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**PROFITABLY ADDING VALUE  
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DECEMBER 2010-FEBRUARY 2011

**NEWSLETTER**



## GLCP Begins Repayment

Mark J. Schmidt, Chairman of the Board

In early December, shareholders of Glacial Lakes Corn Processors ("GLCP") on record as of August 31, 2010, received the first repayment-\$0.03 per share-of the non-qualified unit retain ("capital call") which was assessed two years ago. It is the intent of the GLCP Board to repay the remaining \$0.03 per share prior to August 31, 2011.

Speaking on behalf of the GLCP Board, it was satisfying to be able to authorize this repayment to you, our shareholders. After all, your decision to answer the capital call proved you had confidence in the directors and management to turn Glacial Lakes Energy ("GLE") around during some pretty difficult times. In addition to this payment, we have been able to realize nearly \$45 million of principal debt reduction on our bank loan since December 2008. Some GLCP shareholders have inquired about when we expect to pay a dividend. Since repayment of the capital call is the highest priority, it is the board's intent to repay it in its entirety first. Once repayment is complete, the Board fully intends to begin paying dividends, to the best of our ability, back to our members.

Since 2008, this company has made great progress from both a net income and operating cash standpoint. We finished fiscal year 2010 with just short of \$35 million in net income, and the first quarter of 2011 is looking good. Margins have certainly compressed and challenges remain. The reality is, GLE handles several hundred million gallons of ethanol and millions of bushels of corn, but today's business is a pennies' game. Our goal is to squeeze as many pennies as possible out of every gallon or every bushel.

We are a stronger company today than yesterday and definitely much stronger than in 2008. Your Board is committed to completing the repayment of the capital call to the GLCP investors and resuming what would be considered a more predictable and positive return on their investment. Once again, thank you for your confidence in your Board and management team.



## Are We Winning the Battle?

Jim Seurer, Chief Executive Officer

In the past 12 to 24 short months, your investment in corn-based ethanol has fallen out of favor with the Washington, DC crowd and, in what seems to be a disturbing and growing trend, among the general public. This was confirmed during a recent meeting I attended in Watertown with US Senator John Thune. I don't believe this is a political party issue as there are supporters and opponents on both sides of the aisle. Rather, in my mind, it seems to be a rural versus urban issue and I partially base this theory on living in metro Denver for nearly 18 years. On one hand, the urbanites embrace the cleaner burning properties of ethanol and the fact that it improves the air they breathe.

On the other, they have been led to believe that growing more corn is somehow more harmful to the environment. They are also fed a steady stream of claims that we are taking food from their dinner tables; however, they fail to consider that the more efficient livestock feed is what's left after the starch (sugar) is removed! This is clear evidence that they have been severely misinformed and points to the fact that we may be losing the battle over public perception.

Having said this, I have noticed that even in our own rural SD communities and, in some isolated instances, those who make their living from agriculture themselves have been convinced that corn ethanol is bad. Recently, while filling my tank with E-85 in a small rural community in the area, I was approached and asked whether I knew what I was doing by filling my tank with E-85! During the ensuing conversation, I learned that the person quizzing me worked for the local ag cooperative and he had a very negative opinion about ethanol and its effect on engines. How did he form this opinion? It was what he had heard from other locals. Although we enjoy much support in our own backyard, this incident reminded me that we have much work to do to win over supporters within the borders of our own state.

I frequently wonder why we as Americans have to make things so complicated when it all seems so simple? We all complain about our country's dependence on foreign oil and scoff at the wealth that we have created for Middle Eastern countries but we seem unwilling to do anything about it! We all grumble about having to protect foreign oil fields with our tax dollars and our soldiers but we focus on the cost of the blender's credit (VEETC)! We are all in favor of job creation and rural development but we're ready to pull the rug out from under an industry that's done just that!

Those of us close to the action every day, are bombarded with news items, studies, and opinions that paint corn-based ethanol as evil. How did we get here? The environmentalists, big oil companies, and other single and special interest groups are beating us in the battle over the public's favor. And they have become more aggressive and more successful in the past 12-24 months.

GLE supports the Renewable Fuels Association, Growth Energy, American Coalition for Ethanol, and South Dakota Ethanol Producers Association to combat this changing tide. Even though this is expensive, it is our only means by which we promote our product on a national scale. We can't do it alone and we need your financial help. Although you have an opportunity to support any of these organizations, I would urge you to begin right here in South Dakota by supporting the South Dakota Ethanol Producers Association Political Action Committee (SDEPA PAC). Please seriously consider sending us your check today...it could save your investment.

## Fight for Your Investment in Ethanol

The South Dakota Ethanol Producers Association ("SDEPA") works on behalf of Glacial Lakes Energy as well as other ethanol producers in our state by supporting our local elected officials who have demonstrated support for our industry. One initiative the SDEPA recently developed was a goal to become a leading state for blender pump installation. Please fight to make your investment in ethanol stronger by supporting the SDEPA Political Action Committee (PAC). Please make checks payable to SDEPA PAC and send any amount to GLE's main office. For additional details, call Marcy Kohl at 605-882-8480.

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

Finding answers to questions is simple. Just go to [www.glaciallakesenergy.com](http://www.glaciallakesenergy.com) to find information on our financial statements, daily corn bid, audit report, stock information, or events and news impacting your investment.

Interested in buying or selling GLCP Stock? | [www.agstocktrade.com](http://www.agstocktrade.com) • 1.800.859.3018

### 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.

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

## Capital Call Repayment, Taxability, and Past Due Pool Fees

Shareholders will be receiving a Form 1099 in the mail since the capital call repayment is considered a deduction by the IRS on Glacial Lakes Corn Processor's ("GLCP") tax return. Back in 2008, the capital call was considered income on GLCP's tax return. The Board elected to split repayment over two calendar years in order to minimize tax consequences for GLCP members and to ensure adequate cash was available to carry and maintain typical fall and winter corn inventory levels. We encourage you to visit with your accountant about handling this on your 2010 tax return.

Also, please be aware that in order to receive your capital call repayment, a member must be in good standing with the cooperative. This means that the repayment check is being held in the office for any shareholder who has not paid their past due pool fees. In all fairness to the 99% of the members who pay their pool fees promptly, these checks will be available once the pool fees are paid in full. If you did not receive a repayment check and feel you should have, please contact Marcy Kohl or Lisa Moeller at 605-882-8480.

## FY 2010 Pool Fees

To meet the IRS regulations to qualify as a pass through entity (cooperative) for taxation purposes, Glacial Lakes Corn Processors ("GLCP") must issue an annual corn delivery call to its member-owners to match the needed corn bushels with the number of shares outstanding. Based upon current production rates, the corn delivery call is 0.4 bushels (4/10ths) per share outstanding. This means that GLCP, with its two ethanol production facilities in Watertown and near Mina, will consume approximately 75.4 million bushels (188.5 million shares outstanding x 0.4 bushels) in the ethanol production process.

At the end of each fiscal year ending August 31, if members have not met their corn delivery commitment, a pool fee is assessed on those bushels that have not been delivered. This is an IRS requirement and is meant to cover the cost that GLCP incurs to buy corn on the open market. All members agreed to this arrangement by signing the Uniform Marketing and Delivery Agreement when they initially purchased stock in the cooperative.

Pool fee invoices for fiscal year 2010 have been mailed and are due upon receipt. Members who have past due or delinquent pool fees from fiscal years must pay these fees before receiving the capital call repayment check. If you have questions about pool fees, please contact Commodities Support Supervisor Paula Blue at 605-882-8480.



## Estimating GLE's Carbon Footprint

As part of the EPA's Mandatory Reporting of Greenhouse Gases ("GHG") Rule that takes effect in July 2011, GLE is calculating its carbon footprint. Utilizing the California Protocol, GLE is compiling a lifecycle analysis on all ethanol production processes, from the moment our producers put the seed corn into the ground to hauling the final ethanol product to market.

"This formula takes into consideration all of our plant's energy inputs in relation to how much CO2 we are actually releasing into the atmosphere," says Pete Bullene, Environmental, Health, and Safety Manager. Among other things, GLE is estimating the amount of CO2 produced both in each plant's boiler unit and in the fermentation process, along with inputs such as how many pounds of fertilizer farmers use on their fields, the types of energy we utilize, and the CO2 released transporting the ethanol, whether by truck or rail. "It's a complicated equation," says Bullene, who explains that the final number will reflect the amount of emissions attributable to GLE.

In the future, Bullene says, the carbon footprint number will be used when marketing ethanol. "States like California may only buy ethanol from companies with a carbon footprint at or below a certain level," explains Bullene, "it will serve as an incentive to adjust production processes to lower our carbon footprint in order to increase the value of our ethanol."

## Expecting Commodities to Stay High

January USDA Supply and Demand Report contained few changes from the report a month earlier, except for a five-million-bushel increase in corn imports. Ending stocks decreased to 745 million bushels, and the USDA kept its average 2010-11 corn price forecast at \$4.90 to \$5.70. The Report also took yield down 1.5 bushels from December's average of 154.3 bushels per acre to 152.8 bushels per acre in USDA's January's report.

Soybean ending stocks were down 25 million bushels from the December report, and the wheat ending stocks were down by 40 million bushels. That number reflected feed wheat, which will replace corn usage.

"Lately, the corn market has been based off wheat production, demand and the weather in South America," says Tami Schaefer, Grain Commodities Manager. "The depressed financial markets in Europe also continue to affect commodities."

The wild card in the markets, she says, is China. "They feed a lot of people and what they do has a major impact on the markets worldwide. Whether or not they import corn from South America will affect our exports."

"The trade is expecting commodities to stay higher," says Schaefer. "They're

saying we need an additional five million acres over last year to sustain our demand in the U.S. for corn and this should keep prices up there."

The next report the trade will focus on is the March 31 Intended Planted Acre report.

## FY 2011: First Quarter Results Are In

Glacial Lakes Corn Processors recognized net income of \$10.7 million and cash earnings of \$15.1 million for the first quarter ended November 30, 2010. "Looking forward, we expect the remainder of 2011 to be challenging, but we remain optimistic and we are focused on strategies to secure profitable margins," says Chief Financial Officer Kelley Dennison.

Financial Report for Quarter Ending November 30, 2010 <i>In Millions</i>			
Total Assets	\$301.6	Current Assets	\$98.5
Total Liabilities	\$173.6	Current Liabilities	\$52.6
<b>Net Worth</b>	<b>\$128.0</b>	<b>Working Capital</b>	<b>\$45.9</b>

\*excluding restricted cash

## Fiscal Year 2010 Audit Report and Financial Statements

GLCP's audited financial statements for fiscal year ended August 31, 2010 are posted on the GLE website. Go to [www.glaciallakesenergy.com/glcpc\\_financial\\_2010-08.pdf](http://www.glaciallakesenergy.com/glcpc_financial_2010-08.pdf). If you prefer to have a copy mailed to you, please contact Membership Coordinator Lisa Moeller at 605-882-8480.



## Taking Mock Scenarios Seriously

In an effort to keep employee safety awareness high, GLE has gradually increased the number of unannounced simulation drills this past year. Whether it's a medical emergency or an environmental event like a hazardous spill, employees are frequently asked to respond to a variety of mock scenarios that test their ability to respond effectively and quickly. "We're very proactive in this area," says Environmental, Health, and Safety Manager Pete Bullene. "Rather than wait to see how our employees will respond under an actual event, we give them spontaneous drills to determine how we can improve our response and be better prepared."

Bullene has been pleased with employee performance during the drills, which usually occur once a month at each plant. A recent example was a mock scenario in Watertown that imitated a truck driver having a heart attack. "Within one minute and thirty seconds of the report coming in, we had a person up at the front gate to meet the ambulance and another employee in the grains department with an electronic defibrillator," explains Bullene.

These scenarios, says Bullene, give employees an opportunity to test their training in everything from CPR to confined space rescue to the regulatory requirements that are part of GLE's Spill Prevention and Control Program or EPA's-mandated Facility Response Plan. "It's a matter of everyone knowing the steps they must take and who is responsible for specific actions," says Bullene. "Our employee participation and response times have been very good."

## Crush Margins, Profitability and the Markets

Over the past several months, the question keeps coming up: "Can GLE be profitable in spite of rising corn prices?" The answer depends on what the industry refers to as the 'crush margin'-the difference between the revenue generated from ethanol and distillers' grains sales and the cost of corn and utilities, our major inputs.

GLE's Risk Management team monitors the procurement price of corn and the price at which we can sell our ethanol and distillers' grains to find, manage, and lock in profit margin opportunities. "These three markets trade in advance, and so we're looking for opportunities before the ethanol and distillers are even produced," says Chief Financial Officer Kelley Dennison. "Finding and locking in a profitable equilibrium between the three markets-and not simply the price of one of these factors-is the key to success."

As long as there are positive crush margins, says Dennison, GLE can maintain profitable operations. "If ethanol prices are influenced by corn, they will tend to rise and fall with the corn price, keeping margins relatively balanced," she explains. "If there are unrelated pressures on corn or ethanol, they may not correlate and that can widen or narrow the crush margins." GLE's finance team, led by Dennison, has developed complex tables to project under numerous and varied market scenarios the approximate margin that can be expected.

An example is GLE's first quarter's performance. "Even with higher than normal corn prices, a strong ethanol market helped produce positive crush margins in September and October," say Bert Magstadt, Director of Energy Commodities. "Around Thanksgiving, those crush margins compressed quickly when the corn

basis narrowed and the ethanol market weakened."

Magstadt attributes some of the weakness in the ethanol market to lower than expected demand around the holidays and uncertainty about the future of the Volumetric Ethanol Excise Tax Credit (VEETC), better known as the blender's credit. The 45 cents-per-gallon tax credit for blending ethanol into the fuel supply is passed on to motorists in the form of more cost-effective fuel at the pump. The tax credit was due to expire January 1, 2011; however, recently it was extended for one more year.

While Magstadt expects crush margins to continue to be compressed the first three months of the new year, the additional 500 million gallons of renewable fuels needed in 2011 as a result of the Renewable Fuels Standard (RFS) mandate should help spur additional demand, as well as the one year extension of VEETC will continue to drive the ethanol market and help create positive crush margins later on.

## E-15 for 2001-2006 Vehicles Approved

This past October, the Environmental Protection Agency ("EPA") approved the use of E-15 for model year 2007 and newer vehicles. The agency was expected to make a ruling on E-15 for model year 2001 to 2006 vehicles by the end of 2010, but that decision was delayed due to a desire by the EPA to conduct more testing.

Bert Magstadt, Director of Energy Commodities, stated that the EPA approved E-15 for 2001 to 2006 vehicles on January 21, 2011. However, he says, motorists won't see a large number of E-15 pumps at stations across the county. "E-10 pumps will gradually move into E-15," says Magstadt, "but it won't happen quickly."

Another positive sign, he says, is NASCAR's recent announcement that they will begin using E-15 in all its race cars beginning with the 2011 season. "That is encouraging because NASCAR's fan base is loyal and more heavily situated in the southeast, where acceptance of ethanol-blended fuels has been a challenge," says Magstadt. "NASCAR's use of E-15 could help persuade fans to use higher ethanol blends which could create higher demand."



## 2010-11 Grain Receiving Improvements

Those delivering grain or loading distillers at the Watertown plant have likely noticed or experienced planned improvements to GLE's scale and grain receiving areas. Paul Calkins, Director of Project Management, says the added digital message boards, cameras, intercoms, and automated ticket printers at the front scale is improving the flow and efficiency of trucks through the plant. "The unattended ticket printer alone has shaved off several minutes for each truck in line," says Calkins, explaining that drivers no longer have to exit their truck to go into the office to get their ticket. "We're hearing lots of positive comments and it's also safer for the drivers when they can stay in their truck."

Digital message boards have also been implemented in the grain receiving area. "We originally intended to have the boards in place in time for harvest, but backorders delayed their installation," say Calkins. "They are in place now helping with traffic flow through that area." In addition, other changes were made prior to harvest to improve access to the temporary ground pile area on the east side of the property should its use be necessary in the over-flow situations during harvest. "Fortunately, the pile was not needed due to improved harvest conditions this year, but we are prepared to use this area to help alleviate long lines in the future," says Calkins.

In the spring of 2011, GLE is tentatively planning to begin work improving the upper bin fill conveyors and increasing the capacity of the reclaim conveyors under the bins using existing equipment when possible and adding new equipment when necessary. Roger Hansen, Director of Grain Commodities, says the improvements will enhance customer service, provide a back-up system should any one conveyor go down, provide flexibility in movement of grain to different bins, and speed the movement of grain to outside storage, which can help maintain quality during wet weather conditions.

The improvements are part of a multi-year plan to increase efficiency of the grain-receiving system in Watertown. The changes, according to Calkins, will help the Watertown plant handle the increased amount of corn needed to accommodate the facility's growth in ethanol production since 2007. "The grain receiving area we are currently using was originally built for a 40 million-gallon-per-year plant and it has served us well," he says. "However, today we're running close to a 115 million-gallon-per-year rate and that means we must be able to handle more corn through our system." GLE management will also continue to look at other projects to improve grain handling efficiency at both plants.



## GLE Welcomes New Director of Operations

GLE is pleased to announce the addition of Frank Moore to the management team as Director of Operations. Moore comes to GLE with 30 years of experience in the renewable fuels industry. Most recently and since January 2009, he served as Director of Biofuels Development for the State of Kentucky.

His responsibilities included developing a policy and opportunity roadmap for implementation of the bio-energy provisions of Kentucky's strategic energy plan. Moore will be stationed at the Mina plant but spend several days a week in Watertown. He is no stranger to South Dakota, spending from 1994 through 2000 as General Manager of Heartland Grain Fuels in Aberdeen and Huron. Moore and his wife, Brenda, have been married for 35 years and they have a daughter and son-in-law, Emily and Cameron Taylor.

Moore will oversee the ethanol production, plant maintenance, and laboratory operations at both Watertown and Mina as well as supervise project management and development.

"We are all very excited to have Frank join our team," says CEO Jim Seurer. "We are eager to share some of our production challenges as well as tap into his past experience with new development technologies."

## GLE Forms Watertown User Group

In a continuing effort to enhance customer service, Glacial Lakes Energy has formed a Watertown User Group. A similar user group was formed for the Mina facility in September and meetings were held in that area early last fall. "We are committed to delivering a higher level of customer service and we want to hear from the users of our facilities about ways we can improve our service," says Director of Grain Commodities Roger Hansen. Plans are to hold these meetings quarterly.

A representative group of the Watertown facility's customers who deliver corn and/or purchase distillers were invited to come together over dinner in December to provide feedback about their experiences doing business at the Watertown plant. "We want to hear anything and everything," says Tami Schaefer, Grain Commodities Manager. "We want to know what works and what doesn't, where improvements have worked and where they haven't. Often these folks have ideas that we have not yet identified and we want to hear them."

Hansen says the Mina User Group has already provided useful ideas, including one to move the location of a probe in the grain receiving line. "This was a simple change," says Hansen, "but it saved every truck going through that line an additional move. We value this type of customer feedback and want it to be ongoing."

## Distillers' Value Remains High

Livestock producers are certainly noticing the impact of rising corn prices on the cost of distillers. Roger Hansen, Director of Grain Commodities, says that while the cost per ton of distillers has increased with the price of corn, its feed value in relation to corn remains high.

In terms of distiller sales, GLE is selling more modified distillers out of the Mina plant than a year ago, says Hansen. "This has reduced the tonnage of dry distillers, but increased our overall value of corn coming out of Mina." He attributes the overall demand for GLE distillers to its quality, largely a result of the higher quality corn crop this past harvest than the harvests of 2009 and 2008. "Because of the quality of the corn this year, we're getting 104 tons of distillers product in each rail car compared to 98 tons a year ago. That means we're able to ship six additional tons of product at no additional cost."

Quality is making the product stand out in other ways, as evidenced from recent feedback from a Texas unload site. "On average, this Texas facility is able to unload four cars of distillers per hour; however, that number increases to six to seven cars per hour when they unload GLE's distillers because of its high quality and flow ability," says Hansen. "We are confident that wherever there's a market for distillers, our product quality will rise to the top."

## Production Levels Continue an Upward Trend

Ethanol production continues to rise at both GLE's Watertown and Mina plants. In mid-December, the Watertown plant was running at 113 to 114 million-gallon-a-year capacity, while Mina was reaching rates of 112 to 113 million-gallon-a-year.

"We are seeing record production," says Watertown Plant Manager, Chad Brenden. He attributes the increased capacity to factors including a better quality corn crop, a new yeast strain introduced this fall, and improvements made during the fall shutdown. "Everybody is excited about these higher production levels and pushing the plant to reach its full capacity. We are very proud of our team," says Brenden.

At Mina, Plant Manager Terry Fleming says production numbers have also been good. "The quality of corn has been much better and we definitely see the difference in our production numbers and yields," explains Fleming. "We are constantly focused and working in various areas of the plant to tweak our production rates to try to improve our numbers."