



Consolidated Financial Statements  
August 31, 2016 and 2015

# Glacial Lakes Corn Processors

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Glacial Lakes Corn Processors which comprise of the consolidated balance sheets as of August 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
December 6, 2016

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	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 43,610,716	\$ 77,862,160
Short-term investments	42,008,592	39,474,633
Receivables	9,232,291	11,092,122
Inventories	21,901,140	15,400,882
Margin deposits	-	1,880,611
Derivative financial instruments	6,294,559	562,873
Prepaid expenses	372,774	2,873,514
Income tax receivable	2,815,343	2,317,964
Total current assets	<u>126,235,415</u>	<u>151,464,759</u>
Other Non-Current Assets		
Investments in unconsolidated affiliates	16,516,341	17,794,503
Debt issuance costs, net of accumulated amortization of \$329,139 and \$132,391 in 2016 and 2015, respectively	240,626	437,373
Other assets	1,175,931	954,646
Total other non-current assets	<u>17,932,898</u>	<u>19,186,522</u>
Property and equipment, net	<u>108,433,024</u>	<u>107,001,845</u>
Total assets	<u><u>\$ 252,601,337</u></u>	<u><u>\$ 277,653,126</u></u>

See Notes to Consolidated Financial Statements

Glacial Lakes Corn Processors  
Consolidated Balance Sheets  
August 31, 2016 and 2015

	2016	2015
Liabilities and Stockholders' Equity		
Current Liabilities		
Checks issued in excess of bank balance	\$ 6,338,313	\$ -
Accounts payable	22,323,257	17,154,667
Accrued expenses	4,539,771	6,285,653
Patronage dividends payable	11,138,739	18,663,152
Due to broker	2,478,309	-
Current maturities of long-term debt	4,200,000	4,200,000
Total current liabilities	51,018,389	46,303,472
Long-Term Liabilities		
Long-term debt, less current maturities	7,050,000	10,900,000
Deferred income taxes	2,655,715	3,176,816
Other	2,856,419	2,098,005
Total long-term liabilities	12,562,134	16,174,821
Total liabilities	63,580,523	62,478,293
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 185,638,152 and 185,663,152 shares issued and outstanding in 2016 and 2015, respectively	103,061	103,061
Additional paid-in capital	113,507,620	113,505,120
Certificates of interest	1,262,166	1,262,166
Unallocated capital	68,228,193	88,245,198
Allocated capital	5,919,774	12,059,288
Total stockholders' equity	189,020,814	215,174,833
Total liabilities and stockholders' equity	\$ 252,601,337	\$ 277,653,126

Glacial Lakes Corn Processors  
Consolidated Statements of Operations  
Years Ended August 31, 2016 and 2015

	2016	2015
Revenue		
Product sales	\$ 403,923,567	\$ 466,159,130
Service revenue	255,906	136,875
Government incentive revenue	521,810	416,667
	404,701,283	466,712,672
Costs of Goods Sold	385,566,653	409,409,327
Gross Profit	19,134,630	57,303,345
General and Administrative Expenses	6,699,444	8,231,586
Operating Income	12,435,186	49,071,759
Other Income (Expense)		
Interest expense	(785,544)	(909,036)
Interest income	164,288	69,593
Equity in earnings of unconsolidated affiliates	430,939	4,273,278
Other income, net	99,929	28,247
	(90,388)	3,462,082
Income Before Income Taxes	12,344,798	52,533,841
Income Tax Provision	800,930	(1,115,285)
Net Income	\$ 13,145,728	\$ 51,418,556
Earnings per Common Share		
Basic	\$ 0.071	\$ 0.277
Diluted	\$ 0.071	\$ 0.277

Glacial Lakes Corn Processors  
Consolidated Statements of Stockholders' Equity  
Years Ended August 31, 2016 and 2015

	Common Stock	Additional Paid-In Capital	Certificates of Interest	Unallocated Capital	Allocated Capital	Total
Balance, August 31, 2014	\$ 103,061	\$ 113,505,120	\$ 1,262,166	\$ 74,152,946	\$ 29,587,345	\$ 218,610,638
Net income	-	-	-	51,418,556	-	51,418,556
Patronage earnings allocated to stockholders	-	-	-	(37,326,304)	37,326,304	-
Patronage dividends	-	-	-	-	(54,854,361)	(54,854,361)
Balance, August 31, 2015	103,061	113,505,120	1,262,166	88,245,198	12,059,288	215,174,833
Net income	-	-	-	13,145,728	-	13,145,728
Patronage earnings allocated to stockholders	-	-	-	(11,138,289)	11,138,289	-
Patronage dividends	-	-	-	(21,281,862)	(17,277,803)	(38,559,665)
Glacial Lakes Exports distributions	-	-	-	(742,582)	-	(742,582)
Contributed capital	-	2,500	-	-	-	2,500
Balance, August 31, 2016	<u>\$ 103,061</u>	<u>\$ 113,507,620</u>	<u>\$ 1,262,166</u>	<u>\$ 68,228,193</u>	<u>\$ 5,919,774</u>	<u>\$ 189,020,814</u>

Glacial Lakes Corn Processors  
Consolidated Statements of Cash Flows  
Years Ended August 31, 2016 and 2015

	2016	2015
Operating Activities		
Net income	\$ 13,145,728	\$ 51,418,556
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	20,146,546	23,779,347
Deferred income taxes	(521,101)	(1,864,784)
Equity in earnings of unconsolidated affiliates	(430,939)	(4,273,278)
Amortized gain on held-to-maturity investments	(5,687)	(35,133)
Changes in assets and liabilities		
Receivables	1,859,831	7,266,388
Inventories	(6,500,258)	4,872,678
Margin deposits	1,880,611	3,915,623
Prepaid expenses	2,500,740	(1,310,340)
Other assets	(221,285)	(875,146)
Income tax receivable	(497,379)	(2,269,931)
Derivative financial instruments	(5,731,686)	(3,218,455)
Checks issued in excess of bank balance	6,338,313	(36,487)
Accounts payable	3,954,712	4,000,194
Accrued expenses	(987,468)	1,168,625
Due to broker	2,478,309	-
Net Cash from Operating Activities	37,408,987	82,537,857
Investing Activities		
Purchases of property and equipment	(20,167,101)	(14,348,498)
Purchase of held-to-maturity securities	(45,463,272)	(39,439,500)
Maturity of held-to-maturity securities	42,935,000	-
Distributions from unconsolidated affiliates	1,709,099	6,184,095
Net Cash used for Investing Activities	(20,986,274)	(47,603,903)

Glacial Lakes Corn Processors  
Consolidated Statements of Cash Flows  
Years Ended August 31, 2016 and 2015

	2016	2015
Financing Activities		
Payments on long-term debt	\$ (3,850,000)	\$ (4,550,000)
Patronage dividends paid	(46,081,575)	(51,964,123)
Glacial Lakes Exports distributions	(742,582)	-
	(50,674,157)	(56,514,123)
Net Cash used for Financing Activities		
Net Change in Cash and Cash Equivalents	(34,251,444)	(21,580,169)
Cash and Cash Equivalents, Beginning of Year	77,862,160	99,442,329
Cash and Cash Equivalents, End of Year	\$ 43,610,716	\$ 77,862,160
Supplemental Disclosure of Cash Flow Information		
Cash payments for		
Interest	\$ 880,220	\$ 1,003,712
Income taxes	\$ -	\$ 5,250,000
Noncash Investing and Financing Activities		
Property and equipment purchases in accounts payable	\$ 2,103,236	\$ 889,358
Patronage dividends payable	\$ 11,138,739	\$ 18,663,152

## **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) and Aberdeen Energy, LLC (AE). 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). On September 1, 2015, the Cooperative's members formed Glacial Lakes Exports Holdings, LLC and Glacial Lakes Exports, Inc. Glacial Lakes Exports Holdings, LLC's only activity is the 100% ownership of Glacial Lakes Exports, Inc. Glacial Lakes Exports, Inc. has elected to be treated as a "domestic international sales corporation" ("DISC") under the Internal Revenue Code. The only activity of Glacial Lakes Exports, Inc. is to arrange certain international sales on behalf of GLE and AE. Glacial Lakes Exports, Inc. receives a commission on these sales. The financial statements of Glacial Lakes Exports Holdings, LLC and subsidiary have been consolidated with GLCP due to common ownership and control. 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. 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 directly by the Cooperative's marketers. Shipping costs paid to the marketers are presented on a net basis in product sales on the consolidated statements of operations. Commission costs are included in cost of goods sold. Shipping costs were \$94,162,006 and \$85,483,288 and commission costs were \$2,825,966 and \$2,039,279 for the years ended August 31, 2016 and 2015, 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. 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.

### **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.

### **Derivative Financial Instruments**

The Cooperative enters into forward purchase and sales contracts for corn, ethanol, 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 derivative 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.

### **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.

## **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, 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, 2016 and 2015, 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. Derivative financial instruments 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 \$125,648 and \$191,965 for the years ended August 31, 2016 and 2015, respectively.

## **Subsequent Events**

The Cooperative has evaluated subsequent events through December 6, 2016, the date which the consolidated financial statements were available to be issued.

**Note 2 - Investments in Held-to-Maturity Securities**

The following is a summary of the Cooperative's investment in held-to-maturity securities:

	2016	2015		
Due within one year	42,008,592	\$ 39,474,633		
	2016	2016	2015	2015
	Fair Market Value	Gross Unrealized Gains	Amortized Cost	Amortized Cost
Certificates of deposit	\$ -	\$ -	\$ -	\$ 3,500,000
United States and corporate securities	42,013,876	5,284	42,008,592	35,974,633
	\$ 42,013,876	\$ 5,284	\$ 42,008,592	\$ 39,474,633

Held-to-maturity securities are recorded in the balance sheet at amortized cost. Estimated market value at August 31, 2016 and 2015 was determined by reference quotations or market indices for the respective investment securities. The gross unrealized gains represent the difference between the amortized cost and the estimated market value. The unrealized gains are determined at a point in time and would only be realized upon the sale of the investment securities. If the investment securities were held to their contractual maturities, no gains would be realized. Expected maturities will differ from contractual maturities because the issuers of certain debt securities may have the right to call or prepay their obligations.

**Note 3 - Receivables**

The following table summarizes receivables as of August 31, 2016 and 2015:

	2016	2015
Trade	\$ 8,368,315	\$ 10,761,283
Other	873,194	378,272
	9,241,509	11,139,555
Less allowance for doubtful accounts	9,218	47,433
	\$ 9,232,291	\$ 11,092,122

**Note 4 - Inventories**

The following table summarizes inventories as of August 31, 2016 and 2015:

	2016	2015
Grain	\$ 12,500,733	\$ 4,850,920
Ethanol and distiller's grains		
Finished goods	3,988,975	2,429,340
In process	1,272,281	2,119,696
Chemicals and ingredients	818,770	1,441,452
Spare parts	3,320,381	4,559,474
	\$ 21,901,140	\$ 15,400,882

**Note 5 - Property and Equipment**

The following table summarizes property and equipment as of August 31, 2016 and 2015:

	2016	2015
Land and land improvements	\$ 13,374,272	\$ 10,920,872
Buildings	31,385,869	31,144,962
Railroad equipment and rolling stock	12,450,470	12,531,428
Machinery and equipment	289,093,864	273,586,272
Office equipment	1,047,270	1,006,800
Construction in progress	8,530,935	6,240,489
	355,882,680	335,430,823
Less accumulated depreciation	247,449,656	228,428,978
	\$ 108,433,024	\$ 107,001,845

Depreciation expense for the years ended August 31, 2016 and 2015 was \$19,960,564 and \$23,655,572, respectively.

**Note 6 - Debt Issuance Costs**

Amortization of debt issuance costs was \$196,748 and \$123,594 during the years ended August 31, 2016 and 2015, respectively. Future amortization of debt issuance costs is as follows:

Years Ending August 31,		
2017	\$	82,500
2018		82,500
2019		75,626
	\$	240,626

**Note 7 - Revolving Lines of Credit and Long-Term Debt**

**Revolving Lines of Credit**

The Cooperative, GLE and AE are entered into a loan agreement with a group of lenders administered by AgStar Financial Services. This loan agreement includes \$25,000,000 seasonal revolving line credit to be used for working capital and ongoing operating expenses. Availability under the revolving line of credit is subject to a borrowing base, calculated as a percentage of eligible receivables and certain inventory categories. Revolving line of credit advances borrowed and repaid may be re-borrowed at any time prior to the revolving line of credit termination date of October 1, 2017. Amounts borrowed on the revolving line of credit bear interest at a rate 3.00% above the 1-month LIBOR (3.4743% at August 31, 2016). Amounts borrowed under the revolving line of credit are secured by substantially all the assets of the Cooperative, GLE and AE. There were no outstanding borrowings and the amount available under the agreement was \$25,000,000 as of August 31, 2016.

The Cooperative also has a \$55,000,000 term revolving line of credit with AgStar Financial Services. Revolving line of credit advances borrowed and repaid may be re-borrowed at any time prior to the revolving line of credit termination date of June 30, 2019. Amounts borrowed on the revolving line of credit bear interest at a rate 3.10% above the 1-month LIBOR (3.5743% at August 31, 2016). Amounts borrowed under the revolving line of credit are secured by substantially all the assets of the Cooperative, GLE and AE. There were no outstanding borrowings and the amount available under the agreement was \$54,325,168 as of August 31, 2016. The amount available is reduced by Standby Letters of Credit.

**Standby Letters of Credit**

Under the loan agreement, AgStar Financial Services agreed to provide a facility for standby letters of credit. At August 31, 2016, AE has outstanding standby letters of credit of \$674,832 and GLE has no standby letters of credit.

**Long Term Debt**

The following table summarizes long-term debt as of August 31, 2016 and 2015:

	2016	2015
Term loan with AgStar Financial Services, due in monthly installments of \$350,000 plus accrued interest at 1-month libor plus 3.10% (3.5743% at August 31, 2016). Matures June 30, 2019 and is secured by substantially all assets.	\$ 11,250,000	\$ 15,100,000
Less current maturities	(4,200,000)	(4,200,000)
	\$ 7,050,000	\$ 10,900,000

**Covenants and Requirements of Loan Agreement**

The Loan Agreement with AgStar Financial Services requires compliance with a number of covenants including minimum working capital levels, fixed charge coverage ratio, minimum tangible net worth, limitations on distributions and limitations on capital expenditures.

**Future Principal Payments**

Maturities of long-term debt as of August 31, 2016 are estimated as follows:

Years Ending August 31,	Total
2017	\$ 4,200,000
2018	4,200,000
2019	2,850,000
	\$ 11,250,000

**Note 8 - Derivatives**

**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, 2016 and 2015, the Cooperative has entered into the following derivative financial instruments:

	Notional	Notional Quantity	Fair Value	
			2016	2015
GLE				
Exchange-traded corn contracts	Bushels - long / (short)	(600,000)	\$ 1,090,275	\$ 88,088
Exchange-traded ethanol contracts	Gallons - long / (short)	(10,500,000)	1,542,681	312,136
Exchange-traded natural gas contracts	BTU (millions) - long / (short)	-	-	(188,759)
AE				
Exchange-traded corn contracts	Bushels - long / (short)	(3,825,000)	2,604,463	202,388
Exchange-traded ethanol contracts	Gallons - long / (short)	(13,650,000)	1,057,140	344,589
Exchange-traded natural gas contracts	BTU (millions) - long / (short)	-	-	(195,569)
Total			<u>\$ 6,294,559</u>	<u>\$ 562,873</u>

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, 2016 and 2015:

	2016	2015
Classification with Consolidated Balance Sheets		
Current Asset		
Fair value of derivative financial instruments	\$ 6,294,559	\$ 562,873
Gain (Loss) Recognized in Consolidated Statements of Operations		
Revenue		
Derivative financial instruments	(993,755)	(3,068,486)
Cost of Goods Sold		
Derivative financial instruments	(5,655,572)	13,565

**Note 9 - 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, 2016 and 2015, respectively, are as follows:

	2016	2015
Assets		
Derivative financial instruments	\$ 6,294,559	\$ 562,873

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, 2016 and 2015:

	Level 1	Level 2	Level 3	Total
August 31, 2016				
Derivative financial instruments	\$ 6,294,559	\$ -	\$ -	\$ 6,294,559
August 31, 2015				
Derivative financial instruments	\$ 562,873	\$ -	\$ -	\$ 562,873

The derivative financial instruments consist of commodity contracts which are valued based on quoted market prices.

### Note 10 - Leases

The Cooperative leases 504 hopper and 641 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, 2016 and 2015 totaled \$12,152,320 and \$12,335,682, respectively. During the years ended August 31, 2016 and 2015 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 \$985,971 and \$-0-, 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, 2016 and 2015 were \$3,462,420 and \$3,332,420 respectively. The portions of these accruals classified as long-term were \$2,856,419 and \$2,072,131, as of August 31, 2016 and 2015, respectively.

Minimum lease payments in the future years are as follows:

<u>Years Ending August 31,</u>	
2017	\$ 9,115,881
2018	6,549,371
2019	5,587,605
2020	4,756,860
2021	3,644,910
Thereafter	<u>2,300,870</u>
	<u><u>\$ 31,955,497</u></u>

## Note 11 - 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 89,106,313 (0.48 per share) and 85,400,450 (0.46 per share) bushels of corn, for each of the years ended August 31, 2016 and 2015, 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 \$0.005 per bushel for 2015 and 2016.

For the years ended August 31, 2016 and 2015 the Cooperative purchased corn from its members (including committed bushels described above) as follows:

	<u>Bushels</u>	<u>Dollars</u>
2016		
Individuals	25,958,987	\$ 86,490,494
Elevators	<u>31,733,668</u>	<u>108,477,383</u>
	<u>57,692,655</u>	<u>\$ 194,967,877</u>
2015		
Individuals	21,268,330	\$ 72,248,003
Elevators	<u>36,849,080</u>	<u>121,613,157</u>
	<u>58,117,410</u>	<u>\$ 193,861,160</u>

Included in the amounts paid to the members of the Cooperative for the purchase of corn for the years ended August 31, 2016 and 2015, the Cooperative paid \$2,460,037 and \$2,014,605, respectively, as freight allowance on committed bushels and \$60,900 as additional payment to those members who purchased over 50,000 shares of stock at the time the Cooperative was organized (called "Commercial Level Investors") for each of the years ended August 31, 2016 and 2015.

### Distiller's Grain Sales

For the years ended August 31, 2016 and 2015, the Cooperative sold distiller's grain to members of the Cooperative as follows:

	Tons	Dollars
2016		
Dry distiller's grain	9,533	\$ 1,153,124
Wet distiller's grain	88,197	5,566,254
	97,730	\$ 6,719,378
2015		
Dry distiller's grain	7,726	\$ 1,044,278
Wet distiller's grain	91,111	5,937,204
	98,837	\$ 6,981,482

### Receivables and Payables

As of August 31, 2016 and 2015, amounts receivable from or due to members of the Cooperative were as follows:

	2016	2015
Receivables for distiller's grains	\$ 483,180	\$ 472,416
Receivables for net pool fees	410,194	70,879
Payables for corn and freight allowances	6,692,919	7,713,962

### Customer Concentrations

During the years ended August 31, 2016 and 2015, the Cooperative had major customers from which the product sales and receivables were as follows:

	Product Sales		Accounts Receivable	
	Years Ended August 31,		August 31,	
	2016	2015	2016	2015
Eco Energy	\$ 304,730,356	\$ 321,149,961	\$ 3,063,594	\$ 5,623,639
Cenex Harvest States	47,008,172	58,925,084	3,014,871	2,483,764

## **Note 12 - Employee Benefits**

### **Defined Contribution Plan**

In 2014, the Cooperative has established a Safe Harbor 401(k) plan for its employees. Eligible employees are able to contribute amounts (subject to IRS limits) and the Cooperative will match 100% of the employee's contribution, up to a maximum of 4% of the employees' salary. All employer contributions for eligible employees are vested immediately. During the years ended August 31, 2016 and 2015, the Cooperative contributed \$114,311 and \$215,485, respectively, to the 401(k) plan.

### **Long-Term Incentive Plan**

On August 31, 2015, the Cooperative adopted a Long-Term Incentive Plan provides deferred compensation to certain key employees of the Cooperative. The plan awards Incentive Units (Units) which are assigned a value of which is determined by the Board of Directors. No grants of new Units shall be made under that plan after August 31, 2025 and the plan terminates after all participants have been paid in full. The Units vest three years from the date of employment. The Units also carry a Dividend Equivalent which is the equivalent amount of patronage dividends actually paid in cash to the Cooperative's and Glacial Lakes Exports Holdings, LLC's members. Dividend Equivalents are paid on both vested and unvested Units. As of August 31, 2016, the Cooperative has awarded 199,375 Units under the plan and 135,000 of these units were vested. The Cooperative has recorded a liability of \$186,300 and \$131,250 for the value of the Units as of August 31, 2016 and 2015, respectively.

## **Note 13 - 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**

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 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 alleged breach of the Termination Agreements, and sought 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 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 had thirty days to answer the lawsuits. On July 16, 2013, the Delaware Bankruptcy Court dismissed the adversary actions for lack of jurisdiction.

On July 23, 2013, Aventine filed complaints in the Tazewell County (Illinois) Circuit Court against Glacial Lakes Energy and Aberdeen Energy asserting claims for breach of contract, declaratory judgment and attorneys' fees. Aventine's complaints seek the same monetary relief it sought in the Delaware Bankruptcy Court. Glacial Lakes Energy and Aberdeen Energy removed these cases to the United States District Court for the Central District of Illinois. In response to Aventine's complaints, Glacial Lakes Energy and Aberdeen Energy filed motions to dismiss for failure to state a claim for which relief can be granted, which the court denied on July 3, 2014. The parties are now engaged in discovery as permitted by the Federal Rules of Civil Procedure. Following the close of discovery, Glacial Lakes Energy and Aberdeen Energy each filed a motion for summary judgment seeking dismissal of all of Aventine's claims. The court granted the dismissal motions on February 29, 2016. Aventine appealed that decision to the Seventh Circuit Court of Appeals and a decision from the appellate court is expected in approximately the first quarter of 2017. Management intends to defend vigorously against the lawsuit claims. An estimate of the amount or range of possible loss cannot be made. No inference may or should be drawn from the absence of any statement about the probability of outcome or the amount or range of potential loss that Glacial Lakes Energy and Aberdeen Energy will not prevail in the Aventine Litigation.

### **Ethanol Marketing**

On October 31, 2014 the Cooperative entered into contracts with a national ethanol marketer to sell substantially all of the ethanol produced from both GLE and AE. The Cooperative will pay a commission on a per gallon sold basis. The contract term for both GLE and AE commenced on November 1, 2014 and will terminate on June 30, 2017.

### 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, 2016 and the 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.

In addition to the agreement referenced above, AE also has an agreement with a local feed manufacturing and marketing company to promote and market some of its production of distiller's grain and syrup and pay a fixed commission. The agreement shall remain in effect until August 31, 2017 or until terminated by either party providing the other party not less than 90 days written notice of its election to terminate the agreement.

### Natural Gas Supply

The Cooperative currently has natural gas supply agreements in place with a national supplier for its production requirements. The contracts for GLE and AE expire on October 31, 2018.

### Forward Purchase and Sales Contracts

As of August 31, 2016, the Cooperative has entered into forward purchase contracts for the following:

	<u>Quantity</u>	<u>Average Price</u>	<u>Delivery Date</u>
Purchase of Corn (in bushels):			
Basis contracts	4,447,691		By 8/4/17
Priced contracts	6,584,002	\$ 3.46	By 3/31/17
Total (primarily from members)	<u>11,031,693</u>		

As of August 31, 2016, the Cooperative has entered into forward sales contracts for the following:

	<u>Quantity</u>	<u>Average Price</u>	<u>Delivery Date</u>
Sale of Ethanol (in gallons):			
Index contracts	71,292,529		By 6/30/17
Priced contracts	2,719,032	\$ 1.57	By 9/30/16
Total	<u>74,011,561</u>		
Sale of Dry Distiller's Grains (in tons):			
Index contracts	-		
Priced contracts	26,536	\$ 177.66	By 9/30/17
Total	<u>26,536</u>		
Sale of Modified Wet Distiller's Grains (in tons):			
Index contracts	-		
Priced contracts	47,937	\$ 61.15	By 4/30/17
Total	<u>47,937</u>		

**Note 14 - Investments in Unconsolidated Affiliates**

The Cooperative had the following investments in other renewable fuel businesses at August 31, 2016 and 2015, respectively:

	2016	2015
Granite Falls Energy, LLC	\$ 12,943,366	\$ 13,789,851
Redfield Energy, LLC	3,569,475	4,001,152
Other Investments	3,500	3,500
	\$ 16,516,341	\$ 17,794,503

**Investment in Granite Falls Energy, LLC**

At August 31, 2016 and 2015, the Cooperative owned 5,004 units (16.35%) of Granite Falls Energy, LLC (GFE). GFE operates a 70 million gallon fuel ethanol plant near Granite Falls, Minnesota. GFE has a controlling ownership interest (50.6%) of Heron Lake BioEnergy, LLC (HLBE). HLBE operates a 72 million gallon fuel ethanol plant near Heron Lake, Minnesota. As of August 31, 2016 and 2015, the Cooperative's recorded investment in GFE exceeded its ownership interest percentage in the equity of the affiliate by \$-0- and \$5,650, 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 was amortized over a ten year period that ended in fiscal year 2016.

For the years ended August 31, 2016 and 2015, the Cooperative recognized equity in net income of GFE of \$729,775 and \$3,507,169, respectively, and received cash distributions of \$1,576,260 and \$5,254,200, 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, 2016 and October 31, 2015 (its fiscal year) is as follows:

**Condensed Balance Sheets**

	July 31, 2016 (Unaudited)	October 31, 2015
Current Assets	\$ 32,175,398	\$ 35,513,044
Property and Equipment, Net	81,092,100	84,304,162
Other Assets	2,163,264	2,193,875
Total assets	\$ 115,430,762	\$ 122,011,081
Current Liabilities	\$ 8,623,780	\$ 9,139,680
Long-Term Debt, less current maturities	6,685,798	6,711,975
Members' Equity	100,121,184	106,159,426
Total liabilities and members' equity	\$ 115,430,762	\$ 122,011,081

**Condensed Statements of Operations**

	Nine Months Ended July 31, 2016 (Unaudited)	Year Ended October 31, 2015
Revenues	\$ 159,994,605	\$ 231,254,508
Cost of Goods Sold	(149,986,152)	(208,654,190)
Gross profit	10,008,453	22,600,318
Operating Expenses	(4,174,358)	(5,175,915)
Other Income (Expense), Net	(224,892)	(477,570)
Net Income	\$ 5,609,203	\$ 16,946,833

**Investment in Redfield Energy, LLC**

At August 31, 2016 and 2015, the Cooperative owned 3,321,052 units (8.13%), of Redfield Energy, LLC (RE). RE operates a 60 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, 2016 and 2015, the Cooperative's recorded investment in RE was less than its estimated underlying equity in the net assets of the affiliate by \$-0- and \$30,671, respectively. The difference was amortized into earnings over a ten year period that ended in fiscal year 2016.

For the years ended August 31, 2016 and 2015 the Cooperative recognized equity in net (loss) income of RE of \$(298,836) and \$766,109, respectively, and received \$132,841 and \$929,895 of cash distributions, respectively.

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, 2016 and 2015 and for the years ended August 31, 2016 and 2015 is as follows:

**Condensed Balance Sheets**

	2016	2015
Current Assets	\$ 17,497,742	\$ 23,055,353
Property and Equipment, Net	34,603,270	37,205,473
Other Assets, Net	211,908	222,031
	<b>\$ 52,312,920</b>	<b>\$ 60,482,857</b>
Current Liabilities	\$ 4,073,577	\$ 4,772,828
Long-Term Debt, less current maturities	4,341,314	5,786,868
Members' Equity	43,898,029	49,923,161
	<b>\$ 52,312,920</b>	<b>\$ 60,482,857</b>

**Condensed Statements of Operations**

	2016	2015
Revenues	\$ 104,481,166	\$ 117,110,562
Cost of Goods Sold	(106,802,394)	(105,587,663)
Gross profit	(2,321,228)	11,522,899
Operating Expenses	(2,841,905)	(2,844,685)
Other Income, Net	772,843	518,668
	<b>\$ (4,390,290)</b>	<b>\$ 9,196,882</b>

**Note 15 - Income Taxes**

The provision for income taxes charged to income for the years ended August 31, 2016 and 2015 consists of the following:

	2016	2015
Current (benefit) expense	\$ (279,829)	\$ 2,980,069
Deferred benefit	(521,101)	(1,864,784)
	<b>\$ (800,930)</b>	<b>\$ 1,115,285</b>

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, 2016 and 2015 are as follows:

	2016	2015
Deferred tax liability		
Investment in GFE and RE	\$ (2,655,715)	\$ (3,176,816)
Net deferred tax liability	\$ (2,655,715)	\$ (3,176,816)

As of August 31, 2016, the Cooperative has a net patronage loss carryforward for income tax purposes of approximately \$16,500,000.

## **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 Cooperative 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 Income	Weighted Average Shares Outstanding	Per Share Amount
	<u>          </u>	<u>          </u>	<u>          </u>
2016			
Basic EPS	\$ 13,145,728	185,643,548	\$ 0.071
Effects of dilutive securities			
Exercise of stock units	-	-	-
	<u>\$ 13,145,728</u>	<u>185,643,548</u>	<u>\$ 0.071</u>
2015			
Basic EPS	\$ 51,418,556	185,656,940	\$ 0.277
Effects of dilutive securities			
Exercise of stock units	-	-	-
	<u>\$ 51,418,556</u>	<u>185,656,940</u>	<u>\$ 0.277</u>



Supplementary Information  
August 31, 2016 and 2015

## Glacial Lakes Corn Processors



## 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, 2016 and 2015 and have issued our report thereon dated December 6, 2016, 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 29 and 30 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 29 and 30 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
December 6, 2016

Glacial Lakes Corn Processors  
Consolidating Balance Sheet  
August 31, 2016

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Glacial Lakes Exports Holdings, LLC	Eliminations	Consolidated
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 869,760	\$ 18,221,933	\$ 24,516,523	\$ 2,500	\$ -	\$ 43,610,716
Short-term investments	-	21,004,296	21,004,296	-	-	42,008,592
Receivables	11,095,945	19,698,717	15,577,019	1,995,378	(39,134,768)	9,232,291
Inventories	-	8,952,641	12,948,499	-	-	21,901,140
Derivative financial instruments	-	2,632,956	3,661,603	-	-	6,294,559
Prepaid expenses	-	222,037	150,737	-	-	372,774
Income tax receivable	2,815,343	-	-	-	-	2,815,343
Total current assets	<u>14,781,048</u>	<u>70,732,580</u>	<u>77,858,677</u>	<u>1,997,878</u>	<u>(39,134,768)</u>	<u>126,235,415</u>
Investments	186,578,688	16,516,341	-	-	(186,578,688)	16,516,341
Debt issuance costs, net	-	120,313	120,313	-	-	240,626
Other assets	-	593,786	582,145	-	-	1,175,931
Property and equipment, net	-	46,503,067	61,929,957	-	-	108,433,024
	<u>\$ 201,359,736</u>	<u>\$ 134,466,087</u>	<u>\$ 140,491,092</u>	<u>\$ 1,997,878</u>	<u>\$ (225,713,456)</u>	<u>\$ 252,601,337</u>
<b>Liabilities and Stockholders' Equity</b>						
<b>Current Liabilities</b>						
Checks issued in excess of bank balance	\$ -	\$ 3,852,523	\$ 2,485,790	\$ -	\$ -	\$ 6,338,313
Accounts payable	542,303	15,323,744	45,591,978	-	(39,134,768)	22,323,257
Accrued expenses	43	2,071,448	2,468,280	-	-	4,539,771
Patronage dividends payable	11,138,739	-	-	-	-	11,138,739
Due to broker	-	826,513	1,651,796	-	-	2,478,309
Current maturities of long-term debt	-	2,100,000	2,100,000	-	-	4,200,000
Total current liabilities	<u>11,681,085</u>	<u>24,174,228</u>	<u>54,297,844</u>	<u>-</u>	<u>(39,134,768)</u>	<u>51,018,389</u>
<b>Long-Term Liabilities</b>						
Long-term debt, less current maturities	-	3,525,000	3,525,000	-	-	7,050,000
Deferred income taxes	2,655,715	-	-	-	-	2,655,715
Other	-	1,653,510	1,202,909	-	-	2,856,419
Total long-term liabilities	<u>2,655,715</u>	<u>5,178,510</u>	<u>4,727,909</u>	<u>-</u>	<u>-</u>	<u>12,562,134</u>
Total liabilities	<u>14,336,800</u>	<u>29,352,738</u>	<u>59,025,753</u>	<u>-</u>	<u>(39,134,768)</u>	<u>63,580,523</u>
Stockholders' Equity	187,022,936	105,113,349	81,465,339	1,997,878	(186,578,688)	189,020,814
	<u>\$ 201,359,736</u>	<u>\$ 134,466,087</u>	<u>\$ 140,491,092</u>	<u>\$ 1,997,878</u>	<u>\$ (225,713,456)</u>	<u>\$ 252,601,337</u>

Glacial Lakes Corn Processors  
Consolidating Statement of Operations  
Year Ended August 31, 2016

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Glacial Lakes Exports Holdings, LLC	Eliminations	Consolidated
Revenue						
Product sales	\$ -	\$ 203,211,572	\$ 200,711,995	\$ -	\$ -	\$ 403,923,567
Service revenue	-	160,588	95,318	-	-	255,906
Government incentive revenue	-	521,810	-	-	-	521,810
Total revenue	<u>-</u>	<u>203,893,970</u>	<u>200,807,313</u>	<u>-</u>	<u>-</u>	<u>404,701,283</u>
Cost of Goods Sold	<u>-</u>	<u>194,718,489</u>	<u>190,848,164</u>	<u>-</u>	<u>-</u>	<u>385,566,653</u>
Gross Profit	-	9,175,481	9,959,149	-	-	19,134,630
General and Administrative Expenses	<u>1,157</u>	<u>3,821,819</u>	<u>2,876,468</u>	<u>-</u>	<u>-</u>	<u>6,699,444</u>
Operating Income (Loss)	<u>(1,157)</u>	<u>5,353,662</u>	<u>7,082,681</u>	<u>-</u>	<u>-</u>	<u>12,435,186</u>
Other Income (Expense)						
Interest expense	-	(379,458)	(406,086)	-	-	(785,544)
Interest income	8,740	71,274	84,274	-	-	164,288
Commissions income (expense)	-	(114,598)	(2,623,362)	2,737,960	-	-
Equity in earnings of unconsolidated affiliates	-	430,939	-	-	-	430,939
Equity in earnings of consolidated subsidiaries	9,594,002	-	-	-	(9,594,002)	-
Other income, net	5,253	93,276	1,400	-	-	99,929
Total other income (expense)	<u>9,607,995</u>	<u>101,433</u>	<u>(2,943,774)</u>	<u>2,737,960</u>	<u>(9,594,002)</u>	<u>(6,856,042)</u>
Income Before Income Taxes	9,606,838	5,455,095	4,138,907	2,737,960	(9,594,002)	12,344,798
Income tax provision	<u>800,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800,930</u>
Net Income	<u>\$ 10,407,768</u>	<u>\$ 5,455,095</u>	<u>\$ 4,138,907</u>	<u>\$ 2,737,960</u>	<u>\$ (9,594,002)</u>	<u>\$ 13,145,728</u>