Consolidated Financial Statements
August 31, 2012 and 2011

Glacial Lakes Corn Processors

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Glacial Lakes Corn Processors
Watertown, South Dakota

We have audited the accompanying consolidated balance sheets of Glacial Lakes Corn Processors (the Cooperative) as of August 31, 2012 and 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Glacial Lakes Corn Processors as of August 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Minneapolis, Minnesota
January 11, 2013

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	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 6,986,468	$ 13,961,874
Receivables	27,466,893	27,481,166
Derivative financial instruments	16,380	1,203,913
Inventories	23,970,384	26,858,758
Margin deposits	6,764,225	14,119,514
Prepaid expenses	1,076,482	1,841,681
Assets held for sale	1,392,000	-
Total current assets	67,672,832	85,466,906
Investments in unconsolidated affiliates	10,865,949	11,509,301
Debt issuance costs, net of accumulated amortization of $24,000 and $2,033,231 in 2012 and 2011, respectively	333,676	594,495
Other assets	77,500	77,500
Due from broker	339,475	-
Income tax receivable	2,109,574	2,109,574
	2,526,549	2,187,074
Property and equipment, net	146,627,466	173,045,746
Total Assets	$ 228,026,472	$ 272,803,522

See Notes to Consolidated Financial Statements

	2012	2011
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of long-term debt	$ 13,355,752	$ 19,478,734
Current maturities of interest rate swaps	2,288,221	553,380
Derivative financial instruments	982,325	7,954,878
Revolving line of credit	2,000,000	-
Accounts payable	17,583,308	8,863,459
Accrued loss on forward purchase contracts	1,380,000	-
Accrued expenses	4,655,964	4,453,457
Total current liabilities	42,245,570	41,303,908
Long-Term Liabilities		
Long-term debt, less current maturities	64,643,382	88,447,647
Interest rate swaps, less current maturities	-	5,100,761
Deferred income taxes	2,675,100	2,840,100
Other	1,232,420	1,278,818
Total long-term liabilities	68,550,902	97,667,326
Total Liabilities	110,796,472	138,971,234
Stockholders' Equity		
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 186,028,652 and 185,899,152 shares issued, and 185,427,652 and 185,298,152 shares outstanding, in 2012 and 2011, respectively	103,339	103,267
Additional paid-in capital	113,630,268	113,605,011
Treasury stock, at cost	(159,023)	(159,023)
Certificates of interest	1,262,166	1,262,166
Unallocated capital reserve	(3,526,524)	12,766,463
Allocated capital reserve	5,919,774	6,254,404
Total Stockholders' Equity	117,230,000	133,832,288
Total Liabilities and Stockholders' Equity	$ 228,026,472	$ 272,803,522

	2012	2011
Revenue		
Product sales	$ 616,500,198	$ 592,178,585
Service revenue	122,870	435,174
Government incentive revenue	270,907	416,667
Total revenue	616,893,975	593,030,426
Costs of Goods Sold	618,950,739	564,848,584
Gross (Loss) Profit	(2,056,764)	28,181,842
General and Administrative Expenses	6,630,392	6,680,087
Operating (Loss) Income	(8,687,156)	21,501,755
Other Income (Expense)		
Interest expense	(3,541,718)	(6,042,809)
Interest income	83,193	171,323
Equity in earnings of unconsolidated affiliates	880,201	2,022,473
Other income (expense), net	10,044	(274,623)
Total other income (expense)	(2,568,280)	(4,123,636)
(Loss) Income Before Income Taxes	(11,255,436)	17,378,119
Income Tax Provision	186,764	(799,870)
Net (Loss) Income	$ (11,068,672)	$ 16,578,249
Distribution of Net (Loss) Income		
Unallocated capital reserve	$ (11,068,672)	$ 16,578,249
Net (Loss) Income	$ (11,068,672)	$ 16,578,249
Earnings per Common Share		
Basic	$ (0.060)	$ 0.089
Diluted	(0.060)	0.089

	Common Stock	Additional Paid-In Capital	Treasury Stock	Certificates of Interest	Unallocated Capital Reserve	Allocated Capital Reserve	Total
Balance, August 31, 2010	$ 103,164	$ 113,503,584	$ -	$ 1,262,166	$ (3,811,786)	$ 6,254,404	$ 117,311,532
Net income	-	-	-	-	16,578,249	-	16,578,249
Stock-based compensation, including 205,000 shares issued	114	107,816	-	-	-	-	107,930
Stock repurchased under stock plan for tax withholding, 20,000 shares	(11)	(6,389)	-	-	-	-	(6,400)
Stock repurchased under agreement 601,000 shares	-	-	(159,023)	-	-	-	(159,023)
Balance, August 31, 2011	103,267	113,605,011	(159,023)	1,262,166	12,766,463	6,254,404	133,832,288
Net loss	-	-	-	-	(11,068,672)	-	(11,068,672)
Patronage earnings allocated to stockholders					(5,224,315)	5,224,315	-
Patronage distribution	-	-	-	-	-	(5,558,945)	(5,558,945)
Stock-based compensation, including 135,000 shares issued	75	27,125	-	-	-	-	27,200
Stock repurchased under stock plan for tax withholding, 5,500 shares	(3)	(1,868)	-	-	-	-	(1,871)
Balance, August 31, 2012	$ 103,339	$ 113,630,268	$ (159,023)	$ 1,262,166	$ (3,526,524)	$ 5,919,774	$ 117,230,000

	2012	2011
Operating Activities		
Net (loss) income	$ (11,068,672)	$ 16,578,249
Adjustments to reconcile net income to net cash from (used for) operating activities		
Depreciation and amortization	28,781,701	28,355,623
Deferred income taxes	(165,000)	799,400
Loss on disposal of assets	-	843,649
Change in fair value of interest rate swaps	(3,365,920)	(3,498,598)
Equity in earnings of unconsolidated affiliates	(880,201)	(2,022,473)
Stock-based compensation	27,200	107,930
Changes in assets and liabilities		
Receivables	14,273	(8,572,558)
Inventories	2,888,374	(11,040,455)
Margin deposits	7,355,289	(12,119,278)
Prepaid expenses	765,199	(103,132)
Other assets	-	(62,500)
Income tax receivable	-	(2,109,574)
Derivative financial instruments	(5,785,020)	5,800,164
Accounts payable	8,719,849	(445,602)
Accrued expenses and other	156,109	(254,973)
Accrued loss on forward purchase contracts	1,380,000	-
Net Cash from Operating Activities	28,823,181	12,255,872
Investing Activities		
Purchases of property and equipment	(3,125,626)	(4,632,643)
Due from broker	(339,475)	-
Decrease in restricted cash	-	8,320
Distributions from unconsolidated affiliates	1,523,553	1,357,500
Net Cash used for Investing Activities	(1,941,548)	(3,266,823)

	2012	2011
Financing Activities		
Net borrowings on revolving lines of credit	$ 2,000,000	$ -
Proceeds from long-term debt	90,000,000	-
Payments on long-term debt	(119,927,247)	(26,405,968)
Debt issuance cost paid	(368,976)	-
Payment of prepaid unit retain payable	-	(11,133,189)
Patonage dividends paid	(5,558,945)	
Stock repurchased	(1,871)	(165,423)
Net Cash used for Financing Activities	(33,857,039)	(37,704,580)
Net Change in Cash and Cash Equivalents	(6,975,406)	(28,715,531)
Cash and Cash Equivalents, Beginning of Year	13,961,874	42,677,405
Cash and Cash Equivalents, End of Year	$ 6,986,468	$ 13,961,874

Supplemental Disclosure of Cash Flow Information		
Cash payments for		
Interest	$ 3,193,911	$ 6,597,028
Income taxes	2,110,803	2,576,453
Supplemental Schedule of Non Cash Investing Activities		
Accounts payable incurred for property and equipment	-	578,981

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. Wholly-owned subsidiaries of GLCP are Glacial Lakes Energy, LLC (GLE), Aberdeen Energy, LLC (AE), and Missouri Valley Energy, LLC (MVE). GLE owns and operates a 100 million gallon per year ethanol plant near Watertown, South Dakota. AE owns and operates a 100 million gallon per year ethanol plant near Aberdeen, South Dakota.

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, and useful lives of property and equipment.

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 administrative 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 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 $62,553,125 and $58,019,252 and commission costs were $4,199,051 and $5,437,633 for the years ended August 31, 2012 and 2011, 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 periodically exceeded federally insured limits. At August 31, 2012, cash was deposited primarily in three financial institutions. 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.

Restricted Cash

Restricted cash, which may periodically exceed 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 spare parts, are stated at the lower of cost or market on the first-in, first-out method. Spare parts inventory is stated at the lower of cost or market on the weighted-average cost method. Distiller's grains are stated at net realizable value, which approximates historical cost.

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.

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 of the unconsolidated affiliates is recognized as equity in earnings of unconsolidated affiliates on the consolidated statements of operations and the net income, less any distributions received, is added to (subtracted from) the investment accounts.

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.

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.

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.

The Cooperative recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. During the years ended August 31, 2012 and 2011, there were no amounts recognized for interest or penalties related to unrecognized tax benefits.

Earnings per Common Share (EPS)

Basic EPS is computed by dividing net income 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.

Fair Value

The carrying amounts for cash and cash equivalents, receivables, accounts payable, 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.

Advertising Costs

Advertising and promotion costs are expensed when incurred and totaled $74,307 and $42,332 for the years ending August 31, 2012 and 2011, respectively.

Note 2 - Receivables

The following table summarizes receivables as of August 31, 2012 and 2011:

	2012	2011
Trade	$ 26,638,859	$ 26,352,322
Other	884,942	1,157,078
	27,523,801	27,509,400
Less allowance for doubtful accounts	56,908	28,234
	$ 27,466,893	$ 27,481,166

Note 3 - Inventories

The following table summarizes inventories as of August 31, 2012 and 2011:

	2012	2011
Grain	$ 10,050,713	$ 12,830,351
Ethanol and distiller's grains		
Finished goods	5,357,077	5,226,876
In process	5,130,059	6,033,964
Chemicals and ingredients	1,109,774	1,092,588
Spare parts	2,322,761	1,674,979
	$ 23,970,384	$ 26,858,758

Note 4 - Property and Equipment

The following table summarizes property and equipment as of August 31, 2012 and 2011:

	2012	2011
Land and land improvements	$ 7,979,252	$ 9,164,524
Buildings	30,244,041	30,093,052
Railroad equipment and rolling stock	11,811,762	11,697,221
Machinery and equipment	246,428,886	241,977,770
Office equipment	962,597	919,436
Construction in progress	1,339,179	3,180,087
	298,765,717	297,032,090
Less accumulated depreciation	152,138,251	123,986,344
	$ 146,627,466	$ 173,045,746

Depreciation expense for the years ended August 31, 2012 and 2011 was $28,151,907 and $27,792,791, respectively.

Note 5 - Debt Issuance Costs

Amortization of debt issuance costs was $629,794, and $562,832 during the years ended August 31, 2012 and 2011, respectively. Future amortization of debt issuance costs is as follows:

Years Ended August 31,		
2013	$	87,536
2014		87,536
2015		87,536
2016		71,068
	$	333,676

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

Revolving Line of Credit

The following table summarized revolving line of credit as of August 31, 2012 and 2011:

	2012		2011	
GLE	$	2,000,000	$	-
AE		-		-
		2,000,000		-

Under the loan agreement with a group of lenders administered by First National Bank of Omaha (the Bank) signed May 9, 2012, the Cooperative, GLE and AE have a combined $30,000,000 line of credit. This replaced the separate lines of credit GLE and AE had for a combined $16,000,000 from the Eight Amendment to the previous loan agreement. The current revolving line of credit matures on April 1, 2013. The revolving lines of credit bear an interest rate at 3.00% above the 1-month LIBOR (3.25% floor rate at August 31, 2012) and 3.50% above the 3-month LIBOR (4.50% floor rate at August 31, 2011). Amounts available under the revolving lines of credit were $18,314,475 at August 31, 2012 and a combined $16,000,000 as of August 31, 2011. Availability under the revolving lines of credit are subject to a borrowing base, calculated as a percentage of eligible receivables and certain inventory categories (less related payables). Amounts borrowed under the revolving line of credit are secured by substantially all assets of the Cooperative, GLE, and AE. The Cooperative pays an unused commitment fee on the revolving lines of credit of 0.30% and 0.375% at August 31, 2012 and 2011, respectively.

On August 11, 2010, the Cooperative, GLE, and AE signed the Seventh Amendment to the previous loan agreement raising the amounts available on the revolving lines of credit to a combined $8,735,322 and approving the extension of the revolving lines of credit to July 15, 2011. The interest rate continued at 6.50% above the 3-month LIBOR (with a floor of 7.00%). On June 1, 2011, the Cooperative, GLE and AE signed the Eight Amendment to the previous loan agreement raising the amounts available on the revolving lines of credit to a combined $16,000,000, extending the maturity of the revolving lines of credit to January 31, 2012, and decreasing the interest rate on the revolving lines of credit to 3.50% above the 3-month LIBOR (with a floor of 4.50%). In connection with the Eighth Amendment, the Cooperative paid an incremental commitment fee of $7,265. On January 31, 2012, the Cooperative, GLE and AE signed the Tenth Amendment to the previous loan agreement extending the maturity of the revolving lines of credit to April 30, 2012.

Long Term Debt

The following table summarizes long-term debt as of August 31, 2012 and 2011:

	2012	2011
GLE		
Variable notes	$ 19,092,857	$ 19,953,298
Long-term revolving note (net of prepayment of $10,000,000 at August 31, 2012)	5,621,429	-
Swap note	-	24,391,624
	24,714,286	44,344,922
AE		
Variable notes	28,639,285	32,261,285
Long-term revolving note (net of prepayment of $0 at August 31, 2012)	23,432,143	
Swap note	-	29,627,860
Economic development loan, due in monthly installments of $22,929 including interest at 5.0%, matures October 2014 collateralized by ethanol producer incentive payments	563,888	804,198
Economic development loan, due in monthly installments of $21,835 including interest at 3.0%, matures March 2015 collateralized by ethanol producer incentive payments	649,532	888,116
	53,284,848	63,581,459
	77,999,134	107,926,381
Less current maturities	13,355,752	19,478,734
	$ 64,643,382	$ 88,447,647

Upon successful completion of the projects, the construction loans were converted into variable-rate term loans with a 5-year maturity (March 31, 2013 for GLE and January 20, 2014 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 were due for GLE and AE, respectively, with amounts allocated to accrued interest first and then to principal reduction. Under the old swap notes, variable quarterly principal payments (based on ten-year amortization) plus accrued interest were due. The principal balance of the previous term loans paid off on May 9, 2012 was $89,891,162.

Under the new loan agreement with a group of lenders administered by the Bank signed on May 9, 2012, the Cooperative, GLE and AE signed new variable-rate term loans with 5-year maturity (May 9, 2017) . The new $90,000,000 term loans consisted of a variable note of $49,500,000 and a long-term revolving note of $40,500,000. The new term loans were allocated 40% to GLE ($36,000,000) and 60% to AE ($54,000,000). Under the new variable note, a fixed quarterly principal payment of $1,767,857 (based on seven-year amortization) plus accrued interest are due. Under the new long-term revolving note, a fixed quarterly payment of $1,446,429 (based on seven-year amortization) plus accrued interest are due.

Under the new loan agreement, the Cooperative, GLE and AE can make additional principal prepayments against the long-term revolving note with the ability to re-borrow, subject to the terms of the note. The amount available to be prepaid and to be re-borrowed is based on the original note amount of $40,500,000 and decreases based on a seven-year amortization. At August 31, 2012, GLE had prepaid $10,000,000 on the long-term revolving note and the entire amount is available for re-borrowing.

Amounts borrowed under these long-term notes are secured by substantially all the assets of the Cooperative, GLE and AE.

The new variable note and the long-term revolving note bear an interest rate of 3.20% above the 3-month LIBOR (3.67% at August 31, 2012). The old variable notes bear an interest rate of 3.5% above the 3-month LIBOR with a floor of 4.50% (4.50% at August 31, 2011) and the swap notes bear an interest rate of 3.05% to 3.25% above the 3-month LIBOR (3.30% to 3.50% at August 31, 2011).

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. As of August 31, 2011, there were no amounts outstanding under the LTR notes.

On June 1, 2011, the Cooperative, GLE and AE signed the Eighth Amendment to the loan agreement with the Bank which consented to the expenditure of up to $3,000,000 for improvements to the grain handling system for GLE and consented to the repurchase of 601,000 shares of stock.

On July 8, 2011, the Cooperative, GLE and AE signed the Ninth Amendment to the loan agreement decreasing the interest rate on variable rate notes to 3.50% above the 3-month LIBOR (with a floor of 4.50%).

On January 31, 2012, the Cooperative, GLE and AE signed the Tenth Amendment to the previous loan agreement consenting the expenditure of up to $2,700,000 for corn oil extraction equipment for AE.

Covenants and Requirements of Loan Agreement

The new loan agreement and the previous 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 (only in previous loan agreement) and (iii) maintenance of certain financial ratios including a historical fixed charges coverage ratio and a total debt-to-tangible net worth ratio (only in previous loan agreement). The previous 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.

Under the new and previous loan agreement, GLE and AE are allowed to make minimum tax distributions (up to 40% of financial-basis income in the previous loan agreement and up to 50% in the new loan agreement) 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 under the new loan agreement, the Cooperative, GLE and AE are required to show compliance with financial covenants (historical and prospective) after the proposed distribution. In order to pay additional distributions to shareholders under the previous loan agreement, the Cooperative, GLE and AE were required to (a) pay down the long-term revolver notes to $0, (b) pay down the old term loans to the "targeted balance" (based on seven-year loan amortization) and (c) show compliance with financial covenants after the proposed distribution.

At August 31, 2011, the Cooperative, GLE and AE were in compliance with all applicable covenants of the previous loan agreement. At August 31, 2012, the Cooperative, GLE and AE were in compliance with all applicable covenants of the new loan agreement, with the exception of the historic fixed charge coverage ratio for the three-month period ended August 31, 2012.

The Cooperative, GLE and AE requested and received a waiver of the covenant violation from the bank. The waiver of the fixed charge coverage ratio for the fiscal quarter ended August 31, 2012 suspends the measurement for the fiscal quarters ending November 2012, February 2013 and May 2013. It also establishes a fixed charge coverage ratio of no less than 1.05:1.00 tested as of August 31, 2013 and no less than 1.10:1.00 tested as of November 30, 2013 and thereafter. The bank also reduced the revolving line of credit to $20,000,000.

Future Principal Payments

Maturities of long-term debt as of August 31, 2012 are estimated as follows (based on the terms of the new loan agreement and the $10,000,000 pre-payment by GLE on the long-term revolving note):

Years Ended August 31,	GLE	AE	Total
2013	$ 5,142,857	$ 8,212,895	$ 13,355,752
2014	5,142,857	8,233,304	13,376,161
2015	3,821,429	7,910,079	11,731,508
2017	2,828,571	7,714,286	10,542,857
2018	7,778,572	21,214,284	28,992,856
	$ 24,714,286	$ 53,284,848	$ 77,999,134

Standby Letters of Credit

Under the new and previous loan agreements, the Bank agreed to provide a facility for standby letters of credit. At August 31, 2011, AE has outstanding standby letters of credit of $3,300,000 and GLE has no standby letters of credit. At August 31, 2012, AE had outstanding letters of credit of $2,350,253 and GLE has no standby letters of credit.

Subordinated Note Payable

In December 2008, the Cooperative, GLE and AE entered into a subordinated note agreement for $3,370,008 with its broker for the amount of unfilled margin call from October 2008. The note was subordinated to the indebtedness owed by the Cooperative, GLE and AE under the previous loan agreement with the Bank.

In December 2010 and July 2011, the Cooperative received consent from the Bank and all of the other senior lenders to make two principal payments of $561,166 on the subordinated note. In July 2011, the broker agreed to settle the remaining amounts owed ($2,247,676 principal plus $45,196 of accrued interest) for the payment of $2,000,000. The Cooperative received consent from the Bank and all of the other senior lenders to make the $2,000,000 payment to the broker. The Cooperative recorded a gain of $292,872 (included in other income) from the settlement of the subordinated note, less $25,000 in fees paid to the Banks and other senior lenders.

Note 7 - Derivatives

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. As of August 31, 2012 and 2011, the Cooperative has entered into the following interest rate swap agreements:

	Maturity Date	Original Notional Amount	Cooperative Pays	Cooperative Receives	Fair Value 2012	Fair Value 2011
GLE						
Swap 1	6/2012	$ 6,540,918	7.600%	3 month LIBOR + 3.0%	$ -	$ (245,947)
Swap 2	3/2013	$ 5,025,490	7.690%	3 month LIBOR + 3.0%	(129,844)	(316,764)
Swap 3	3/2013	$ 26,959,165	7.950%	3 month LIBOR + 2.8%	(766,925)	(1,876,609)
AE						
Swap 1	6/2012	$ 8,175,771	7.600%	3 month LIBOR + 3.0%	-	(307,433)
Swap 2	6/2013	$ 6,282,346	7.710%	3 month LIBOR + 3.0%	(213,396)	(446,013)
Swap 3	6/2013	$ 31,022,718	7.985%	3 month LIBOR + 2.8%	(1,178,056)	(2,461,375)
Total					$ (2,288,221)	$ (5,654,141)

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.

Financial Instruments

The Cooperative has entered into short-term exchange-traded contracts as a means of managing exposure to changes in commodity prices. As of August 31, 2012 and 2011, the Cooperative has entered into the following derivative financial instruments:

	Notional	Notional Quantity	Fair Value 2012	Fair Value 2011
GLE				
Exchange-traded corn contracts	Bushels - short / (long)	2,870,000	$ (796,150)	$ (4,063,788)
Exchange-traded ethanol contracts	Gallons - short / (long)	7,569,500	(2,963,492)	(3,891,090)
AE				
Exchange-traded corn contracts	Bushels - short / (long)	780,000	(186,175)	1,203,913
Total			$ (3,945,817)	$ (6,750,965)

The following table summarizes the derivative transactions reflected in the Cooperative's consolidated balance sheets and consolidated statements of operations for the years ended August 31, 2012 and 2011:

	2012	2011
Classification with Consolidated Balance Sheets		
Current Asset		
Fair value of derivative financial instruments	$ 16,380	$ 1,203,913
Short-term Liability		
Fair value of interest rate swap agreements	(2,288,221)	(553,380)
Fair value of derivative financial instruments	(982,325)	(7,954,878)
Long-term Liability		
Fair value of interest rate swap agreements	-	(5,100,761)
Loss Recognized in Consolidated Statements of Operations		
Cost of Goods Sold		
Derivative financial instruments	(11,429,355)	(2,434,555)
Interest Expense		
Interest rate swaps	(196,332)	(692,236)

Note 8 - 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.

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.

Assets and liabilities measured at fair value on a recurring basis at August 31, 2012 and 2011, respectively, are as follows:

	2012	2011
Assets		
Derivative financial instruments	$ 16,380	$ 1,203,913
Liabilities		
Derivative financial instruments	(982,325)	(7,954,878)
Interest rate swap agreements	(2,288,221)	(5,654,141)

The following table summarizes by level, within the fair value hierarchy, the Cooperative's assets and (liabilities) that are measured at fair value on a recurring basis at August 31, 2012 and 2011:

August 31, 2012	Level 1	Level 2	Level 3	Total
Derivative financial instruments	$ 16,380	$ -	$ -	$ 16,380
Derivative financial instruments	(982,325)	-	-	(982,325)
Interest rate swap agreements	-	(2,288,221)	-	(2,288,221)

August 31, 2011	Level 1	Level 2	Level 3	Total
Derivative financial instruments	$ 1,203,913	$ -	$ -	$ 1,203,913
Derivative financial instruments	(7,954,878)	-	-	(7,954,878)
Interest rate swap agreements	-	(5,654,141)	-	(5,654,141)

The derivative financial instruments consist of commodity contracts which are valued based on quoted market prices. The fair value of the interest rate swaps are based upon estimates of the related LIBOR swap rates during the term of the swap agreements.

Note 9 - Leases

The Cooperative leases 383 hopper and 620 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, 2012 and 2011 totaled $6,202,110 and $5,241,195, respectively. During the years ended August 31, 2012 and 2011 the Cooperative sub-leased certain of the hopper cars from other ethanol plants and tanker cars from its marketer on a short-term basis and recorded $595,341 and $448,043, respectively, as an increase to 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, 2012 and 2011 were $2,112,421 and $1,672,421 respectively. The portions of these accruals classified as long-term were $1,232,420 and $1,278,818, as of August 31, 2012 and 2011, respectively.

Minimum lease payments in the future years are as follows:

Years Ended August 31,	
2013	$ 6,722,676
2014	5,857,911
2015	3,919,935
2016	1,324,513
2017	683,504
Thereafter	192,584
	$ 18,701,123

Note 10 - 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 83,712,893 and 83,654,618 bushels of corn (0.45 per share), for each of the years ended August 31, 2013 and 2012, 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, 2012 and 2011 the Cooperative purchased corn from its members (including committed bushels described above) as follows:

	Bushels	Dollars
2012		
Individuals	13,007,575	$ 83,724,630
Elevators	46,013,090	294,465,973
	59,020,665	$ 378,190,603
2011		
Individuals	10,629,979	$ 57,424,889
Elevators	47,560,992	247,556,939
	58,190,971	$ 304,981,828

Included in the amounts paid to the members of the Cooperative for the purchase of corn for the years ended August 31, 2012 and 2011, the Cooperative paid $1,151,498 and $833,185, respectively, as freight allowance on committed bushels and $79,824 and $145,483, 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”).

Distiller's Grain Sales

For the years ended August 31, 2012 and 2011, the Cooperative sold distiller's grain to members of the Cooperative as follows:

	Tons	Dollars
2012		
Dry distiller's grain	12,787	$ 2,568,007
Wet distiller's grain	102,563	9,576,387
	115,350	$ 12,144,394
2011		
Dry distiller's grain	15,727	$ 2,527,271
Wet distiller's grain	88,558	6,267,142
	104,285	$ 8,794,413

Receivables and Payables

As of August 31, 2012 and 2011, amounts receivable from or due to members of the Cooperative were as follows:

	2012	2011
Receivables for distiller's grains	$ 791,006	$ 821,525
Receivables for net pool fees	709,179	741,508
Payables for corn and freight allowances	7,385,616	5,592,915

Major Customers

During the years ended August 31, 2012 and 2011, the Cooperative had major customers from which the product sales and receivables were as follows:

	Product Sales Years Ended August 31,		Accounts Receivable August 31,	
	2012	2011	2012	2011
Eco Energy	$ 256,580,732	$ 48,290,780	$ 11,611,022	$ 9,312,554
Noble	237,995,895	247,337,218	8,066,726	9,887,213
Murex	-	205,308,021	-	27,597

Note 11 - 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, 2012 and 2011, the Cooperative contributed (net of forfeitures) $112,934 and $97,613, respectively, to the 401(k) plan.

Note 12 - 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 byproducts will substantially comply with the applicable federal and state requirements.

Other Litigation and Claims

Aventine Claims

On January 8, 2009, the Cooperative entered into Termination Agreements with their ethanol marketer, 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 ethanol 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, as of August 31, 2012 and August 31, 2011, the Cooperative has recorded a combined net receivable of $965,876 (related to unpaid true –up payments on sales of ethanol to Aventine from January 2009) and a combined net payable of $1,184,188 (related to unpaid termination fees and other charges). Management believes that the payment of the unpaid termination fees may be subject to various defenses, including rights of offset and recoupment for the unpaid true-up payments.

The Termination Agreements also provided that Aventine would sublease to the Cooperative, and the Cooperative would accept, such subleases from Aventine, certain railcars listed on exhibits to the Termination Agreements totaling approximately 673 tanker cars, on the same terms and conditions as Aventine's master railcar leases with various railcar companies for the railcars. 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 and entered an Order rejecting certain contracts including the master railcar leases between Aventine and various railcar companies of the tanker cars that the Cooperative has subleased from Aventine under the Termination Agreements, effective as of April 7, 2009. Following the rejection of the master railcar leases, the Cooperative leased a number of the railcars it had previously subleased from Aventine from the various railcar companies.

In January 2013, the Cooperative was served with a two summons and complaints in adversary proceedings brought by Aventine against Glacial Lakes Energy and Aberdeen Energy in Delaware Bankruptcy Court. An adversary proceeding is a lawsuit that is filed within a bankruptcy proceeding. The complaints allege breach of the Termination Agreements, and seek recovery of unpaid termination fees of amounts exceeding $1,100,000, recovery of alleged breach of contract damages relating to the master railcar leases of amounts exceeding $7,400,000, and right of setoff of such amounts against the Cooperative's scheduled claims for unpaid ethanol payments in the Aventine bankruptcy of $965,000. Aventine has alleged, among other things, that Glacial Lakes Energy and Aberdeen Energy breached the Termination Agreements by not assuming certain railcar leases covered by the master railcar leases. The Cooperative has thirty days to answer the lawsuits. Management intends to defend vigorously against the lawsuit claims. An estimate of the amount or range of possible loss cannot be made.

IRS Examination

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. The IRS initially issued an examination report dated June 30, 2009 that proposed to disallow 39% of the patronage dividend deduction for fiscal year 2005 and 14% of the patronage dividend deduction for fiscal year 2006. The Cooperative protested the proposed adjustments in their entirety and requested the matter be sent to the IRS Appeals Office by protest dated July 24, 2009. The IRS issued a revised examination report on September 16, 2009 with a different rationale for disallowance, but with no change in the proposed adjustment amounts. The Cooperative protested the revised examination report in its entirety on October 15, 2009, and the case was forwarded to the IRS Appeals Office. The Cooperative and the IRS reached a final closing agreement on August 4, 2011, wherein the Cooperative paid the tax on the disallowed percentages of their divided deduction as noted above: $603,495 for fiscal year 2005 and $1,506,079 for fiscal year 2006, totaling $2,109,574, plus interest in the amount of $539,701 during fiscal year 2011.

The Cooperative filed a claim for refund on May 12, 2011, applying Net Operating Losses (NOL's) from fiscal years 2008 and 2009 to the amended income per the IRS final closing agreement for fiscal years 2005 and 2006. The amounts of the refunds applied for are equal to the remittance paid in the closing agreement noted above, without considering an interest adjustment.

In December 2012, the Cooperative reviewed the status of its refund claim in an informal telephone conference with IRS Exam, but no resolution of the Cooperative's refund claim was reached. IRS Exam stated that the Cooperative may not be entitled to carry back NOL's from fiscal years 2008 and 2009 to the amended income for fiscal years 2005 and 2006. In the event IRS Exam denies the Cooperative's refund claim, the Cooperative intends to vigorously pursue its refund claim exercising available remedies. An estimate of the amount or range of possible loss cannot be made.

Ethanol Marketing

The Cooperative currently has marketing agreements with two national marketers; one to sell its production of ethanol from GLE, and the other to sell its production of ethanol from AE. The Cooperative will pay a commission based on the net selling price. The contract for GLE is for a three-year period (executed June 18, 2010, extended June 18, 2011, and expiring on June 30, 2013) and the contract for AE is for a one-year period (executed on June 7, 2011, extended on June 30, 2012 and expiring on June 30, 2013) and will automatically review for successive one-year periods unless either party gives three-months' notice to terminate at the end of the annual term.

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. The agreement is for a one-year period (expiring on October 1, 2013) and the agreement shall remain in effect until terminated by either party by providing the other party not less than 90 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.

In addition to the agreement referenced above, AE also has an agreement with a local feed manufacturing and marketing company to promote and market its production of distiller's grain and syrup and pay a fixed commission. The agreement shall remain in effect until August 31, 2012 or until terminated by either party providing the other party not less than 180 days written notice of its election to terminate the agreement.

Corn Commitments from Elevators

In March 2012, AE signed an agreement with a local elevator group (who is a member of the Cooperative) to provide 1,500,000 bushels per month at a costs determined by the pricing formula in the agreement. The agreement is for a two-year period ending March 31, 2014.

In November 2012, AE signed an agreement with another local elevator group (who is also a member of the Cooperative) to provide 1,000,000 bushels per month at a cost determined by the pricing formula in the agreement. The agreement is for the period from December 1, 2012 to September 30, 2013. The agreement can be extended to March 31, 2014 by providing notice no later than August 15, 2013.

Natural Gas Supply

The Cooperative currently has natural gas supply agreements in place with two national suppliers for its production requirements. The contract for GLE is for a two-year period and expires on June 30, 2014. The contract for AE is for a two-year period and expires on August 31, 2013.

Forward Purchase and Sales Contracts

As of August 31, 2012, the Cooperative has entered into forward purchase contracts for the following:

	Quantity	Average Price	Delivery Date
Purchase of Corn (in bushels):			
Elevator Commitments	28,365,544		By 3/31/2014
Basis contracts	3,398,736		By 7/15/2013
Priced contracts	4,357,444	$ 6.41	By 2/28/2013
Total (primarily from members)	7,756,180		

As of August 31, 2012, the Cooperative has entered into forward sales contracts for the following:

	Quantity	Average Price	Delivery Date
Sale of Ethanol (in gallons):			
Index contracts	12,869,605		By 12/31/2012
Priced contracts	10,122,017	$ 2.50	By 10/31/2012
Total	22,991,622		
Sale of Dry Distiller's Grains (in tons):			
Index contracts	1,002		By 12/31/2012
Priced contracts	41,761	$ 232.12	By 3/31/2013
Total	42,763		
Sale of Modified Wet Distiller's Grains (in tons):			
Index contracts	30,027		By 3/31/2013
Priced contracts	44,589	$ 111.49	By 5/31/2013
Total	74,616		
Sale of Corn Syrup (in tons):			
Priced contracts	839	$ 33.67	By 9/30/2012
Total	839		

Corn Oil Separation Project

The Cooperative entered into contracts for construction of a new corn oil separation project. The total expected costs of this project are $2,452,970. The uncompleted costs of these commitments are about $1,403,000 as of August 31, 2012.

Note 13 - Investments in Unconsolidated Affiliates

The Cooperative had the following investments in other renewable fuel businesses at August 31, 2012 and 2011, respectively:

	2012	2011
Granite Falls Energy, LLC	$ 7,837,950	$ 8,190,890
Redfield Energy, LLC	3,027,999	3,318,411
	$ 10,865,949	$ 11,509,301

Investment in Granite Falls Energy, LLC

At August 31, 2012 and 2011, the Cooperative owned 4,525 units (14.76%) of Granite Falls Energy, LLC (GFE). GFE operates a 50 million gallon fuel ethanol plant near Granite Falls, Minnesota.

As of August 31, 2012 and 2011, the Cooperative's recorded investment in GFE exceeded its ownership interest percentage in the equity of the affiliate by $107,359 and $141,262, 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 ten year period that will end in fiscal year 2016.

For the years ended August 31, 2012 and 2011, the Cooperative recognized equity in net income of GFE of $1,004,560 and $1,747,175, respectively, and received cash distributions of $1,357,500 and $1,357,500, respectively.

The Cooperative's equity in the net income of GFE is based upon estimated earnings of the affiliate as of August 31 of each year. Summary financial information for GFE as of July 31, 2012 and October 31, 2011 (its fiscal year) and for the nine months ended July 31, 2012 and years ended October 31, 2011 and 2010 is as follows:

Condensed Balance Sheets

	July 31, 2012 (Unaudited)	October 31, 2011
Current Assets	$ 17,147,464	$ 27,542,361
Property and Equipment, Net	39,043,496	35,898,961
Total assets	$ 56,190,960	$ 63,441,322
Current Liabilities	$ 3,491,112	$ 13,680,184
Long-Term Debt, less current maturities	412,013	-
Members' Equity	52,287,835	49,761,138
Total liabilities and members' equity	$ 56,190,960	$ 63,441,322

Condensed Statements of Operations

	Nine Months Ended July 31, 2012 (Unaudited)	Year Ended October 31, 2011	Year Ended October 31, 2010
Revenues	$ 125,206,661	$ 156,521,489	$ 95,289,452
Cost of Goods Sold	(120,806,601)	(142,353,416)	(85,146,261)
Gross profit	4,400,060	14,168,073	10,143,191
Operating Expenses	(1,906,097)	(2,002,706)	(1,957,742)
Other Income (Expense), Net	117,638	130,847	187,567
Interest Expense	(18,484)	(4,358)	(10,704)
Net Income	$ 2,593,117	$ 12,291,856	$ 8,362,312
Weighted Average Units Outstanding	30,617	30,656	30,656
Net Income per Unit	$ 85	$ 401	$ 273

Investment in Redfield Energy, LLC

At August 31, 2012 and 2011, the Cooperative owned 1,660,526 units (8.13%) of Redfield Energy, LLC (RE). RE operates a 50 million gallon fuel ethanol plant near Redfield, South Dakota.

Included in the total units of RE 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 RE, however, under the terms of RE's operating agreement, no amount was initially credited to the Cooperative's capital account at RE for these units, effectively reducing the Cooperative's equity in the net assets of RE from what would otherwise be expected. However, these units have a distribution preference of up to $2,021,052 in any gain recognized by RE upon liquidation as long as other members receive a minimum liquidating distribution of $2.00 per unit.

As of August 31, 2012 and 2011, the Cooperative's recorded investment in RE was less than its estimated underlying equity in the net assets of the affiliate by $85,879 and $104,281, respectively. The difference is being amortized into earnings over a ten year period that will end in fiscal year 2017.

For the years ended August 31, 2012 and 2011 the Cooperative recognized equity in net income of RE of $(124,359) and $275,298, respectively, and received $166,052 and $0 of cash distributions, respectively.

In June 2011, RE entered into a joint venture agreement with Gevo Development, LLC (Gevo) to retrofit RE's existing ethanol plant into an isobutanol plant. Gevo will provide the technology and capital necessary to retrofit the existing ethanol plant and, in exchange, will receive an equity interest in RE (subject to the terms and conditions in the joint venture agreement). Gevo will be the exclusive marketer once the commercial production of isobutanol begins. The impact on the Cooperative's interest in RE as a result of the joint venture agreement with Gevo is unknown at this time.

The Cooperative's equity in the net income of RE is based upon estimated earnings of the affiliate as of August 31 of each year. Summary financial information for RE as of August 31, 2012 and 2011 and for the years August 31, 2012 and 2011 is as follows:

Condensed Balance Sheets

	2012 (Unaudited)	2011
Current Assets	$ 13,250,851	$ 19,344,032
Property and Equipment, Net	38,990,796	44,809,123
Other Assets, Net	237,312	247,712
Total assets	$ 52,478,959	$ 64,400,867
Current Liabilities	$ 3,150,144	$ 6,099,788
Long-Term Debt, less current maturities in 2011	8,250,025	12,710,607
Members' Equity	41,078,790	45,590,472
Total liabilities and members' equity	$ 52,478,959	$ 64,400,867

Condensed Statements of Operations

	2012 (Unaudited)	2011
Revenues	$ 154,061,434	$ 164,638,225
Cost of Goods Sold	(153,495,521)	(157,241,002)
Gross profit	565,913	7,397,223
Operating Expenses	(2,582,600)	(2,057,685)
Other Income (Expense), Net	642,616	675,110
Interest Expense	(537,476)	(1,862,829)
Net (Loss) Income	$ (1,911,547)	$ 4,151,819

Note 14 - Income Taxes

The provision for income taxes charged to income for the years ended August 31, 2012 and 2011 consists of the following:

	2012	2011
Current expense (benefit)		
Current expense	$ (21,764)	$ 470
IRS settlement	-	2,109,574
Net operating loss carryback	-	(2,109,574)
Total current expense	(21,764)	470
Deferred (benefit) expense	(165,000)	799,400
Total income tax (benefit) expense	$ (186,764)	$ 799,870

As discussed in footnote 12, the Cooperative reached a settlement with the IRS related to the 2005 and 2006 tax returns. The table presented above reflects this settlement and the subsequent carryback of net operating losses.

Deferred taxes are comprised of basis differences related to non-patronage earnings from the Cooperative's investments in GFE and RE. Since the Cooperative allocates its patronage earnings on the tax basis of accounting, deferred income taxes have not been recognized on the temporary differences associated with its patronage earnings. The most significant differences between book and tax earnings are depreciation and recognition of gains and losses associated with derivative financial instruments.

Deferred tax assets and liabilities as of August 31, 2012 and 2011 are as follows:

	2012	2011
Deferred tax liability		
Investment in GFE and RE	$ (2,675,100)	$ (2,840,100)
Net deferred tax liability	$ (2,675,100)	$ (2,840,100)

As of August 31, 2012, the Cooperative has the following net patronage loss carryforward for income tax purposes:

Patronage loss for the year ended August 31, 2012	$ (13,357,574)
Patronage earnings for year ended August 31, 2011	5,224,315
Allocation for the year ended August 31, 2011	(5,224,315)
Patronage earnings for year ended August 31, 2010	17,228,136
Patronage loss for the year ended August 31, 2009	(88,772,735)
Allocation of a portion of the patronage loss for the year ended August 31, 2009 to members	16,699,784
Patronage loss for the year ended August 31, 2008	(32,785,532)
Allocation of patronage earnings to members in excess of patronage earnings for year ended August 31, 2007	(28,059)
Carryback against patronage earnings for year ended August 31, 2006	4,429,644
Carryback against patronage earnings for year ended August 31, 2005	1,774,984
Net patronage loss carryforward	$ (94,811,352)

Patronage losses for tax purposes can be carried forward for 20 years to be used to offset patronage income in future years.

The Cooperative files income tax returns in the U.S. federal jurisdiction and in the state of Minnesota. The Cooperative is no longer subject to U.S federal and state examination by tax authorities for years ending on or before August 31, 2008. See Note 12 related to the IRS examination for the years ended August 31, 2005 and 2006.

Note 15 - Assets Held for Sale

In 2006, the Cooperative announced its intention to build a 50 million gallon per year plant in the Vermillion, South Dakota area. In September, 2006, land was purchased for the proposed plant and site preparations began in early 2007 for the Missouri Valley Energy, LLC (MVE) site. The project was suspended in October 2007 due to economic factors in the industry. In August 2008, the Cooperative discontinued plans to complete the project due to economic factors in the industry. As such, the Cooperative wrote the land and improvements down to the appraised value of $1,392,000 as of August 31, 2008.

In July 2012, the Cooperative entered into a real estate sales agreement for the sale of the MVE site for $1,927,530. The closing of the sale is scheduled for January 2013. The expected net gain of $535,530 will be recognized upon the closing of the sale.

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.

Earnings per Share

A reconciliation of net income 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 (Loss) Income	Weighted Average Shares Outstanding	Per Share Amount
2012			
Basic EPS	$ (11,068,672)	185,989,731	$ (0.060)
Effects of dilutive securities			
Exercise of stock units	-	-	-
	$ (11,068,672)	185,989,731	$ (0.060)
2011			
Basic EPS	$ 16,578,249	185,860,631	$ 0.089
Effects of dilutive securities			
Exercise of stock units	-	-	-
	$ 16,578,249	185,860,631	$ 0.089

Stock options for -0- and 55,000 shares for 2012 and 2011, respectively, were not included in the calculation of diluted EPS because their effects would be anti-dilutive.

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 year 2006 allocated capital reserve, but behind common stock and related additional paid in 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 do not participate in future dividends from GLCP.

On August 31, 2010, the Cooperative declared and accrued distributions of $11,133,189 to repay the prepaid non-qualified unit retain. These distributions were paid during fiscal year 2011.

Note 17 - Due from Broker

The Cooperative held segregated customer accounts with MF Global Inc. for clearing and settling of commodity transactions through their broker, the Linn Group. On October 31, 2011, MF Global Holdings Ltd, the parent of MF Global Inc., filed a petition for Chapter 11 Bankruptcy, at which time the Chicago Mercantile Exchange (CME Group) suspended MF Global Inc. as a clearing member. That same day, the Securities Investor Protection Corporation applied for the appointment of a trustee under the Securities Investors Protection Act (SIPA Trustee). James Giddens was appointed by the District Court for the Southern District of New York. The SIPA Trustee continues to manage the liquidation of MF Global, Inc.

The SIPA Trustee sought authority from the bankruptcy court to transfer all open positions and seventy-two (72%) of the maintenance margin requirement for those positions from MF Global, Inc. to other futures commission merchants or clearinghouses. As of the November 4th, 2011 market close, our positions were transferred from MF Global, Inc. to Rosenthal Collins Group. The amount of transfer to Rosenthal Collins Group was frozen from withdrawal by the CME Group. At the time of transfer, our account equity with MF Global, Inc. was $2,263,169. The amount transferred to Rosenthal Collins Group was $1,629,482. The amount remaining in the SIPA liquidation under the control of the SIPA Trustee at the time of the transfer was $633,687.

Under the Bankruptcy Code, a debtor or trustee may, under certain circumstances, avoid and recover for the debtor certain payments made to creditors within 90 days prior to the filing of the bankruptcy petition. In the 90 days prior to the bankruptcy petition, the Cooperative remitted $7.3 million to its segregated customer account with MF Global, Inc. and withdrew $12.0 million. The Bankruptcy Code provides various defenses to such avoidance actions, including but not limited to payments that were made in the ordinary course of business. Also, withdrawals of funds from segregated customer accounts may not be subject to this avoidance.

Between November 4, 2011 and August 31, 2012, the Cooperative has received distributions from the SIPA Trustee that brings the total received from the SIPA Trustee to 80%.

The balance as of August 31, 2012 is comprised of the following:

Due from SIPA Trustee	$ 452,634
Allowance for potential loss	(113,159)
	$ 339,475

The allowance for potential loss of $113,159 provided in the year ended August 31, 2012 is included in General and Administrative expenses.

Note 18 - Subsequent Events

The Cooperative has evaluated subsequent events through January 11, 2013, the date which the consolidated financial statements were available to be issued.

Supplementary Information
August 31, 2012 and 2011

Glacial Lakes Corn Processors

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Supplementary Information

The Board of Directors
Glacial Lakes Corn Processors
Watertown, South Dakota

We have audited the consolidated financial statements of Glacial Lakes Corn Processors as of and for the years ended August 31, 2012 and 2011 and have issued our report thereon dated January 11, 2013, which expressed an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 36 and 37 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on pages 36 and 37 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Eide Bailly LLP

Minneapolis, Minnesota
January 11, 2013

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Glacial Lakes Corn Processors

Consolidating Balance Sheet

Year Ended August 31, 2012

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Missouri Valley Energy, LLC	Total	Eliminations	Consolidated
Assets							
Current Assets							
Cash and cash equivalents	$ 732,145	$ 4,418,646	$ 1,835,677	$ -	$ 6,986,468	$ -	$ 6,986,468
Receivables	10,206	10,568,187	16,888,500	-	27,466,893	-	27,466,893
Derivative financial instruments	-	-	16,380	-	16,380	-	16,380
Inventories	-	12,065,447	11,904,937	-	23,970,384	-	23,970,384
Margin deposits	-	5,753,358	1,010,867	-	6,764,225	-	6,764,225
Prepaid expenses	-	378,750	697,732	-	1,076,482	-	1,076,482
Assets held for sale	-	-	-	1,392,000	1,392,000	-	1,392,000
Total current assets	742,351	33,184,388	32,354,093	1,392,000	67,672,832	-	67,672,832
Investments	117,053,172	10,865,949	-	-	127,919,121	(117,053,172)	10,865,949
Debt Issuance Costs, Net	-	166,838	166,838	-	333,676	-	333,676
Other Assets	-	77,500	-	-	77,500	-	77,500
Due from broker	-	208,528	130,947	-	339,475	-	339,475
Income tax receivable	2,109,574	-	-	-	2,109,574	-	2,109,574
Property and Equipment, Net	-	54,046,511	92,580,955	-	146,627,466	-	146,627,466
	$ 119,905,097	$ 98,549,714	$ 125,232,833	$ 1,392,000	$ 345,079,644	$ (117,053,172)	$ 228,026,472
Liabilities and Stockholders' Equity							
Current Liabilities							
Current maturities of long-term debt	$ -	$ 5,142,857	$ 8,212,895	$ -	$ 13,355,752	$ -	$ 13,355,752
Current maturities of interest rate swaps	-	896,769	1,391,452	-	2,288,221	-	2,288,221
Revolving line of credit	-	2,000,000	-	-	2,000,000	-	2,000,000
Derivative financial instruments	-	796,150	186,175	-	982,325	-	982,325
Accounts payable	-	10,072,979	7,510,329	-	17,583,308	-	17,583,308
Accrued loss on forward purchase	-	-	1,380,000	-	1,380,000	-	1,380,000
Accrued expenses	-	2,729,494	1,926,470	-	4,655,964		4,655,964
Total current liabilities	-	21,638,249	20,607,321	-	42,245,570	-	42,245,570
Long-Term Liabilities							
Long-term debt, less current maturities	-	19,571,429	45,071,953	-	64,643,382	-	64,643,382
Deferred income taxes	2,675,100	-	-	-	2,675,100	-	2,675,100
Other	-	397,511	834,909	-	1,232,420	-	1,232,420
Total long-term liabilities	2,675,100	19,968,940	45,906,862	-	68,550,902	-	68,550,902
Total liabilities	2,675,100	41,607,189	66,514,183	-	110,796,472	-	110,796,472
Stockholders' Equity	117,229,997	56,942,525	58,718,650	1,392,000	234,283,172	(117,053,172)	117,230,000
	$ 119,905,097	$ 98,549,714	$ 125,232,833	$ 1,392,000	$ 345,079,644	$ (117,053,172)	$ 228,026,472

Glacial Lakes Corn Processors
Consolidating Statement of Operations
Year Ended August 31, 2012

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Missouri Valley Energy, LLC	Total	Eliminations	Consolidated
Revenue							
Product sales	$ -	$ 294,087,860	$ 322,412,338	$ -	$ 616,500,198	$ -	$ 616,500,198
Service revenue	-	122,870	-	-	122,870	-	122,870
Government incentive revenue	-	270,907	-	-	270,907	-	270,907
Total revenue	-	294,481,637	322,412,338	-	616,893,975	-	616,893,975
Cost of Goods Sold	-	293,717,110	325,233,629	-	618,950,739	-	618,950,739
Gross Profit (Loss)	-	764,527	(2,821,291)	-	(2,056,764)	-	(2,056,764)
General and Administrative Expenses	692	3,095,949	3,533,751	-	6,630,392	-	6,630,392
Operating Income (Loss)	(692)	(2,331,422)	(6,355,042)	-	(8,687,156)	-	(8,687,156)
Other Income (Expense)							
Interest expense	-	(1,312,015)	(2,229,703)	-	(3,541,718)	-	(3,541,718)
Interest income	3,508	43,607	36,078	-	83,193	-	83,193
Equity in earnings of unconsolidated affiliates	-	880,201	-	-	880,201	-	880,201
Equity in earnings of consolidated subsidiaries	(11,260,505)	-	-	-	(11,260,505)	11,260,505	-
Other income (expense), net	2,250	49	7,745	-	10,044	-	10,044
Total other income (expense)	(11,254,747)	(388,158)	(2,185,880)	-	(13,828,785)	11,260,505	(2,568,280)
Income (Loss) Before Income Taxes	(11,255,439)	(2,719,580)	(8,540,922)	-	(22,515,941)	11,260,505	(11,255,436)
Income tax provision	186,764	-	-	-	186,764	-	186,764
Net Income (Loss)	$ (11,068,675)	$ (2,719,580)	$ (8,540,922)	$ -	$ (22,329,177)	$ 11,260,505	$ (11,068,672)