

## CAPITAL IMPROVEMENTS PLANNED

Due to the tight margins and the need to accumulate excess cash to take advantage of market opportunities, our capital improvement project budget is very limited. Before any project can be approved, it must pass stringent internal scrutiny and be geared to resolve a safety, performance, or profitability issue. Several projects completed or planned have met one of these requirements. We have completed improvement of the Watertown plant distiller's grains area by expanding the concrete pad used by distiller trucks. In addition, we constructed new concrete walls to replace the former precast walls which had become a safety hazard. At our Mina plant, we intend to address the plant truck entrance which became very muddy last spring and after the heavy rains of this past summer. The rutted road to the probe shack will soon become partially replaced with a pavement/cement approach on both ends of the scale to keep mud off the scale and help ensure accuracy of truck deliveries.

Our most significant improvement is the addition of a corn dryer at our Mina facility. Currently, we can accept corn with a moisture content of not more than 16.5% and this has limited our marketing opportunities with local producers and members. With the new dryer, we will have the capability to accept corn with a moisture content of up to 25%. Although we await approval from our lender group, we plan to spend approximately \$2.75 million on this project to include a third (wet) receiving pit, wet storage of 325,000 bushels, and a 6,000 bushel per hour dryer. If the past two years are any indication of what could occur in the future, our return on investment will be very short. A similar project which was added in 2007 at our Watertown facility proved to be very financially advantageous during last fall's wet harvest. We were able to secure funding for this project through the Governor's Office of Economic Development at a very competitive interest rate.

Paul Calkins, GLE's Director of Process Improvement, will supervise the construction of these projects.

## CORN DELIVERY INFORMATION

As part of your ownership in Glacial Lakes Corn Processors, a South Dakota cooperative, you are required to deliver corn to supply our ethanol production facilities with a sufficient amount to maintain production. We do this through our membership corn commitment.

**Delivery Requirement:** In order to procure adequate amounts of corn, the Board increased the member bushel commitment for the 2009-2010 fiscal year to 0.40 bushels per share. For example, if you own 5,000 shares, your delivery requirement will be 2,000 bushels (5,000 x 0.40).

**Freight Rates:** We have increased the freight incentive rates on GLCP membership delivery requirement. These rates are effective on deliveries from September 1, 2009 to August 31, 2010. Excess bushels delivered over the delivery requirement will not be eligible. Only members who actually deliver on their commitment are eligible for the following rates:

0-10 miles . . . . .	\$0.035	51-60 miles . . . . .	\$0.105
11-20 miles . . . . .	\$0.050	61-70 miles . . . . .	\$0.120
21-30 miles . . . . .	\$0.065	71-80 miles . . . . .	\$0.135
31-40 miles . . . . .	\$0.080	80+ miles . . . . .	\$0.150
41-50 miles . . . . .	\$0.095		

**Pool Fees:** Pool fees for non-delivery bushels for FY September 1, 2009 to August 31, 2009 are \$0.01 per bushel. For example, if you own 5,000 shares for a commitment of 2,000 bushels, your cost to use the pool system is \$20.00. Pool fees will be assessed on non-delivered corn at the end of the fiscal year, August 31, 2010.



## GLE COMPLIES WITH AIR REGULATIONS

The State of South Dakota recently conducted Air Quality Permit Compliance inspections at both the Watertown and Mina facilities. The inspector had no recommendations for Glacial Lakes Energy—a vote of confidence in our air quality control program. GLE continues to meet all of our testing and reporting requirements with the EPA, the South Dakota Department of Environmental and Natural Resources (DENR), and the local municipalities.

We are following a new EPA ruling that requires emissions testing be conducted with a portable probe in addition to using the Predictive Emissions Monitoring System (PEMS). The PEMS unit uses data inputs from the facilities' processes, predicting emission rates. The probe will now be compared to the PEMS readings to ensure accuracy.

## SAFETY REMAINS A TOP PRIORITY

Glacial Lakes Energy continues to go above and beyond when it comes to the safety of our employees. For the second year running, we're utilizing a user-friendly computerized safety training program that makes the training even more accessible to employees. This self study format is in addition to regularly scheduled hands on training. In fact, by the end of September,

employees have completed more than 1,100 hours of safety training since the beginning of the year. Pete Bullene EHS Manager stated "We cover the gamut—everything from basic first aid to the extensive training required by various federal agencies. We back this up with a quarterly safety award program."



GLACIAL LAKES ENERGY, LLC  
P.O. Box 933  
Watertown, SD 57201

## Contact the following for your commodity needs:

**WATERTOWN**  
**605-882-8916 or 866-788-5907**  
Corn: Tami, Roger, or Laurie  
Distillers: Val or Rich

**MINA**  
**605-225-9900 or 866-934-2676**  
Corn: Jason or Sue  
Distillers: Sheri or Rich



We will be holding our  
**ANNUAL MEETING**  
for the 2008-2009 fiscal year in January 2010, moving it closer to our  
August 31 year-end than in recent years. We will announce  
more details as the New Year approaches.

[www.glaciallakesenergy.com](http://www.glaciallakesenergy.com)



## PROFITABLY ADDING VALUE TO LOCAL AGRICULTURE

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## NEWSLETTER

SEPTEMBER-NOVEMBER 2009



## We're Moving in the Right Direction

Mark J. Schmidt, Chairman of the Board

Glacial Lakes Energy's Board of Directors is committed to the success of this cooperative and their diverse backgrounds bring a broad spectrum of knowledge to the table. I am honored to lead this group who bring experience in ag production, banking and finance, and the industrial sector.

This past winter, the board developed a committee structure designed to draw more effectively from this talented group as we continue to focus on survival and strengthening our balance sheet in this volatile industry. Board members were hand picked, depending on their areas of expertise, to serve on the following committees: Finance and Audit, Risk Management, Technology and Operations, and Governance and Membership. While we leave the day-to-day operations to our management team, this new committee structure allows us to better oversee your investment and fulfill our responsibilities as your elected representatives during these challenging times.

As your board and management continues to make progress through these difficult times in the industry, I want to thank each of you for your continued support and confidence in Glacial Lakes Energy. Although our recent financial results have shown improvement and indicate that we're moving in the right direction, we realize that we have a long road ahead to restore the health of your investment. We also realize that whether you deliver corn, purchase distillers, or invested money, without you, we would not exist. We pledge to do our very best to carry out our responsibilities.

Have a safe and productive harvest!



## Planning for the Future

Jim Seurer, Chief Executive Officer

Well-run businesses begin each year with a clear idea of where they're headed. Typically referred to as strategic planning, I compare this to driving a car where the focus is primarily on the "windshield view" to arrive at a predetermined destination. At no time is this more important than now—especially given the financial challenges of the past 12 months.

In the profitable years of 2005 and 2006, ethanol companies could merely focus on producing more gallons because of the wide margin for error. Today, survival in this industry will be determined by which companies can squeeze the most pennies from a bushel of corn or a gallon of ethanol as well as those that plan for the future. Protection of your investment will require more than producing gallons. It takes a committed focus by management on producing the best possible margins in every area of our business. Although we are pleased that our bottom line is much improved over the past several months, we don't intend to sit back or slow down. We have much to accomplish to better position us for unexpected events of the future.

We believe all of this can best be achieved with the development of a strategic plan. As we focus and begin preparation of this plan, we have determined that critical parts will be aimed at getting to know our customers/stakeholders, developing and utilizing to the fullest extent the talents of our management and employee team, pursuing revenue enhancement and cost reduction projects, and doing a better job of measuring our performance.

This plan will serve as our "windshield view" as we maneuver our way through the obstacle course of this industry in the upcoming year. While no business wants to go through difficult times, the result can be positive as it forces a re-examination of priorities and, many times, brings about a more resilient entity in the long term. At GLE, we're focused on making intentional changes and being a viable entity well into the future.

## CHANGING RELATIONSHIPS

During August 2009, we transferred 2,000 units of our investment in Granite Falls Energy ("GFE") to Fagen, Inc. of Granite Falls, MN as part of a conditional sales agreement which originated in December 2008. This action was taken after several attempts to sell GLE's 6,500 units including the two board seats as an entire block did not materialize. We entered a conditional sales agreement for \$1,000 per unit last fall as part of a deal with Fagen to infuse capital into the operation. We continue to hold 4,500 units and, although the board seats have been terminated, we can now vote those units. GLE was instrumental in helping GFE off the ground and their success remains important to us. GLE's ownership in GFE will drop from 22% to approximately 15% with this action.

GLE's relationship with another partner has also changed. Until recently, GLE served as the management team for Redfield Energy, LLC ("RE") since construction in 2005. The management agreement was set to expire during the summer of 2010. As both boards approached the date in which notification needed to be given to continue or modify the agreement, it became apparent that it was in the best interest of the two parties to terminate the contract. RE staff is capable of managing their own facility thanks, in part, to the training provided by GLE over the past several years. GLE has offered to provide consulting services at a fee if desired. GLE owns approximately 7% of RE and has one board seat.

## PURCHASING STOCK IN GLCP

Interested in purchasing stock in Glacial Lakes Corn Processors or its wholly owned subsidiary Glacial Lakes Energy, LLC? To find out more, contact Variable Investment Advisors, Inc. (VIA) in Sioux Falls, SD at 605-361-8230, 800-859-3018, or visit [www.AgStockTrade.com](http://www.AgStockTrade.com). Or contact Marcy Kohl at the GLCP Office at GLCP office at 605-882-8480 or [marcy@glaciallakesenergy.com](mailto:marcy@glaciallakesenergy.com)

## EXTENDED HARVEST HOURS IN WATERTOWN

Harvest is approaching, and with it, GLE's Watertown facility will be extending operating hours to accommodate what appears to be a bumper crop of corn. We expect to expand anywhere from an 18 to 24 hour day. In Mina, due to limited corn storage we will adjust our hours as needed. Details, including the actual hours and what date they'll begin, will be determined as we draw closer to harvest. Please visit our website at [www.glaciallakesenergy.com](http://www.glaciallakesenergy.com), listen to the radio, or watch our grain receiving area for more information.

In addition, we will be evaluating more ways—including utilizing additional staff—to help avoid bottle necks and assist producers in moving more efficiently through the lines. Producers can help us by making their delivery at times other than normal daytime hours when lines tend to be longest. Opening up the bottom traps on trucks and moving forward once you have dumped corn can also help us speed up the process.



## YELLOW DIME DAY

*Glacial Lakes Energy, in partnership with North Central Farmers Elevator in Ipswich, held a Yellow Dime Event to promote ethanol blended fuels at NCFE's gas stations located in Ipswich, Warner, and Leola in August! Our thanks to the folks at North Central Farmers Elevator for helping us promote ethanol.*

## INCREASING OUR PRODUCER CUSTOMER BASE

As we look to buy 72 million bushels per year for our two plants, the board of directors and management are implementing a new corn procurement strategy. Our goal is to purchase more corn directly from producers and to utilize distillers or other backhauls to bring us corn. At the same time, we will maintain a strong relationship with local elevators. We fully expect that it will take time and repetition to build these relationships. Roger Hanson, our Director of Grain Commodities, has been traveling across the region visiting with members and producers on a one-to-one basis making sure they are informed about who we are and what we have to offer. He has gained a large amount of useful information from these folks as they share what they need to market corn or purchase distillers grain.

We will soon be announcing our Price Later Program for handling new crop corn. Details can be found at our website ([www.glaciallakesenergy.com](http://www.glaciallakesenergy.com)) where discount information schedules for moisture, test weight, and damage is also available. Another service we are providing is instant text messaging of daily corn bids, harvest hours, and dumping wait



times to your cell phone. To sign up, please call one of our offices or register online at our website.

All employees of Glacial Lakes Energy are committed to increasing the level of customer service and satisfaction. We want your experience with us to be a good one so you keep coming back states Roger Hanson, Director of Grain Commodities. Please feel free to contact anyone in our department with questions, concerns, or suggestions. We look forward to working with you and we value your continued support!

## IMPROVED NUMBERS ARE IN

At long last there have been positive movements in the corn and ethanol markets and we are producing gallons at a margin. That good news resulted in cash earnings for the Glacial Lakes Energy of \$15.8 million, and a net income of \$6.3 million, for the period of May through August. We ended the year with a balance sheet position of \$92 million net worth, \$22.4 million working capital, and \$31 million cash.

The current spread between corn and ethanol futures indicates that this profitable trend should continue through the next several months. Unfortunately, due to the extremely volatile conditions earlier in the fiscal year 2009, the overall results will be a net operating loss. As a result, GLE will not be in a position to pay dividends to its shareholder/members.

GLE's finance team is working closely with senior management and our bank group to analyze opportunities and the optimum uses of cash to enhance our revenue position and reduce costs. The purchasing team is exploring an initiative with a cost containment firm to leverage purchasing power. As the commodities support team prepares for harvest, they are focusing on customer service and working to ensure smooth and efficient ticket and contract processing.

Toward the end of the year, we will be sending a unit retain certificate to members who participate in the capital call after delivery of committed bushels (actual or through pool) for the fiscal year. The end of the fiscal year also brings distillers discount payments and pool fee invoicing. Shareholder/members receive a 2% discount on the distillers grain they buy produced from their committed bushels, based upon an 18lbs per bushel formula. Members who have not fulfilled their delivery requirement of 0.385 bushels per share in fiscal year 2009 will be invoiced a pool fee of \$0.01 per bushel. Please feel free to contact our office if you have questions on these cooperative requirements.

## PRODUCTION CONTINUES THROUGH SUMMER

With much of the summer cooler than normal, production levels stayed close to normal, with Watertown producing at the 103 to 104 million-gallon-per-year rate, and Mina at the 107 million-gallon-per-year mark. However, the higher temperatures in late July, August and September negatively impacted production at our Watertown facility. As the air outside heats up, our cooling tower becomes less efficient in holding the 93-degree temperature necessary for an optimum fermentation process vary. Our Mina facility has greater cooling capacity.

We are planning for our normal fall maintenance shutdown at both locations during the months of September and October. These 3-day events typically include maintaining equipment that runs 24/7 and making improvements that cannot be made while the equipment is operating. Although projects are varied, most are routine and geared toward preventative work to ensure maximum efficiency and continuous production rates.



Hospital Hill 5k: GLE employees (from left to right) Paul Calkins, Marcie Lalim, Nikki Mark, and Brent Bass helped raise funds for the Caring Clubhouse in Watertown as participants in the Hospital Hill 5K Run June 20. Congratulations to Nikki and Brent who each placed in their age divisions.

## CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING STATEMENTS

*This document contains forward-looking statements involving future events, future business and other conditions, our future performance and our expected future operations and actions. In some cases you can identify forward-looking statements by the use of words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "predict," "hope," "should," "could," "may," "future," "continue," "potential" or the negatives of these terms or other similar expressions. These statements are based on management's beliefs and expectations and on information currently available to management.*

*Forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties. Important factors that could significantly affect future financial condition and results include, among others, operating margins in the ethanol industry, the rapid pace of expansion in the industry, the cost of corn and the price of ethanol, changes in ethanol supply and demand, changes in current legislation or regulations that affect ethanol supply and demand, disruptions to infrastructure or in the supply of raw materials, the results of our risk management and hedging transactions, and ethanol industry valuations generally.*

*Our actual results or actions may differ materially from those set forth in the forward-looking statements for many reasons, including events that are beyond our control or assumptions not proving to be accurate or reasonable. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this document. We cannot guarantee our future results, levels of activity, performance or achievements.*

## FOLLOWING THE ETHANOL MARKET

In trying to forecast where this market might be headed, we are keeping our eyes on several developments that could positively impact our industry. We are hopeful that the EPA will raise the blending wall for non-flex fuel vehicles from E10 (10% blend) to E15 (15% blend). "That would certainly open up more opportunities for ethanol blending," states Bert Magstadt, Director of Energy Commodities. Starting January 2010, an E10 mandate in all gasoline sold in California will take effect, providing additional growth potential. Other markets are starting to open up as well, specifically in the southeast US. There is currently a shortage of raw sugar—the primary feed stock of Brazilian ethanol. Raw sugar prices across the world are at a 20-year high, meaning Brazilian ethanol is expensive. As a result, less ethanol is coming from Brazil, helping shore up domestic demand.

Negative market factors include rumors that several idled U.S. ethanol plants will soon be coming back on line. For example, ADM is expected to fire up two of its plants capable of producing 500 million to 600 million gallons a year. Additionally, there has been a 2-3% drop in gasoline sales due to the sluggish economic conditions. Hopefully, the Renewable Fuel Standard's (RFS) additional 1.5 billion-gallon-blending requirement beginning January 1, 2010, will absorb some of this excess supply.

Overall, we believe the industry has hit the bottom and turned a corner. High cost ethanol producers as well as those with less efficient operations, saddled with high debt and/or located in less than advantageous locations may not survive. In comparison, we are confident GLE will be able to continue to operate in this new environment. We not only have some of the lowest cost corn in the country, but your board and management have been making adjustments to become leaner and more efficient which are critical components in today's tight energy market.



Charity Softball Tournament: GLE sponsored the 1st Annual Charity Softball Tournament August 1 in Watertown. The tournament attracted 11 teams from the Watertown and Brookings areas, raising \$949 to benefit the Lake Area Educare Center in Watertown. Presenting the check to representatives from the center are GLE Employees John Guest (kneeling), Katie Moes, and Mike Kludt.



Brown County Fair: GLE's Sheri Luond provides information about Glacial Lakes Energy to Brown County fairgoers in Aberdeen this August.

## NEW RISK MANAGEMENT PROCEDURES IN PLACE

In response to the damage caused by the decline from \$7 per bushel corn last year, we have completely revised our risk management procedures. Beginning with the establishment of a Risk Management Committee comprised of Terry Mudgett, Terry Little, Larry Kahnke, and Rich Wiarda, the committee went to work on a comprehensive risk management policy that includes, as a centerpiece, a "stay even" strategy whereby corn purchases and ethanol sales must stay balanced. We believe this policy will provide all those associated with GLE the confidence that the practices we use when marketing or buying commodities—corn, ethanol, distillers, and natural gas—are compliant with those designed to ensure stable financial results.

We have also added risk management depth and experience to the management team by filling vacancies with candidates who have risk management backgrounds. Kelley Dennison, our Chief Financial Officer, and Roger Hanson, our Director of Grain Commodities, both bring extensive previous experience in the risk management area.

Once our policy is approved by our lender group, we will begin implementing hedging strategies to protect the margins we currently enjoy.

