



Glacial Lakes Energy, LLC

CREATING ECONOMIC VALUE FROM CORN

NEWSLETTER

October - December 2017

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Are You Missing An Opportunity?

By: Jim Seurer, CEO

If your job or your employer's business is dependent upon the health of our agricultural economy, you may be missing a great opportunity. If your job or your employer's business is NOT dependent upon the health of our agricultural economy, you may be missing a great opportunity. How can these seemingly opposing statements both be true? Well, please read on...

Since May 2016, GLE has been leading a local effort to promote the use of higher ethanol blends via the "E30 Challenge". To say the least, our campaign has been a HUGE SUCCESS in proving to area auto-owners, industry peers, and government officials alike that using Premium E30 (30% ethanol with 94 octane) will lead to equal or better performance in ALL automobiles. At last count, the eight Watertown retail stations that offer Premium E30, have sold over 2 million gallons of the lower cost fuel over the past 18 months. THAT'S 2,000,000 GALLONS!!!! Viewed another way, if the average fuel economy on this usage is 18 MPG (miles per gallon), approximately 36.0 million miles have been driven by area motorists using Premium E30 without a single engine issue.

Back to the missed opportunities. In South Dakota, nearly all of us are connected to agriculture and, in one way or another, our paychecks are directly tied to the success of our farm economy. Therefore, we have every reason to use and promote products that are created right here in our area, especially one of the most successful value-added products ever: ethanol made from locally grown corn. It's a real "head-scratcher" when I see someone driving a company vehicle (implement dealers, machine shed contractors, etc.) pull up to the pump next to me and grab the E0 or E10 hose. And there are even farmers themselves who still order E0 or E10 for their farm use. What am I missing? It's very simple...when farmers do well, they spend money...at implement dealers, with contractors, etc...and let's not forget, this also creates local and state tax proceeds to benefit all. In short, using locally produced products such as Premium E30 made from locally grown corn improves the financial stability and livelihood for all of us. If you are not participating, you are missing a great opportunity to improve your financial position.

Even if your job or your employer's business is NOT dependent upon agriculture or the agricultural economy, you may be missing an economic opportunity. Typically, the price of Premium E30 is at least \$0.25 per gallon lower than the price of E0 or E10. Spread across the aforementioned gallons, this difference creates a \$500,000 savings that is shared among those who bought the Premium E30. A HALF MILLION DOLLARS!!!! Our E30 Challenge tests have proven that there is very little, if any, loss in fuel economy and so the difference can be immediately pocketed.

Did the aforementioned 2 million gallons and the associated costs of promoting Premium E30 create more profitability for GLE? Not directly...we are simply investing in our own future by proving that higher blends of ethanol such as Premium E30 can be used without issue or concern. In fact, Premium E30 is a higher octane, higher performing fuel especially in the smaller high compression engines that are appearing in many automobiles today. Our test has proven that if you add high octane Premium E30, your performance will improve. And Premium E30 burns much cleaner and is better for our environment. So what's not to like about Premium E30?

Take the E30 Challenge. Try your next three tanks of Premium E30 in your flex or non-flex vehicle and if it doesn't perform as well or better than E0 or E10, you can call me "full of horsepucky"!!!

The Brazillians Are Coming!!! The Brazillians Are Coming!!!

By: Dave VanderGriend, CEO, ICM Inc., President, Urban Air Initiative
Reprinted from the Biofuels Digest



Urban Air Initiative is a social welfare organization that is determined to educate the public concerning the health threats posed by domestic use of petroleum-based fuels, and to take positive steps to reduce the threat to public health by encouraging a change in the additives used in such fuels.

The legend of Paul Revere was that in 1775 he rode through the towns of Massachusetts and warned of the impending attack by the British. He used lanterns that would reveal how they were advancing- one if by land, two if by sea. If Paul was still with us today and was watching what was happening with our friends in Brazil, he might be warning us with a slightly different message: one if by ethanol, two if by corn. And he would use both lanterns because they are coming after both markets.

The recent effort by Brazil to impose import duties on U.S. ethanol has received considerable press coverage and should send a clear message that we need to develop long term reliable markets here at home so these kinds of whimsical trade actions do not turn us upside down.

What has not received much coverage, and what may turn out to be even more devastating is the potential for Brazil to become a major corn producer and enter the global market. The combination of closing out a current export market for U.S. ethanol, while possibly taking away other export markets with their own ethanol; and then rubbing salt in the wound by producing corn and encroaching on those markets as well, could leave us battered, bruised, and in a serious situation.

Brazil has been the sugar cane center of the universe and it was always assumed that the ethanol they produce would be from cane. But times are changing, and the realities of world markets have caused Brazil to re-assess their agriculture strategy and pivot to corn. Currently Brazil is producing more corn than they consume internally, and that corn is finding its way to the world market. It is being produced significantly cheaper than U.S. corn and we will soon find ourselves going head to head with them.

But it gets worse—the Brazilian ministry of agriculture has announced they plan to double current production. This would mean another 4 billion bushels on the world market over the next 8 years, or they produce more ethanol for export, possibly capturing markets we have been developing over the past few years. However this plays out, corn is the currency. They can produce at half our costs and at the moment the only edge we have is that our cost of transportation is significantly lower. So they can beat us on the price of corn and beat us on the price of ethanol. But it gets worse – wait, didn't I say that already? Well, I'll say it again because their current cost of approximately \$2 per bushel to get corn to the coastal ports could be cut in half, or even more, if they develop rail from the inland growing areas. And they will – if the Brazilian government is serious about doubling corn production they know they need to get it to market, and as we know here in the U.S., rail is often the difference between being competitive or not.

We have had a love-hate relationship with Brazil for decades as it relates to ethanol. Well, maybe not so much love. And what is happening right now is beyond irony. All the years ethanol received a tax incentive, Brazilian ethanol received it as well, despite their protestations. It was a disingenuous argument they raised as they constantly fought the import duty of 54 cents.

They moaned and groaned and complained about the lack of fair trade when the reality was they received the same tax incentive once their product was used.

It was in the truest sense of the word, a “wash”. The 54 cent duty was offset by the 54 cent excise tax exemption (51 cent VEETC in later years) all ethanol received. Like all ethanol it was built in to the price and everyone was on a level playing field.

What they have proposed now is purely protectionism for their indigenous product— it is meant to give them an advantage over US ethanol. And in a way that's ok—it is certainly understandable. I would expect a swift reaction from Congress to this situation, effectively knocking Brazil out of our markets. It may have the perverse effect of helping us as we no longer have to deal with this nonsense that sugar cane ethanol is somehow superior to corn ethanol in its carbon footprint.

But the bigger issue is; regardless of whether we send some of our ethanol to Brazil or they send some of their ethanol here, there is a new player at the table in the world of corn and we'd better find some domestic uses for ours because we may not be able to beat them in the world market. This increase in production is certainly not limited to Brazil. It is happening everywhere! Places that never grew corn are taking advantage of advances in seed technology— Canada is going to be able to produce more corn in colder climates than ever before. They are even talking about a significant corn crop in Alaska through a combination of greenhouse breeding and seasonal transplanting.

So what do we do? No sane person could argue the critical importance of the ethanol industry to U.S. agriculture and corn. Despite the fact that we are essentially below the cost of production, without the ethanol markets we would be in a full blown farm crisis. We don't need to look far to see what can pull us out of this stale demand – and it is ethanol.

Can you imagine 15 billion gallons of new demand over the next few years, and the 5 billion bushels of corn it would gobble up? In a global economy that is starch long and protein short, processing corn to remove the starch (2/3 of the corn) and market the protein (1/3 of the com) we can expand food production in many of the protein deficient developing countries, corn we do not have to export, and hold our breath that markets will remain intact. Corn that can be converted to ethanol, we can use here and also not be subject to an unsettled trade outlook. That is a realistic goal as we head towards 25, 30, and even 40 or 50% blends. Conventional vehicles using higher blends today can be the springboard to a next generation of internal combustion engines and hybrids that take advantage of ethanol's superior properties of high octane and low carbon. Automakers, the Department of Energy, and energy experts across this country have recognized that Henry Ford was right — ethanol is a superior fuel and is the most pragmatic and practical way to reduce emissions and stimulate the economy.

The ethanol industry needs to unite in its call to create a truly free market. A market not held back by hopelessly out of date modeling and interpretation that drives bad policy. We have identified a series of regulatory relief measures that would make these higher blends a reality and it would unleash the continued productivity of the American farmer to increase yields so that we can fuel and feed the world. And finally the markets and opportunities that corn ethanol would create would open the door to cellulosic and other feedstocks that currently have no market demand because there is nowhere to put the ethanol.

Let's grow our own corn, make our own ethanol, and use it right here at home. And if someone says the Brazillians are coming, we can say they ain't coming here.

GLE Delivers a "Top 5" Year

Q4 Financial Results

Financial Report for the Fourth Quarter
Ended 8/31/17

<i>(dollars in millions)</i>	Q4
Total Assets	\$253.9
Total Liabilities	\$56.4
Net Worth	\$197.5
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Current Assets	\$132.5
Current Liabilities	\$47.1
Working Capital	\$85.4
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Net Income	\$9.4
YTD Net Income	\$33.7

Unaudited

The GLE commodities and marketing team capitalized on strong crush margins throughout the past fiscal year. That performance coupled with record production levels delivered by our operation teams, helped the company finish with a "top 5" year of performance for the fiscal year ending August 31, 2017.

Net income for the fourth quarter was \$9.4 million and net income for the year was \$33.7 million or \$0.182 per share.

"Our balance sheet continues to remain very strong with working capital closing well above \$80.0 million", stated CFO Kyle Weinman. "And, during the year our debt was lowered by \$4.0 million to \$7.0 million".

CEO Jim Seurer is very pleased with how the year ended. "Our teams worked hard and focused on several key areas during the year which were: a successful conclusion to the Watertown rail project, the initiation of fermentation expansion projects, maximizing production when crush margins were favorable, and improving the efficiency of both plants. I am happy to report that they did well in all of the aforementioned areas." CEO Seurer continues, "another year like this one will be difficult to repeat but we will continue our quest to reach higher levels of performance."

Brown County Commissioners Approve E30

*By Shannon Marvel, Dakota Media Group
Aberdeen American News (reprint)*

Brown County officials will develop a plan to use a 30-percent ethanol blend in the county's vehicle fleet. The move, discussed at the October county commission meeting, is in response to Glacial Lakes Energy's E30 Challenge.

Watertown-based Glacial Lakes Energy (GLE) operates ethanol plants in Mina and Watertown. Brad Brunner, Marketing Manager, Brad Schulz, Director of Risk Management, Marcy Kohl, Director of Communications and Corporate Affairs, and Andy Wicks, GLE's Mechanical Expert and test facilitator, were at the meeting. They provided data on vehicles that have been using E30 for the past two years. The vehicles showed an average savings of \$3 to \$5 per tank of fuel.

"On average, using E30 maintained or increased fuel economy in the vehicles tested, which included 2004 to 2016 models," said Brunner.

Vehicles made after 2004 adapt easily to a higher ethanol blend, Wicks said. The most common ethanol blend is 10 percent. "E30 will work in vehicles back to 1996," he said. He said the adaptation process involves increasing the percentage of ethanol blend a little bit at a time, but around 90 percent of all vehicles on the roads today are capable of running on E30.

"We'd run three tanks of 10 percent, then three tanks of 30 percent," he said.

"We haven't seen any complaints. I'm in contact with the shops on a daily basis. Now it's been two years, and if we were going to see problems, we would've seen them by now," Wicks said.

"E30 typically sells at about a 25-cent discount to regular fuel and it's at a higher octane," he said.

Highway Superintendent Dirk Rogers said there are 20 vehicles in his department's fleet. They do not currently use an ethanol blend. "Ten of them are 2011 or newer and 10 of them should've been thrown in the junk yard a long time ago," Rogers said.

Commissioner Tom Fischbach vouched for the benefits of using ethanol.

"I've used it for as long as I could have I haven't had any problems with any of my vehicles. I've got a 2013 with about 60,000 miles on it now," Fischbach said. "I even filled up with E85 by mistake, and I can still drive it," he joked.

"With Brown County being one of the biggest corn-producing areas in the state, the ethanol plants have done tremendous things for this county. We should be investing in ourselves," said Commission Chairwoman Rachel Kippley. "Switching county vehicles to an ethanol blend would help drive the local agriculture economy."

Commissioners approved a motion to develop an E30 plan.

EPA Chief Scott Pruitt Has 'Epiphany,' Sides with Ethanol Industry in Key Policy Fight

By: Ben Wolfgang - *The Washington Times*

The ethanol industry and its backers on Capitol Hill scored a major victory late last month over Scott Pruitt by pitting the Environmental Protection Agency chief in a battle against his boss, President Trump — boxing him into a political corner and ultimately getting concessions on nearly all of their policy demands.

In a letter to lawmakers, Mr. Pruitt announced that he would forego rumored changes to the Renewable Fuel Standard (RFS), the federal law that requires the blending of ethanol with gasoline and had become a major flash point over the past several months. Mr. Pruitt's EPA had been considering lowering the mandated volumes under the RFS, allowing exported fuel to count toward the yearly quotas, and other steps deeply opposed by biofuels proponents.

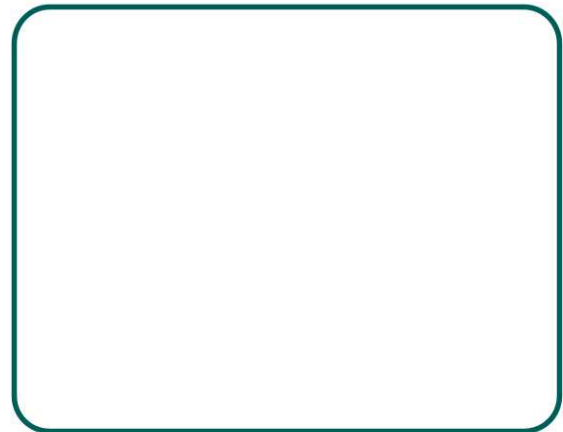
The EPA chief changed course after a nearly unprecedented public relations campaign from ethanol industry leaders and key lawmakers such as Senator Chuck Grassley, Iowa Republican, who threatened to hold up several top-level EPA nominees until Mr. Pruitt changed course on the RFS.

Mr. Grassley and his allies were successful by pitting Mr. Pruitt against the President. Throughout his campaign, Mr. Trump had expressed unwavering support for the ethanol industry, while Mr. Pruitt, while serving as Oklahoma's attorney general, had been critical of biofuels and of the RFS specifically.

By painting Mr. Pruitt as a potential enemy of the President's agenda — and of the rural voters in Iowa and other

Midwestern states that brought Mr. Trump to power — the pro-ethanol side flexed its political power and came out with a major victory.

"Administrator Pruitt should be commended for following through on President Trump's commitment to biofuels and the RFS," Mr. Grassley said Friday in a statement. "The previous proposal would have gone against President Trump's support for biofuels and what he said to Iowa and the nation and to me personally. Congress intended and President Trump pledged to support biofuels. I'm glad EPA is showing that it's committed to the President's agenda. I'm also glad EPA is backing away from any attempt to change the point of obligation. Doing so would have financially burdened local retailers and other small businesses across the country."



Capital Improvement Projects Will Elevate Production



Several capital improvement projects are under way at our Watertown and Mina plants. Pictured is the progress of the two new fermenters under construction at our Watertown plant. There are two new fermenters under construction in Mina as well. These projects will elevate production levels by improving yield, increasing operational efficiencies, and raising throughput. The estimated completion date is February 2018.



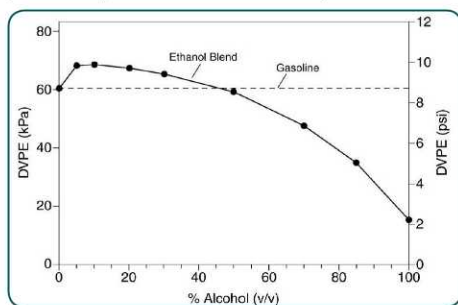
RVP Relief - What's going on?

By: Ron Lamberty, Senior Vice President
American Coalition for Ethanol

Another "Low-RVP season" ended September 15 and retailers can return to selling E15 for use in cars and light trucks from model year 2001 and newer. With all the acronyms, buzzwords, and political jargon attached to the discussion of RVP Relief for E15 and higher blends of ethanol, it can be hard to understand exactly what this whole RVP "thing" is about, and what we're trying to get done.

The Clean Air Act requires EPA to limit the evaporative emissions of gasoline from June 1 through September 15 because evaporation rates increase in warmer temperatures and these emissions can contribute to summertime air pollution like ground-level ozone and smog.

EPA uses the Reid Vapor Pressure (RVP) standard, which is expressed in pounds per square inch (psi). The higher the RVP of a fuel, the higher its evaporative emissions are. The RVP of gasoline can range from 7 to 15 psi, depending on the time of year. The RVP of pure ethanol is 2 psi. During the Low-RVP season, most of the U.S. is required to sell gasoline with 9 psi vapor pressure, and some areas require even lower RVP.



So, if you had 9 psi gasoline in an area in the summer and you added 2 psi ethanol to it, it would be logical to assume the ethanol would "dilute" the gasoline RVP and result in a lower overall RVP, right?

Logical, yes. But that isn't how ethanol and gas blend. When you add ethanol to gasoline, the RVP doesn't "average out." It increases. The chart (below) shows RVP of gasoline ethanol blends jumps by one pound quickly, peaks around 10 percent, and goes down gradually from there.

In 1990, Congress amended the Clean Air Act to allow gasoline with ten percent ethanol a "one-pound waiver" to EPA's evaporative emission limit. In other words, Congress gave EPA the authority to allow the use of E10 during the June 1 through September 15 season. The rationale behind the waiver was the fact that other emissions are reduced when gasoline is replaced with ethanol, so Congress specified 10% to make sure enough gas was replaced to "offset" the higher RVP. Gasoline with no ethanol has to have an RVP of 9 psi or less during the low-RVP season, gasoline with 10 percent ethanol (which EPA defined as 9 or 10 percent) can be 10 psi.

In 2011 EPA approved the use of E15, a blend of 15 percent ethanol and 85 percent gasoline for use in all cars and light trucks from model years 2001 and newer. Unfortunately, EPA refused to allow the one-pound waiver to apply to E15 during the summer season, even though it has a lower RVP than E10. EPA's refusal to allow E15, a cleaner, less emitting fuel to be used from June 1 through September 15 handcuffs many gas station owners who want to offer the higher-octane, lower-cost fuel to their customers, and robs consumers of the opportunity to buy a better fuel at a lower price during the busiest time of the year.

EPA continues to say they don't have the authority to give RVP relief to E15 because the one-pound waiver legislation specified 10 percent ethanol. The fact they did change 10 percent to "9 or 10 percent," and the fact E15 has lower RVP than the fuel used in 95 percent of vehicles on the road, seem less important to EPA than the fact they didn't want the one-pound waiver in the first place – 25 years ago. That being said, we still haven't given up on trying to convince EPA it has the authority to expand the waiver, and we support efforts in Congress to pass a law telling EPA the waiver must apply to ethanol blends above 10% as well.

Sometimes, having more information about something helps you make sense of it. Other times – like in this case - it just helps you understand that it makes no sense.

Source: NREL

About the American Coalition for Ethanol: The American Coalition for Ethanol unites men and women from all corners of the country who, with determination and commitment to community, have carved out a sustainable new industry that feeds and fuels a growing world.

Good News for GLE Shareholders: Dividend Check Coming!

By: Dan Crisler, Watertown Public Opinion Staff Writer (reprint)

Glacial Lakes Energy announced this week that its ethanol plants in Watertown and Mina will finish the year with a profit of \$33.7 million, making 2017 the fifth best year on record. As a result, the company will return about two-thirds of its profits to its shareholders while the other one-third will be reinvested into the company.

Shareholders will be paid a 12 cent dividend per share around mid-January.

"We had record-setting production levels. We had the extra gallons to sell. It certainly worked to our advantage," GLE CEO Jim Seurer said Thursday. "Our shareholders will get a nice check in January."

With many GLE shareholders being farmers, GLE's profit-sharing is a bright spot on what has otherwise been a tough year for farmers with a downturn in the agriculture economy.

"Adding value the way we do is exactly why these plants were built. In a year like this, these plants provide an alternative form of income for our shareholders," Seurer said.

Citing reasons for GLE's strong year, Seurer credits the company's commodities department for quickly moving product.

"We've got a top-notch commodities department. They've exercised patience when they've had to," he said. "Also critical is the performance of the plant. For the first time ever with both Watertown and Mina plants combined we've crossed over the 250 million gallon mark. That was the most significant milestone for us."

GLE's profitable year more or less continues a trend for its parent company, Glacial Lakes Corn Processors. Four of the company's top five years came this decade. The year 2014 was the most profitable as the company recorded a net income of \$107.2 million.



Glacial Lakes Energy, LLC

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Please send us your e-mail address to receive regular communications, "Like Us" on Facebook, or "Follow Us" on Twitter.

To be added to our e-mail list, please contact Penni Tuttle, Membership Coordinator at ptuttle@glaciallakesenergy.com or 605-882-8480.

For the latest quarterly financial information, please visit our website at:

http://www.glaciallakesenergy.com/invest_financial.htm

Our quarterly financials will be posted to our web page on or about the following date for 2018:

March 23, 2018 • June 22, 2018 • September 21, 2018 • December 21, 2018

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.

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