

## GLACIAL LAKES ENERGY, LLC

P.O. Box 933  
Watertown, SD 57201



**Micheal Nealon, Director of Finance**

### Greetings:

As we reported at the Annual Meeting in January 2006, net income for Glacial Lakes Energy and Glacial Lakes Corn Processors for the fiscal year ended August 31, 2005 was approximately \$8,500,000 or \$0.55 per share. Also in January, we paid a cash dividend of \$0.25 per share.

By the time you read this article, you should have received the Form 1099-PATR for calendar year 2005. If you have not received the Form

1099-PATR, please contact our office and we can get you the correct information. The amounts allocated in calendar year 2005 are as follows:

Taxable Income : \$0.2139 per share

Paid in Cash (Jan. & May 2005): \$0.1000 per share

Retained : \$0.1139 per share

Small Producer Ethanol Tax Credit: \$0.0969 per share

Production for the first quarter of 2006 (September 2005 to November 2005) was good when factoring we had our planned fall shutdown during October. Prices for ethanol continued to rise due to the impact of Hurricane Katrina. Prices for distillers' grains have been consistent during this period. Our costs for corn have remained close to budgeted amounts, based on the large harvest from the fall and the hedging program put into place for this crop year.

As mentioned elsewhere, Granite Falls Energy started production on November 13, 2005 and has been running quite well. The operations of Glacial Lakes Energy will now reflect our 20.9% share of the earnings of Granite Falls Energy along with the management fees earned. These fees will also include the incentive management fee based on 3% of net income of Granite Falls Energy.

Under the Loan Agreement with First National Bank of Omaha, the Construction Loan for Granite Falls Energy will convert into three Term Loans on March 10, 2006. Approximately half of the amount borrowed from the Bank is fixed at a rate of 7.69% per year.



**Bert Magstadt, Energy Commodities Manager**

Well all of the hype about a shortage of natural gas didn't present its self due to the very warm winter we have experienced. Natural gas traded as high as \$15.75, an all-time high, in December, but started its free fall after that. Currently natural gas is in the \$8.00 range for this summer and \$10.00 for next winter. I expect natural gas to continue to trade in this range for a few more months because of the large amount of natural gas in underground storage. Once these storage levels get back in-line to normal levels, natural gas could start its climb upward. We currently have 50% of our natural gas requirements hedged through March 07.

Ethanol prices are very good. Contracts through Aventine, our ethanol marketer, are in place for a significant portion of our ethanol in the \$2.00 per gallon range for this summer driving season. This is an increase of up to \$0.70 / gallon over last year's prices. Ethanol demand is very strong right now and should stay strong through at least 2006.

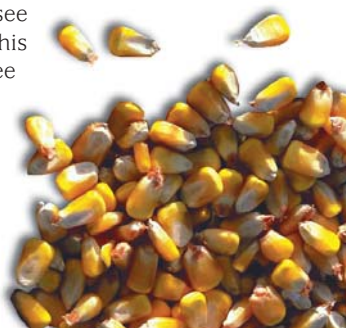


**Tami Schaefer,  
Grains  
Commodities  
Manager**

Greetings from the Grains Department. Can you believe the weather that we have had this winter? Spring is just around the corner, and the planting season is near.

The January USDA Crop Report came out with over 2.4 billion bushels carry out. With that much corn being carried into the 2006-2007 crop year, we at GLE are filling up our nearby months' grind needs. As of this writing, we are taking contracts for August forward delivery. Last year, we cut off the fiscal year's delivery at the end of July. This year it looks like that will be an earlier date. If you're looking at getting your committed bushels contracted, please be forward contracting those bushels at an earlier time this year before we have our grind needs bought in for our fiscal year. We update our corn bids every day on the website: [www.glaciallake-energy.com](http://www.glaciallake-energy.com) click on Daily Corn Bid. On this page, we also try to give our corn receiving schedule for the week.

The corn market these past few months have been reflecting the huge carry out. The funds have entered into the market as of late, and we have seen a bit of a rally in the corn. How long will it last? We still have to face the fact of the huge carry out. Unless our exports and/or usage increases greatly, we will see corn trading in this range. We will see some weather and fighting for acres markets yet this year - but it is still a bear market that we are in.



# Fuel & Ethanol NEWSLETTER

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Glacial Lakes Energy, LLC

MARCH 2006



**From the Desk of the CEO  
Tom Branhan, CEO**

When President Bush signed the Energy Bill into law on August 8, 2006, he set off a flurry of activity in new groups wanting to build ethanol plants. There are currently 32 plants under construction and nine being expanded. The Energy Bill guarantees that 7.5 billion gallons of ethanol as a minimum is used in our fuel system by 2012. We currently have the capacity to produce about 4 billion gallons with 95 producing ethanol plants.

President Bush again touted ethanol in his State of the Union address on January 31, 2006. Ethanol fuel has gone from being of low interest on the political radar screen to an important alternative fuel for the United States. The USA burned approximately 140 billion gallons of gasoline in 2005, and the ethanol industry produced 4 billion gallons which is only 3% of the nation's usage. We have a long way to go in constructing new ethanol plants before we make a significant impact on our appetite for gasoline.

As a business man, I am always looking for ways to improve our profitability. We face challenges every day from within our organization and from the industry itself. It's how we respond to those challenges and/or opportunities that make GLE the great company that it is today. We have a couple of opportunities in front of us right now, the first of which is to increase the production capabilities of GLE. The deciding factor in expanding will be a comprehensive corn feasibility study to ensure that there is an adequate supply of corn available in our growing area. We mentioned the possibility of this expansion at the Annual Meeting in January and are currently awaiting the corn study to proceed. As I pointed out above, the industry will be struggling to produce enough ethanol to meet the growing demand, and we want to participate in that demand for our investors which should be a very strong market for the foreseeable future.

The next opportunity that presents itself is for GLE to be the leader in creating a new ethanol plant near Aberdeen, South Dakota. We have explored the available sites in SD and have concluded that the site we chose is very good from the aspect of being on the BNSF main rail line, near available good quality water and in close proximity to the Northern Border main natural gas line coming down from Canada. Of course, the deciding factor will be the results of a complete feasibility study which is being performed right now. So far, we have entered into options on a number of parcels of land to construct the plant, have a commitment letter for the water, have started the permit process and other items essential for the creation of Aberdeen Energy, LLC.

Our intent is to set up Aberdeen as a separate company from GLE, but where GLE would be the managing partner which would utilize the existing GLE Management team to build and run the plant and the existing GLE Board of Directors. If everything I pointed out above progresses in a timely manner, we will be offering the sale of shares in this new company sometime in early summer of 2006.

Granite Falls Energy startup was a complete success from any point of view. We were above nameplate capacity within a couple of days of startup and continue to perform above expectations. We have decided to host the Grand Opening event in June of 2006 so that any interested investors can have the opportunity to tour the plant.

Redfield Energy is still moving along through construction at a good pace. In fact we have only lost about five days to bad weather so far this winter. The site dirt work is completed until spring thaw, and we are currently drilling many holes in the ground and filling them with concrete for soil stabilization in preparation for Fagen, Inc. Fagen is on site and placing concrete in the fermentor areas. There is a lot of work to do, but our group of senior managers at GLE will ensure that all of our projects go forward in a timely and cost effective manner.

The grain handling contractors are also on site and will start by March 1st with the DDG building and grain silos. Until next time, stay warm and be safe.



**Dave Culver, Director of Operations**

We have been busy here at GLE. Between plant start-ups at Granite Falls, plant construction at Redfield, and potential expansion plans here in Watertown, we definitely have plenty to work on and think about.

Glacial Lakes Energy continues to operate well. The conscientious efforts to keep the plant running consistently by the operations, maintenance, and grains departments have kept the plant operating as smoothly as possible. The plant grows more complicated with modifications and more maintenance intensive as it grows older. Our management and plant personnel have increased their efforts which have helped us to keep the plant continuously. Looking to the future, Chad Brendan, GLE Operations Manager, is attempting to update our training programs; and Brooks King, our Maintenance Manager, is computerizing our Preventative Maintenance system in order to allow us to keep up with the plant changes. John Guest and the grains department are doing their best to provide us with good quality corn for ethanol production. They all work hard to maintain the production of ethanol, DDGS, and especially wet cake.

Granite Falls is now running steadily. The time that their personnel spent training at Glacial Lakes Energy helped them to quickly learn the operation of the plant. However, each of these plants is a little different, so there are things that they still need to learn about the best ways to operate and maintain their plant. We hope to gradually increase production rates and push the level of the plant to a higher level. Granite Falls Energy should be able to run just a bit faster than GLE because of some changes to the equipment, and we look forward to seeing where the end point lies.



**Reed Storley, Plant Manager**

In my new role as Plant Manager, I have already faced many new challenges and opportunities. I would first like to say that everyone at the plant has been great to work with so far. I'm still trying to switch gears from my previous position here at the plant. Of course, there are added responsibilities; but the objectives are still the same. With the connections to other plants, we have additional assets and experience to draw from. This is a tremendous tool for us to utilize at all of our facilities.

One of my first challenges was to find a new maintenance manager. We were lucky to find an individual right here in Watertown. Brooks King was hired last fall and has been doing an outstanding job. His main task at the moment is incorporating our CMMS system (computer maintenance management system).

The opportunity to utilize a 4th fermenter will soon be realized. The project that was started last fall is nearing completion. I am excited to see the improvements to the ethanol process that this addition will bring to GLE. This is just a small expansion compared to the changes being proposed by our Board of Directors. The thought of doubling the capacity of GLE could possibly become a reality in the near future. The sun is shining brightly on Ethanol at the moment, and we need to take advantage by maximizing our production. This would truly be a challenge for the GLE staff, but I think we are up to the task.



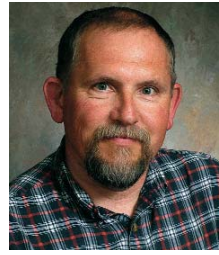
**Pete Bullene, Environmental Health & Safety Manager**

GLE Storm Water and Wastewater permits are current and up to date, and GLE is in full compliance. GLE has met all of our requirements with EPA, South Dakota Department of Environmental and Natural Resources (DENR) and the City of Watertown. The State of South Dakota DENR completed our Storm Water inspection on October 19, 2005. The State was very impressed with our operation, maintenance and recordkeeping as required in our permit.

The GLE Air permit is up for renewal in March of 2006. The GLE staff is currently organizing and accumulating the needed information to increase our production level to 120 million gallons per year.

On November 5, 2005, GLE completed three years of No Loss Time Accidents at the facility. This accomplishment has only been achieved by a limited number of ethanol facilities. This is a huge accomplishment for everyone at GLE, not to mention that it shows the commitment put forth by the Board of Directors, Management and Employees.

GLE will continue to provide ongoing safety training sessions for all employees. Beginning February 1, 2006 GLE has implemented a computer based Safety Training program. This program will enable the staff to stay current with the required safety training in a very proficient and productive manner.

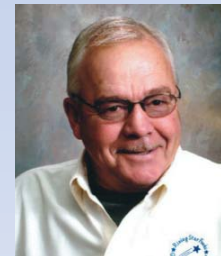


**Brooks King, Maintenance Manager**

As I write this, we have passed the Winter Solstice and as such are on the uphill climb towards spring. To date the winter weather has not been overly problematic. I have completed three months in my new position as Maintenance Manager and am still somewhat in awe of what I have learned, but more so of what I have yet to learn and experience at GLE.

Reflecting back on the past three months, I must thank the Maintenance staff for their hard work at keeping everything running smoothly and working with me on instituting a Computerized Maintenance Management System and the Operations staff for working with me on all issues with the plant and especially for teaching me about the plant. I suppose I should thank everyone else for putting up with me, but as I tell them – "I'm one of the nicest people I know!"

Remember, the speed limit on plant property is 10 MPH. There are a significant number of vehicles on the property with the contractors and deliveries. Drive carefully – the life you save might be mine.



**Allen Wells, Commodity Marketer**

As I write this article, it's hard to believe we've already made it through the GLCP Annual Meeting and the Winter Farm Show.

With all of the ethanol plants that are on line, one would think there would be an abundant supply of distillers grain on the market. Yet, that's not the case. Rising Star Feeds is sold out again, or at least until March. We are producing more of our modified wet distillers this year than ever before and still have had to turn away many producers. A lot of these calls were producers that have never used distillers grains. With Redfield Energy coming on line next year, we will be able to help fill more of these orders. But remember to contract your distillers early to be guaranteed a supply.

Just a few years back when ethanol plants were starting to pop up around the country, distillers grain was considered a by-product that didn't have much value. Today, with a quality product, ongoing research, and producer education, distillers grain has become a high demand feed supplement.

Rising Star Feeds, with its high quality and consistent product, is still the number one asked for distillers grain in the industry. Both livestock producers and feed manufacturers have called and said they prefer our distillers grain.

Early this winter, Rising Star Feeds sponsored two distillers grain seminars. One was held in Redfield and the other one in Watertown. Both were very well attended. This tells us people are looking for knowledge about distillers grain and its use as a feed source. If you were unable to attend, please feel free to call 605-882-8916 and get answers to your questions about Rising Star Feeds and distillers grain for your feeding program.



*Wimbo, Inc. installs the lid of the additional fermenter which came on line in mid-February. The additional fermenter will increase production.*

## Welcome to Our New Employees

Welcome to these new employees who joined GLE since our last newsletter.



**Brooks King** is GLE's new Maintenance Manager. Brooks was raised in Presho, SD. After graduating from Lyman County High School, he attended South Dakota State University for two years. In 1977, he enlisted in the US Navy where he spent the next 22 years sailing the world aboard various submarines. After his Naval career, King was a software trainer for military applications at ISERA Group in Santa Barbara, CA. In October 2000, he began with Midcom, Inc. in Watertown first as the Automation Supervisor and then as the Maintenance Supervisor. Brooks resides in Watertown with a garage full of Harley-Davidson motorcycles.



**Jeremy Stricherz** is a new Maintenance Technician at GLE. Stricherz grew up on a farm near Waverly, SD and graduated from Waverly High School. He has worked at various area businesses including Dueco, National Ag and most recently at Watertown Co-op Elevator in the Grains Department. Jeremy's wife, Lindsey, is a Correctional Officer at Codington County Detention Center. In addition to helping build garages and house additions, Jeremy's hobbies include playing paintball, restoring old vehicles and pheasant hunting.



**Todd Richter** is GLE's new Controller. A native of Halstad, MN Todd graduated from Southwest State University in Marshall, Minnesota with a degree in Accounting. He has worked in the banking sector for most of his career, most recently at Great Western Bank in Watertown, SD where Todd has been the Controller for the past three years. In his spare time, Todd likes to pheasant hunt. He and his family reside in Watertown, SD.



**Sara Hildebrands** is the new temporary Maintenance Assistant at Glacial Lakes Energy. She will be assisting Brooks King inputting data on a computer in his office. Sara graduated from high school in Milbank and is currently attending Lake Area Technical Institute majoring in Accounting. She plans to graduate in May. Sara has two children: Madysen, 7 and Evan, 3. In her spare time, she enjoys playing darts and cooking.



**Marcie Lalim** is the new Accounting Assistant and Human Resource Coordinator. Marcie is a native of Watertown, SD and a graduate of Moorhead State University in Moorhead, MN. She has worked in the banking sector for the majority of her career most recently at Great Western Bank in Watertown, SD where she has been the Financial Accounting Assistant. Marcie and her husband Tim reside in Watertown with their daughter.



**Sarah Hermann** is the new Lab Supervisor. Sarah was born and raised in Yankton, SD and graduated with a degree in Microbiology from South Dakota State University. She has worked at Dakota Pork and most recently Oak Valley Farms in Watertown as the Lab Manager for the past 8 years. Sarah and her fiancé Randy Sherman will be married in May and they have one daughter Kaitlin. They reside in Watertown.



**Jessica Rawlins** is the Administrative Assistant for GLE. Jessica was born in Watertown, SD and moved to Castlewood, SD at age 6. She graduated from Castlewood High School. She has held clerical/customer service positions at Miller Tax Service, Co-Ev, and most recently Verifications. Jessica and her husband Mike live in Henry with their two sons Kaiden and Trevor.



**Todd Emslander** has been hired as Project Manager which is a newly created position at GLE. Todd is a native of Central Minnesota and a graduate of Montana School of Mines in Butte, Montana with a Bachelor of Science in Environmental Engineering. He has worked in engineering positions in oil field services, cement manufacturing, semi conductor manufacturing and most recently as an Area Manager with US Water Services. Todd and his wife Rochelle currently live in Brookings with their two children Zach and Abbie however, plan to move to Watertown this summer.

