooperative, GLE and AE signed the Sixth Amendment to the loan agreement with the Bank approving the following items related to covenants: (a) waive financial covenant violations during the fiscal year ended August 31, 2009 and through October 31, 2009, (b) modify the covenants for minimum working capital levels, minimum tangible net worth, historical fixed charges coverage ratio and historical debt to tangible net worth ratio during the fiscal year ending August 31, 2010, (c) return to previous financial covenants for periods after September 1, 2010, and (d) require lender approval for any distributions above those required for the allocation of taxable patronage income to shareholders while there is a balance outstanding on the LTR notes and the "targeted balances" are not met. In consideration for the Sixth Amendment to the loan agreement, the Cooperative will pay an administrative fee estimated at $240,000 (0.0015 of the current commitment).

Based on the current financial forecast, management expects that the Cooperative, GLE and AE will be in compliance with the modified financial covenants discussed above during the fiscal year ending August 31, 2010.

Note 6. Revolving Line of Credit, Long-Term Debt and Subordinated Note Payable (continued)

Future principal payments: Maturities of long-term debt as of August 31, 2009 are estimated as follows (based on compliance with the modified financial covenants in the Sixth Amendment to the loan agreement):

Years ending August 31,	GLE	AE	Total
2010	$ 8,061,210	$ 8,860,389	$ 16,921,599
2011	8,499,232	9,329,264	17,828,496
2012	8,935,040	9,727,760	18,662,800
2013	46,042,100	10,233,763	56,275,863
2014	1,685,004	49,496,029	51,181,033
Total	$ 73,222,586	$ 87,647,205	$ 160,869,791

Standby letters of credit: Under the loan agreements, the Bank agreed to provide a facility for standby letters of credit. As of August 31, 2009 and 2008, AE has outstanding standby letters of credit of $3,300,000 and GLE has no standby letters of credit outstanding.

Subordinated note payable: As a result of the Cooperative liquidating all of its commodities futures and options positions in October 2008, the Cooperative had an unfilled margin call totaling $3,370,008. In December 2008, the Cooperative, GLE and AE entered into a subordinated note agreement with its broker for the amount of unfilled margin call. The note is subordinated to the indebtedness owed by the Cooperative, GLE and AE under the loan agreement described above. The note bears interest at an annual rate of 8.00% with scheduled monthly interest payments subject to the terms of the related subordination agreement. At August 31, 2009, the balance outstanding on the subordinated note is $3,370,008. The subordinated note has a stated maturity date of December 2, 2009. However, under the terms of the subordinated note, unless all amounts owing under the loan agreement with the Bank have been indefeasibly paid in full, no principal payment, whether as a prepayment or upon the stated maturity date, shall be due under the subordinated note unless and until the Bank and all of the other senior lenders each consent to any such principal payment. Under the terms of the subordinated note, the Cooperative agreed to request such credit action for the payment of principal at the stated maturity date no later than 30 days following the stated maturity date.

Note 7. Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Cooperative has the ability to access.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 7. Fair Value Measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes by level, within the fair value hierarchy, the Cooperative's assets (liabilities) that are measured at fair value on a recurring basis at August 31, 2009:

	Level 1	Level 2	Level 3	Total
Interest rate swap agreements	$ -	$ (9,566,286)	$ -	$ (9,566,286)

Note 8. Leases

The Cooperative leases approximately 337 hopper and 584 tanker cars under operating lease agreements. Generally, the Cooperative is required to pay executory costs such as maintenance and insurance.

Base and contingent rent expense on the rail cars (based on the dates the cars were put into service) for the years ended August 31, 2009, 2008 and 2007 totaled $3,258,830, $796,706 and $398,485, respectively. During the year ended August 31, 2009, 2008 and 2007 the Cooperative sub-leased certain of the hopper cars to other ethanol plants on a short-term basis and recorded $124,513, $46,940 and $100,704, respectively, as a reduction of rent expense.

The Cooperative is responsible for repairs and maintenance on the rail cars, as well as damages that are assessed at the end of the lease term. Accruals recorded for estimated damages as of August 31, 2009 and 2008 were $699,487 and $70,987, respectively.

Minimum lease payments in the future years are as follows:

Years ending August 31,	
2010	$ 4,763,886
2011	4,120,556
2012	2,924,484
2013	1,745,616
2014	1,255,866
Thereafter	1,937,014
	$ 16,747,422

Note 9. Related Party Transactions and Concentrations

Corn marketing and purchases: GLE has a corn marketing agreement with the Cooperative. The Board of Directors of the Cooperative voted to have its members deliver 74,221,260 and 72,426,066 bushels of corn (0.40 and 0.385 bushels per share, respectively) for the years ended August 31, 2010 and 2009, respectively, on an open delivery system. For those bushels not delivered by the members of the Cooperative, GLE obtains those bushels through a corn pool operated by GLE and charges a pool fee of $0.01 per bushel.

For the years ended August 31, 2009, 2008 and 2007 the Cooperative purchased corn from its members (including committed bushels described above) as follows:

	Bushels	Dollars
2009		
Individuals	8,853,489	$ 35,810,291
Elevators	40,388,584	149,908,018
Totals	49,242,073	$ 185,718,309
2008		
Individuals	9,965,868	$ 45,196,964
Elevators	17,094,915	82,224,255
Totals	27,060,783	$ 127,421,219
2007		
Individuals	6,375,142	$ 16,002,974
Elevators	5,633,190	17,482,599
Totals	12,008,332	$ 33,485,573

Included in the amounts paid to the members of the Cooperative for the purchase of corn for the years ended August 31, 2009, 2008 and 2007, the Cooperative paid $547,146, $459,970 and $317,495, respectively, as freight allowance on committed bushels and $39,025, $59,152 and $66,380, respectively, as additional price to those members who purchased over 50,000 shares of stock at the time the Cooperative was organized (called "Commercial Level Investors").

Note 9. Related Party Transactions and Concentrations (continued)

Distiller's grain sales: For the years ended August 31, 2009, 2008 and 2007, the Cooperative sold distiller's grain to members of the Cooperative as follows:

	Tons		Dollars
2009			
Dry distiller's grain	13,462	$	1,584,085
Wet distiller's grain	69,610		3,774,385
Totals	83,072	$	5,358,470
2008			
Dry distiller's grain	13,713	$	1,609,693
Wet distiller's grain	69,000		3,147,987
Totals	82,713	$	4,757,680
2007			
Dry distiller's grain	13,919	$	1,171,466
Wet distiller's grain	74,385		2,255,987
Totals	88,304	$	3,427,453

The Cooperative offered a 2% discount for members on the distiller's grains that would be produced from the bushels of corn committed to the Cooperative. For the years ended August 31, 2009, 2008 and 2007, the Cooperative calculated the following discounts:

		2009		2008		2007
Equivalent tons of dry distiller's grain		35,595		15,397		11,458
Discount amount	$	43,226	$	31,023	$	17,906

The discount amounts are shown as a payable as of the end of the respective year.

Receivables and payables: As of August 31, 2009 and 2008, amounts receivable from or due to members of the Cooperative were as follows:

		2009		2008
Receivables for distiller's grains	$	377,134	$	590,763
Receivables for net pool fees		600,000		295,135
Payables for corn and freight allowances		3,585,063		4,015,213
Fees payables to Commercial Level Investors		16,774		37,081
Payable for discount on distiller's grain		43,226		31,023

Major customers: During the years ended August 31, 2009, 2008, and 2007, the Cooperative had two major customers from which the product sales and receivables were as follows:

	Product Sales Year Ended August 31,						Accounts Receivable August 31,			
Customer		2009		2008		2007		2009		2008
Aventine	$	98,248,870	$	211,860,286	$	97,533,153	$	962,827	$	18,341,799
Eco Energy		183,058,323		-		-		8,607,827		-

Note 10. Defined Contribution Plan

The Cooperative has established a 401(k) plan for its employees. Eligible employees are able to contribute amounts (subject to IRS limits) and the Cooperative will match 50% of the employee's contribution, up to a maximum of 3% of the employees' salary. The amounts contributed by the Cooperative are subject to a 5-year vesting schedule. Forfeitures of unvested amounts are returned to the Cooperative. During the years ended August 31, 2009, 2008 and 2007, the Cooperative contributed (net of forfeitures) $97,398, $93,876 and $61,726, respectively, to the 401(k) plan.

Note 11. Commitments and Contingencies

Environmental: Substantially all of the Cooperative's facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does management expect to have, any material effect upon operations. Management believes that the current practices and procedures for the control and disposition of such wastes will substantially comply with the applicable federal and state requirements.

Ethanol marketing: The Cooperative had agreements with a national marketer ("Aventine") to sell to the marketer all of its production of ethanol by GLE and AE and pay a commission based on the net selling price. The marketing agreements had initial terms of two years with one year automatic renewal terms, unless terminated by either party with at least a one year written notice prior to the expiration of the initial term or renewal term. For GLE, the renewal term expired on September 1, 2008, and for AE the initial term expired on July 1, 2010. Under the marketing agreements, the Cooperative agreed to fulfill any existing contracts for ethanol as of the termination date, and be responsible for the costs associated with any dedicated railcars leased by the ethanol marketer to ship ethanol from GLE or AE whose terms extended beyond the termination date.

In May 2008, the Cooperative notified Aventine of the Cooperative's intent to terminate the marketing agreements with GLE and AE.

On January 8, 2009, the Cooperative entered into Termination Agreements with Aventine to terminate the marketing agreements with GLE and AE and all rights and obligations of the parties under the marketing agreements, effective January 16, 2009, other than the payment and pricing provisions of the marketing agreements, which survived the termination with respect to ethanol sold to Aventine and shipped prior to the effective termination date. Under the Termination Agreements, (a) GLE agreed to pay a termination fee of $375,000, payable monthly through August 2009 at the rate of $50,000 per month, and sublease 345 tanker cars from Aventine and (b) AE agreed to pay a termination fee of $875,000, payable monthly through June 2010 at the rate of $50,000 per month, and sublease 328 tanker cars from Aventine. On April 7, 2009, Aventine filed for relief under Chapter 11 of the United States Bankruptcy Code. On May 5, 2009, the United States Bankruptcy Court granted Aventine's motion to reject certain contracts including the leases (between Aventine and the rail car companies) of the tanker cars that GLE and AE had subleased from Aventine. As of August 31, 2009, the Cooperative had a combined receivable of $959,777 (related to the true-up of sales of ethanol to Aventine from January 2009) and a combined payable of $1,100,000 (related to unpaid termination fees) with Aventine. Management believes the payment of the unpaid termination fees may be subject to various defenses, including rights of offset and recoupment.

Note 11. Commitments and Contingencies (continued)

Ethanol marketing (continued): The Statement of Financial Affairs filed by Aventine as part of a debtor's schedules lists payments to creditors within 90 days prior to the filing of the bankruptcy petition in the following amounts involving the Cooperative (a) GLE - $9,725,083, and (b) AE - $11,132,862. These were payments received by GLE and AE for ethanol sold to Aventine and shipped from the Cooperative's facilities. Under the Bankruptcy Code, a debtor or trustee may under certain circumstances void or recover payments made to creditors within 90 days prior to the filing of the bankruptcy petition. The Bankruptcy Code provides and recognizes various defenses to such actions, including but not limited to the payments were made in the ordinary course of business, and the creditor provided new value. In the event that any claims would be asserted, management would intend to defend vigorously against any such claims or actions by the trustee or debtor to recover any payments made to GLE or AE within 90 days prior to the filing of the bankruptcy petition for ethanol shipped.

On January 12, 2009, the Cooperative signed a marketing agreement with Eco-Energy, Inc. ("Eco") to sell to Eco all of its production of ethanol and will pay a commission based on the net selling price. The contract is for a one-year period (effective January 17, 2009) and will automatically renew for successive one-year periods unless either party gives three-months notice to terminate at the end of the annual term. On September 28, 2009, the Cooperative notified Eco of the Cooperative's intent to terminate the marketing agreement effective January 17, 2010. On October 23, 2009, the Cooperative agreed to extend the renewal date to March 31, 2010 while maintaining its intent to terminate the marketing agreement effective the same date.

Distiller's grain marketing: The Cooperative has an agreement with a national distiller's grain marketer to sell its production of distiller's grain to the marketer and pay a commission based on the net selling price. This agreement shall remain in effect until terminated by either party by providing the other party not less than 120 days written notice of its election to terminate the agreement. The agreement allows the Cooperative to sell distiller's grain shipped by truck while the national marketer sells distiller's grain shipped by railcars.

Forward purchase and sales contracts: As of August 31, 2009, the Cooperative has entered into forward contracts to purchase 6,392,609 bushels of corn of which 1,156,833 bushels are basis-only contracts. The average contract price of fully-priced bushels is $3.24 per bushel primarily for delivery by December 31, 2009. As of August 31, 2009, the Cooperative reflected an accrued loss on these future commitments of $1,220,000, which is reflected through costs of goods sold.

As of August 31, 2009, the Cooperative has entered into forward contracts to purchase 1,480,000 gallons of denaturant for delivery through December 2009 with prices indexed to the Conway daily average. In addition, the Cooperative has entered into contracts to purchase 320,000 mmBTU of natural gas for delivery in September 2009 at fixed prices.

As of August 31, 2009, the Cooperative has entered into commitments with Eco for the sale of 35,822,500 gallons of ethanol at an estimated average net price of $1.46.

As of August 31, 2009, the Cooperative has entered into contracts for sale of approximately 79,328 tons of DDG's of which 7,488 tons are basis-only contracts. Fully-priced contracts average $101.00 per ton primarily for delivery in September 2009. The Cooperative has also entered into contracts for the sale of approximately 43,905 tons of WDG of which 17,968 tons are basis-only contracts. Fully-priced contracts average $40.44 per ton primarily for delivery in September 2009.

Note 11. Commitments and Contingencies (continued)

Internal Revenue Service examination: In March 2007, the Cooperative's and GLE's Federal income tax returns for the years ended August 31, 2003 and 2004 were selected for examination by the Internal Revenue Service ("IRS"). The IRS had proposed adjustments related to two issues. One issue related to the appropriate term in which to depreciate ethanol production equipment. The other issue related to whether a portion of the Cooperative's taxable income should be reclassified as non-patronage income. The IRS withdrew its proposed adjustments on both issues and issued final "no adjustment" letters to both the Cooperative and GLE for the years ended August 31, 2003 and 2004 in May 2009.

In April, 2008, the IRS began an examination of the Cooperative's consolidated Federal income tax returns for the years ended August 31, 2005 and 2006. An examination report dated June 30, 2009 from the IRS was responded to by the Cooperative on July 24, 2009 with a notice and request for appeal to the IRS appeals office. The IRS issued a revised examination report on September 16, 2009 which was responded to by the Cooperative on October 15, 2009 with a notice and request for appeal to the IRS appeals office. The IRS has proposed adjustments related to whether a portion of the Cooperative's patronage income should be reclassified as non-patronage income. The pending IRS adjustments in the IRS examination, if ultimately sustained, would result in an additional tax liability of $603,495 for fiscal year 2005 and $1,506,079 for fiscal year 2006, with interest thereon from the date of the tax returns to the date of ultimate payment.

Construction of Missouri Valley Energy, LLC: In 2006, the Cooperative announced its intention to build a 50 million gallon per year plant in the Vermillion, South Dakota area. In August 2006, the Cooperative merged with Missouri Valley Energy, LLC ("MVE") who was developing a plant in the Vermillion, South Dakota area. After the merger, MVE became a subsidiary of the Cooperative.

The project was suspended in October 2007 due to economic factors in the industry. At August 31, 2008, MVE had incurred a total of approximately $9,700,000 of costs related to the project. At August 31, 2008, MVE had a receivable from the contractor of $1,155,440 which was received in December 2008. The Cooperative performed an asset impairment test as of August 31, 2007 related to the MVE project and determined that $853,548 of costs incurred related to the development of MVE were deemed to be impaired as of that date. In August 2008, due to economic factors in the industry, the Cooperative discontinued plans to construct an ethanol plant on the MVE site. As such, the Cooperative has written the land and improvements down to the appraised value of $1,392,000 as of August 31, 2008 with a charge to income of $7,432,651. The Cooperative intends to sell the land.

Litigation: In October 2008, the Cooperative was served a summons and complaint by the Cooperative's former chief executive officer. The complaint alleges breach of his employment agreement and seeks unspecified damages, including but not limited to the terms of the employment agreement (see Notes 15 and 16). The complaint has been submitted to the Cooperative's insurance carrier for employment practices liability coverage and the insurance carrier has paid for the defense costs in this matter; however, determination as to whether there is insurance coverage is still pending. Management believes that there is adequate support to demonstrate "cause" (as defined in the employment agreement) for the termination of the former chief executive officer. The Cooperative has also filed a counter claim against the former chief executive officer. The complaint and counter claim are still in discovery as of the date of this report. At this time, it is not possible to estimate a range of potential losses, if any, for the complaint or estimate a range of potential gains, if any, for the counter claim.

Subsequent events: Management has considered subsequent events through December 15, 2009, the date the financial statements were available to be issued, in preparing these financial statements and notes and no additional disclosures or adjustments were deemed necessary by management.

Note 12. Goodwill

Goodwill represented the cost of acquiring a minority interest in GLE in excess of the fair value of tangible and identifiable intangible assets at the time of acquisition. For GLE's standalone financial reporting purposes (not presented herein), this transaction is recognized as a retirement of shares as there is no provision for treasury stock under South Dakota law for limited liability companies.

As of August 31, 2008, the Cooperative recognized an impairment loss of the entire $3,827,202 balance. During the year ended August 31, 2007, goodwill of $1,085,000 was added and subsequently recognized as impaired for the acquisition of ME (see Note 17). The impairments were the result of depressed economic conditions within the ethanol industry and management's decision to terminate the related ethanol project at ME. The fair value of the reporting units used to determine the impairments was determined based upon discounted cash flow analyses.

Note 13. Investments in Unconsolidated Affiliates

The Cooperative had the following investments in other renewable fuel businesses at August 31, 2009 and 2008, respectively:

	2009	2008
Granite Falls Energy, LLC	$ 7,655,971	$ 12,199,239
Redfield Energy, LLC	2,581,428	3,609,668
Other	-	1,502
	$ 10,237,399	$ 15,810,409

Investment in Granite Falls Energy, LLC: At August 31, 2009 and 2008, the Cooperative owned 4,525 units (14.76%) and 6,525 units (20.94%), respectively, of GFE. GFE operates a 50 million gallon fuel ethanol plant near Granite Falls, Minnesota.

In August 2008, a dispute over the termination of a GFE Management Agreement was settled. The settlement did not affect the ownership interest of the Cooperative. As part of the settlement, the Cooperative received $1,825,000 of which $1,054,000 had been accrued as of August 31, 2007 and $771,000 is recorded for the year ended August 31, 2008 as service revenues. In addition, the Cooperative shall receive a sum equal to 2% of the net income of Granite Falls for each of Granite Fall's fiscal years 2008 and 2009, and a sum equal to 1.5% for fiscal year 2010. As of August 31, 2009, no amount was due under this agreement.

As of August 31, 2009 and 2008, the Cooperative's recorded investment in Granite Falls exceeded its ownership interest percentage in the equity of the affiliate by $209,068 and $350,958, respectively. The excess arose from the purchase of units in the affiliate at amounts greater than the book value of the affiliate, primarily related to accumulated deficits of the affiliate prior to beginning production. The excess is being amortized over a 10 year period.

For the years ended August 31, 2009, 2008, and 2007, the Cooperative recognized equity in net income (loss) of the affiliate of $(1,042,860), $(959,839) and $5,107,188, and received cash distributions of $0, $1,305,000 and $650,000, respectively.

Note 13. Investments in Unconsolidated Affiliates (continued)

Investment in Granite Falls Energy, LLC (continued): In December 2008, the Cooperative entered into an agreement with Fagen, Inc. to sell 2,000 of the 6,525 membership units owned of GFE. As consideration for the sale, the Cooperative received $1,000 per unit for an aggregated price of $2,000,000. The Cooperative retained the right to complete a sale of its entire membership interest, including the units sold to Fagen, Inc., to a third party within 7 months. In July 2009 the agreement was extended. In August, 2009, the Cooperative closed on the sale of shares to Fagen, Inc. Based upon the carrying amount of the investment in GFE, a loss of $1,500,402 was recognized on the sale in 2009.

The Cooperative's equity in the net income (loss) of Granite Falls Energy, LLC is based upon estimated earnings of the affiliate as of August 31 of each year. Summary financial information for Granite Falls Energy, LLC as of July 31, 2009 and October 31, 2008 (its fiscal year) and for the nine months ended July 31, 2009 and years ended October 31, 2008 and 2007 is as follows:

Condensed Balance Sheets

	July 31, 2009 (unaudited)	October 31, 2008
Current assets	$ 8,985,916	$ 9,382,784
Property and equipment, net	44,136,882	48,648,041
Other assets, net	33,594	35,694
Total assets	$ 53,156,392	$ 58,066,519
Current liabilities	$ 2,940,884	$ 6,108,632
Long-term debt	385,324	445,097
Members equity	49,830,184	51,512,790
Total liabilities and members equity	$ 53,156,392	$ 58,066,519

Condensed Statements of Operations

	Nine Months Ended July 31, 2009 (unaudited)	Year Ended October 31, 2008	Year Ended October 31, 2007
Revenues	$ 68,141,681	$ 99,393,373	$ 94,776,725
Cost of goods sold	(67,060,694)	(104,343,467)	(75,772,701)
Gross profit (loss)	1,080,987	(4,950,094)	19,004,024
Operating expenses	(1,573,479)	(2,916,170)	(2,807,130)
Other income (expense), net	(610,262)	327,885	465,463
Interest expense	(79,852)	(139,880)	(730,616)
Net income (loss)	$ (1,182,606)	$ (7,678,259)	$ 15,931,741
Weighted average units outstanding	30,823	31,156	31,156
Net income (loss) per unit	$ (38)	$ (246)	$ 511

Note 13. Investments in Unconsolidated Affiliates (continued)

Investment in Redfield Energy, LLC: The Cooperative owns 1,660,526 units (8.13%) of Redfield Energy, LLC ("Redfield"). Redfield operates a 50 million gallon fuel ethanol plant near Redfield, South Dakota.

Related to its investment in Redfield, the Cooperative entered into a consulting and management agreement with Redfield related to the construction and operations of the plant. Under the agreement (effective July 1, 2005), the Cooperative managed the construction of the plant, and managed the day-to-day operations of the plant for Redfield and was paid (1) a monthly fee of $35,000 and (2) an annual incentive fee of 3% of net income of Redfield. For the year ended August 31, 2009, 2008 and 2007, the Cooperative recognized service revenue of $471,350, $583,627 and $551,463, respectively, under the agreement. At August 31, 2009 and 2008, amounts due to the Cooperative under the agreement were $38,800 and $135,817, respectively. In August 2009, the Cooperative and Redfield mutually agreed to terminate the management agreement effective August 31, 2009.

Included in the total units of Redfield owned by the Cooperative are 1,010,526 units received as part of the consulting and management agreement, representing 5% of the outstanding units after the close of the offering in February 2006. These units receive a pro rata allocation of the ongoing earnings and distributions of Redfield, however, under the terms of Redfield's operating agreement, no amount was initially credited to the Cooperative's capital account at Redfield for these units, effectively reducing the Cooperative's equity in the net assets of Redfield from what would otherwise be expected. However, these units have a distribution preference of up to $2,021,052 in any gain recognized by Redfield upon liquidation as long as other members receive a minimum liquidating distribution of $2.00 per unit.

The operating agreement for Redfield designates the Cooperative as the managing member of Redfield and allows the Cooperative to appoint 1 of the 9 Board of Managers for Redfield as long as the Cooperative is the managing member.

As of August 31, 2009 and 2008, the Cooperative's recorded investment in Redfield was less than its estimated underlying equity in the net assets of the affiliate by $141,086 and $159,489, respectively. The difference is being amortized into earnings over a 10 year period.

For the years ended August 31, 2009, 2008 and 2007 the Cooperative recognized equity in net income (loss) of Redfield of ($1,028,240), $378,066 and $318,068 and received cash distributions of $0, $170,339 and $0, respectively. Redfield commenced operations in April 2007.

Note 14. Income Taxes

The provision for income taxes (benefits) charged to income for the years ended August 31, 2009, 2008 and 2007 consists of the following:

	2009	2008	2007
Current expense (benefit)	$ (655,255)	$ 547,600	$ 763,900
Deferred expense (benefit)	(407,074)	(893,000)	1,002,500
	$ (1,062,329)	$ (345,400)	$ 1,766,400

Deferred taxes are comprised of basis differences related to non-patronage earnings from the Cooperative's investments in Granite Falls and Redfield. In addition, the deferred tax liability has been reduced by a small ethanol producer tax credit carryforward of approximately $545,000 which expires in 2014. Since the Cooperative allocates its patronage earnings on the tax basis of accounting, deferred income taxes have not been recognized on temporary differences associated with its patronage earnings. During the year ended August 31, 2009 and 2008, the Cooperative incurred a patronage loss for tax purposes of approximately $90,839,000 and $32,785,000, respectively. These patronage losses for tax purposes can be carried forward 20 years and will be used to offset patronage income in future years. The most significant differences between book and tax loss are depreciation and recognition of derivative financial instruments.

See Note 11 related to a pending IRS examination.

Note 15. Stock-Based Compensation

Stock incentive plan: On November 21, 2006, the Cooperative's Board approved the 2007 Employee Stock Incentive Plan ("Stock Plan") to attract and retain employees, directors, and service providers of the Cooperative by aligning financial interests of these individuals with the members of the Cooperative.

The aggregate number of shares that may be issued under the Stock Plan is 3,500,000. The awards under the Stock Plan (defined as "Stock Incentives") can be in the form of stock options, restricted stock awards, restricted stock units, stock appreciation rights, performance stock, performance units or other awards as determined by Board of the Cooperative. Under the Stock Plan (a) no more than 3,500,000 shares may be used for stock options, (b) no more than 500,000 shares may be used for stock incentives for directors and (c) no more than 1,750,000 shares may be used for stock incentives other than stock options or stock appreciation rights.

As part of the consideration for entering into employment agreements, the Cooperative granted a total of 360,000 shares of stock and 1,842,500 restricted stock units to senior and mid-level management during the year ended August 31, 2007. No new grants were issued for the years ended August 31, 2009 and 2008. Each stock unit entitles the holder to one share of stock issuable when the stock unit vests. The restricted stock units generally vest over five years as long as the employees are employed by the Cooperative, with the vesting date being September 1 of each year. The stock units issued to a former CEO were based upon continued employment with the Cooperative and the achievement of the Cooperative attaining certain production and performance levels as defined in his employment agreement. The fair value of the stock and restricted stock units at the date of grant was estimated based upon recent stock transactions between unrelated entities.

Note 15. Stock-Based Compensation (continued)

Stock incentive plan (continued): As of each vesting date, the Board of Directors will determine the fair value of the stock to be issued under the awards and will pay an additional cash bonus equal to 20% of the fair value of the stock issued for purposes of withholding taxes. Upon the issuance of the stock, the Cooperative will be required to withhold applicable payroll taxes and elective withholdings. If additional cash is needed to pay the required tax withholding on the value of the shares, the participants can authorize the Cooperative to withhold shares (in increments of 500 shares) to be issued at the then fair value of the shares to cover such tax withholding. To the extent that any portion of an increment of 500 shares withheld exceeds the amount required for tax withholding, the Cooperative will pay cash equal to the fair value of the excess shares. The Cooperative generally uses newly issued shares to satisfy share awards.

The Cooperative applied an annual estimated forfeiture rate of 24% when calculating the number of shares expected to vest, based upon the Cooperative's historical experience, for the awards to participants other than the former CEO.

The total stock-based compensation expense recognized by the Cooperative under the Stock Plan during the fiscal years ending August 31, 2009, 2008 and 2007 is $383,130, $514,944 and $1,470,000, respectively. Cash bonuses related to the Stock Plan of $9,500, $64,560 and $344,921 were also recognized during the years ended August 31, 2009, 2008 and 2007, respectively.

Stock unit activity, other than performance units, for the year ended August 31, 2009 is as follows:

	Number of Stock Units	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Outstanding on August 31, 2008	665,000	$ -		
Granted	-	-		
Exercised	(100,000)	-		
Forfeited and expired	(130,000)	-		
Outstanding on August 31, 2009	435,000	$ -	2.08	$ 121,800
Vested or expected to vest at August 31, 2009	376,200	$ -	2.08	$ 105,336

The weighted-average grant-date fair value of units granted during the year ended August 31, 2007 was $1.84 per unit. The total intrinsic value of options exercised during the year ended August 31, 2009 was $120,000. As of August 31, 2009, there was $365,000 of unrecognized compensation expense related to these nonvested stock units. This amount is expected to be recognized as compensation expense over a weighted average period of 2.08 years.

Note 15. Employee Stock Incentive Plan (continued)

Performance share unit plan: A summary of the activity under the performance plan as of August 31, 2009, and changes during the year then ended is presented below:

Performance Units	Number of Stock Units	Weighted Average Exercise Price Per Share	Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at August 31, 2008	600,000	$ -		
Granted	-	-		
Exercised	(200,000)	-		
Forfeited	(400,000)	-		
Outstanding at August 31, 2009	-	$ -	-	$ -

The weighted-average grant-date fair value of performance units issued during the year ended August 31, 2007 was $2.00 per unit. The total intrinsic value of options exercised during the year ended August 31, 2009 was $120,000. As of August 31, 2009, there was no unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the performance plan.

Note 16. Stockholders' Equity

General: The Cooperative is an agricultural association whereby members must meet established membership criteria, hold a minimum of 2,500 shares of common stock, pay the required membership fee and enter into a uniform delivery and marketing agreement.

The common stock of the Cooperative is the membership stock of the Cooperative and entitles each member to one vote in the affairs of the Cooperative regardless of the number of common shares owned. No ordinary dividends can be paid on the common stock. According to the articles of incorporation, the Corporative may issue preferred stock. Preferred stock of the Cooperative is non-voting with allowable dividends paid on preferred stock not to exceed 8% annually of the par value of the preferred stock. Any such dividends on the preferred stock are not cumulative.

Liquidation or dissolution: In the event of a liquidation or dissolution of the Cooperative, net assets remaining after the liabilities of the Cooperative are settled will be distributed first to the holders of preferred stock up to an amount equal to the consideration given, second to the holders of the common stock, and any nonvoting certificate of interest into which the common stock was converted, up to an amount equal to the consideration given plus, in the case of holders of certain shares of common stock, a Share Revaluation Preference, third to the members holding patron equities in the order from oldest to most recent and finally to the existing members on the basis of their past patronage, fourth to patrons in accordance with their credited interest in capital reserves, and any remaining assets in proportion to patrons in proportion to their patronage since the most recent issuance of capital stock in which a Share Revaluation Preference was created. The purpose of the Share Revaluation Preference is to equalize the liquidating distribution entitlements associated with outstanding shares with those associated with newly issued shares, notwithstanding that they were issued at different times and at different prices. This will equalize the entitlements of the pre-2006 shares with the newly issued shares. However, the tax treatment on liquidation will be considerably different because the Share Revaluation Preference on the pre-2006 shares will be taxed as patronage dividends to the holders of those shares, to the extent the Cooperative recognizes gain on sale of assets and such gain constitutes patronage sourced gain, and assuming that the Cooperative remains taxable as a cooperative. The newly issued shares, on the other hand, will have their tax basis to offset against their distribution.

Note 16. Stockholders' Equity (continued)

Earnings (loss) per share: A reconciliation of net income (loss) from continuing operations and common stock share amounts used in the calculation of basic and diluted earnings per share (EPS) for the years ended August 31 are as follows:

	Net Income (Loss) from Continuing Operations	Weighted Average Shares Outstanding	Per Share Amount
2007:			
Basic EPS	$ 31,073,188	171,993,947	$ 0.181
Effects of dilutive securities:			
Exercise of stock units	-	299,177	-
Diluted EPS	$ 31,073,188	172,293,124	$ 0.180
2008:			
Basic EPS	$ (1,053,622)	188,055,420	$ (0.006)
Effects of dilutive securities:			
Exercise of stock units	-	-	-
Diluted EPS	$ (1,053,622)	188,055,420	$ (0.006)
2009			
Basic EPS	$ (83,764,392)	186,631,592	$ (0.449)
Effects of dilutive securities:			
Exercise of stock units	-	-	-
Diluted EPS	$ (83,764,392)	186,631,592	$ (0.449)

Stock options for 435,000 and 1,290,000 shares for 2009 and 2008, respectively, were not included in the calculation of diluted EPS because their effects would be antidilutive.

Agreements for the issuance of stock: In June 2006, the Cooperative granted unrestricted stock awards to each of the directors to purchase 50,000 shares (for a total of 550,000 shares) at a purchase price of $0.50 per share. The difference between the fair value of $2.00 per share and the $0.50 per share purchase price (a total of $825,000) is treated as compensation expense to the directors from the Cooperative. The shares were issued to the directors on December 29, 2006.

Employment agreement: In June 2006, the Cooperative entered into a five-year employment contract with the former chief executive officer. In addition to the shares and stock units awarded under the Stock Plan (see Note 15), in consideration of his past services the Cooperative granted 90,000 shares of common stock (valued at $2.00 per share or $180,000), along with a cash bonus equal to 20% of the value of the shares ($36,000). The value of the shares was recognized as compensation expense for the year ended August 31, 2006. After applying the $36,000 cash bonus an election was made to have 10,000 shares withheld and to pay an additional $1,132 in cash to cover tax withholding; as a result, the Cooperative issued a net of 80,000 shares on December 28, 2006. See paragraph in Note 11 referencing litigation.

Note 16. Stockholders' Equity (continued)

Stock offering: In August 2006, the Cooperative conducted an offering of new common shares issued to finance a portion of the cost of constructing the expansion of the plant in Watertown and several plants under development. The offering was at $2.00 per share for a minimum of 32,500,000 shares and a maximum of 47,500,000 shares. In December 29, 2006, the Cooperative issued 47,130,000 shares for $94,262,000 in connection with the offering, which includes a forfeited deposit of $2,000. Additional shares of 20,000 were issued in March 2007 under a stock option in connection with land purchased by MVE.

Prepaid non-qualified unit retain: In October 2008, the Cooperative approved and authorized an additional direct capital investment into Glacial Lakes Corn Processors from a retain on a per unit basis equal to $0.06 per share of common stock to be paid to Glacial Lakes Corn Processors from its members. The Cooperative designated the unit retain as a non-qualified per unit retain, and established the non-qualified per unit retain as a prepaid unit retain, due and payable immediately. The unit retain ranks in priority ahead of fiscal years 2007 and 2006 allocated capital reserve, but behind common stock and related additional paid in capital. The Cooperative had a 98.5% positive response from its members, raising $11,133,189 in additional capital.

On January 28, 2009, the Cooperative terminated the membership relating to 2,807,500 shares on which the unit retain was not paid. These shares were converted to nonvoting certificates of interest at the $1,262,166 face amount equal to the value of the consideration for which the common stock had originally been issued. The nonvoting certificates of interest are non-transferable. The Cooperative has no obligation to redeem such nonvoting certificates of interest and the members' right and obligation to deliver corn under the delivery agreement was terminated. Further, the nonvoting certificates of interest will not participate in future dividends from GLCP.

Note 17. Discontinued Operations

In October 2008, the Cooperative entered into an agreement to sell Madison Energy to Cargill Incorporated. The sale included certain real property, together with improvements comprising Madison Energy's 1,200,000 bushel grain elevator facility. Also included in the sale were machinery and equipment as well as inventory and open contracts. In consideration, Cargill agreed to pay Madison Energy $4,500,000 and an amount equal to the grain inventory and open contracts. The Company recorded a gain on the transaction of $1,595,653, which is included in income (loss) from discontinued operations in the consolidated statement of operations for the year ended August 31, 2009. There is no tax effect of discontinued operations.

The Cooperative acquired the assets of Madison Energy from Cenex Harvest States in December 2006 for a purchase price of $8,422,000. The transaction provided the Cooperative with an additional corn procurement and storage facility. Following is selected financial information included in income (loss) from discontinued operations for Madison Energy for the years ended August 31:

	2009	2008	2007
Grain sales	$ 3,454,129	$ 28,805,115	$ 15,959,552
Cost of goods sold	2,825,276	29,205,622	15,444,832
Gross profit (loss)	$ 628,853	$ (400,507)	$ 514,720
Income (loss) from discontinued operations before impairment losses	$ 650,926	$ (714,216)	$ 163,959
Loss on impairment of assets	-	(605,321)	-
Loss on impairment of goodwill	-	-	(1,085,000)
Gain on sale of discontinued operations	1,595,653	-	-
Income (loss) from discontinued operations	$ 2,246,579	$ (1,319,537)	$ (921,041)

Note 18. Hedging Losses Incurred

As a result of a downturn in the commodities markets and resulting negative gross margins, the Cooperative incurred significant losses from September, 2008 until April, 2009. Losses on futures and option contracts were approximately $45,000,000 in September and October, 2008. No exchange-traded contracts have been entered into subsequent to October, 2008 and none were outstanding as of August 31, 2009.

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Glacial Lakes Corn Processors
Watertown, South Dakota

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Sioux Falls, South Dakota
December 15, 2009

Glacial Lakes Corn Processors

Consolidating Balance Sheet
August 31, 2009

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Missouri Valley Energy, LLC	Total	Eliminations	Consolidated
Current Assets							
Cash and cash equivalents	$ 63,570	$ 15,192,887	$ 12,164,955	$ 20,468	$ 27,441,880	$ -	$ 27,441,880
Restricted cash	-	3,060,589	500,940	-	3,561,529	-	3,561,529
Receivables	456,842	5,691,181	8,569,997	-	14,718,020	-	14,718,020
Inventories	-	5,005,841	4,769,469	-	9,775,310	-	9,775,310
Prepaid expenses	-	662,175	644,865	-	1,307,040	-	1,307,040
Total current assets	520,412	29,612,673	26,650,226	20,468	56,803,779	-	56,803,779
Investments	94,351,563	10,237,399	-	-	104,588,962	(94,351,563)	10,237,399
Debt issuance costs, net	-	686,308	750,797	-	1,437,105	-	1,437,105
Other assets	-	15,000	-	-	15,000	-	15,000
Property and equipment, net	-	86,593,895	129,871,467	1,392,000	217,857,362	-	217,857,362
Total assets	$ 94,871,975	$ 127,145,275	$ 157,272,490	$ 1,412,468	$ 380,702,208	$ (94,351,563)	$ 286,350,645
Liabilities and Stockholders' Equity							
Current Liabilities							
Current maturities of long-term debt	$ -	$ 8,061,210	$ 8,860,389	$ -	$ 16,921,599	$ -	$ 16,921,599
Revolving line of credit	-	-	7,120,000	-	7,120,000	-	7,120,000
Accounts payable	(250)	3,591,870	3,371,167	-	6,962,787	-	6,962,787
Accrued loss on forward purchase contracts	-	1,220,000	-	-	1,220,000	-	1,220,000
Accrued expenses	10,643	2,484,645	3,244,266	10,645	5,750,199	-	5,750,199
Total current liabilities	10,393	15,357,725	22,595,822	10,645	37,974,585	-	37,974,585
Long-Term Liabilities							
Long-term debt, less current maturities	-	65,161,376	78,786,816	-	143,948,192	-	143,948,192
Interest rate swap	-	4,324,379	5,241,907	-	9,566,286	-	9,566,286
Deferred income taxes	1,602,426	-	-	-	1,602,426	-	1,602,426
Total liabilities	1,612,819	84,843,480	106,624,545	10,645	193,091,489	-	193,091,489
Stockholders' Equity	93,259,156	42,301,795	50,647,945	1,401,823	187,610,719	(94,351,563)	93,259,156
Total liabilities and stockholders' equity	$ 94,871,975	$ 127,145,275	$ 157,272,490	$ 1,412,468	$ 380,702,208	$ (94,351,563)	$ 286,350,645

Glacial Lakes Corn Processors

Consolidating Statement of Operations
Year Ended August 31, 2009

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Missouri Valley Energy, LLC	Madison Energy, LLC	Total	Eliminations	Consolidated
Product sales	$ -	$ 173,789,981	$ 168,221,869	$ -	$ -	$ 342,011,850	$ (1,976,839)	$ 340,035,011
Service revenue	-	512,654	-	-	-	512,654	-	512,654
Government incentive revenue	-	666,667	-	-	-	666,667	-	666,667
Total revenue	-	174,969,302	168,221,869	-	-	343,191,171	(1,976,839)	341,214,332
Cost of goods sold	-	205,550,931	194,041,062	-	-	399,591,993	(1,976,839)	397,615,154
Gross loss	-	(30,581,629)	(25,819,193)	-	-	(56,400,822)	-	(56,400,822)
General and administrative expenses	1,660	4,513,719	3,919,832	1,082	-	8,436,293	-	8,436,293
Operating loss	(1,660)	(35,095,348)	(29,739,025)	(1,082)	-	(64,837,115)	-	(64,837,115)
Other income (expense):								
Interest expense	-	(7,651,459)	(9,023,075)	-	-	(16,674,534)	-	(16,674,534)
Interest income	41,004	143,187	40,654	-	-	224,845	-	224,845
Equity in loss of unconsolidated affiliates	-	(2,071,100)	-	-	-	(2,071,100)	-	(2,071,100)
Equity in earnings (loss) of consolidated subsidiaries	(82,621,186)	2,246,579	-	-	-	(80,374,607)	80,374,607	-
Loss on sale of membership units of affiliate	-	(1,500,402)	-	-	-	(1,500,402)	-	(1,500,402)
Other income, net	1,700	11,501	3,164	15,220	-	31,585	-	31,585
Income (loss) from continuing operations before income taxes	(82,580,142)	(43,917,042)	(38,718,282)	14,138	-	(165,201,328)	80,374,607	(84,826,721)
Income tax benefit	1,062,329	-	-	-	-	1,062,329	-	1,062,329
Net income (loss) from continuing operations	(81,517,813)	(43,917,042)	(38,718,282)	14,138	-	(164,138,999)	80,374,607	(83,764,392)
Income from discontinued operations	-	-	-	-	2,246,579	2,246,579	-	2,246,579
Net income (loss)	$ (81,517,813)	$ (43,917,042)	$ (38,718,282)	$ 14,138	$ 2,246,579	$ (161,892,420)	$ 80,374,607	$ (81,517,813)