



Glacial Lakes Energy, LLC

CREATING ECONOMIC VALUE FROM CORN

NEWSLETTER

November 2018-February 2019

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Teaming Up for E30 During Legislative Day 2019

During Glacial Lakes Energy's 10 Year Anniversary at our Mina location this past August, then Representative and Governor candidate Kristi Noem pledged to event attendees that, if elected Governor, she would fuel the state's auto fleet with Premium E30. This pledge was made in response to the highly successful E30 Challenge that GLE had been conducting since May 2016 and in response to the depressed commodity prices of late.

She repeated this pledge again during her January 8, 2019 State of the State Address by stating, "We'll begin the process of transitioning the state vehicle fleet to E30, further maximizing the use of homegrown fuels and revolutionizing the way we fuel both our vehicles and our economy. I've already met with state government leaders on this initiative and we're working on a plan. It's critical we keep communicating the impact of decisions like this to the President, because quite frankly, most of Washington isn't talking about agriculture."

On February 19th, nearly 100 South Dakota farmers, ranchers, and ethanol supporters traveled to the State Capitol in Pierre to celebrate Governor Noem's Premium E30 Day proclamation and thank her for her progressive vision for South Dakota's agriculture industry. The group also showed its appreciation to many members of the State Legislature for its earlier resolution overwhelmingly passed in support of Governor Noem's position on Premium E30.

"Agriculture is looking for a bright light during these tough times – E30 is a bright light," said Doug Sombke, SDFU President. "South Dakota Farmers Union has been advocating for high blends of ethanol since its beginning, today marks an exciting point in this journey."

Ethanol advocate and "missionary," Orrie Swayze agrees. "We have come a long way and we are getting much closer to tipping the big domino," said Swayze, a semi-retired Wilmot farmer who has advocated for the local, renewable and clean fuel source since the early 1980s.

Governor Noem set aside time to meet with Sombke and the



Glacial Lakes Energy and South Dakota Farmers Union supporters pictured with SD Governor Kristi Noem in Pierre, SD on E30 Day.

Glacial Lakes Energy team which included Chief Executive Officer Jim Seurer, Director of Communications & Corporate Affairs Marcy Kohl, and members of the cooperative's Board of Directors Steve Birkholtz, Larry Kahnke, and Dale Christensen. During the meeting, Noem shared her vision for promoting Premium E30.

"Governor Noem's confidence in Premium E30 bolsters the momentum of GLE's E30 Challenge," says Seurer. "As South Dakota's state employees fuel up the fleet vehicles with Premium E30, they will experience the same benefits of this locally-grown, premium product that drivers in Watertown and Aberdeen have and this confidence will impact their decisions when it comes to fueling up their personal vehicles," Seurer continued.

"The support from Governor Noem and Secretary of Agriculture Vanneman is really impressive," Kohl said. "Noem's vision for promoting higher ethanol blends extends beyond South Dakota. She wants to help spread the momentum we have built for E30 in South Dakota to neighboring states throughout the Midwest."

Noem currently serves as vice chair of the Governor's Biofuels Coalition, a coalition of 22 states who promote biofuel development

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Enhancing the Bottomline: Cutting Costs & Increasing Efficiencies

If you're one of the South Dakota producers who supplies corn to a Glacial Lakes Energy plant, you will be able to relate to the fact that there are a few factors that we have very little, if any, control over, namely, many of our input costs and markets. However, when it comes to factors that can be controlled, the GLE team continuously and carefully evaluates and implements strategies to increase production and shipping efficiencies while at the same time being among the lowest-cost producers of ethanol in the industry.

Under the direction of the Board of Directors, our team thoughtfully invests in efficiency projects to strengthen GLE's overall bottom-line. GLE's Director of Operations Pat Hogan, provides the following summary:

Efficiencies pay: A well-maintained plant is the most efficient plant and an efficient plant, equipped with the latest technology, requires less inputs to process ethanol. As an example, if we save 1 cent per gallon on chemicals used to convert corn starch to ethanol, in one year that will add up to be a savings of \$2.5 million in chemical inputs.

More ethanol per bushel: Continuously but especially in 2018, we invested in capital improvement projects, installing additional fermenters, sieve bottles, and advanced milling technology to speed up processing and to expose more starch contained within the corn kernel. The result? GLE plants have increased the ethanol contained within the same bushel of corn. For example, the Watertown and Mina plants were originally built to

process 90 and 100 million gallons of ethanol each year respectively. Because of capital improvements and resulting efficiencies, these plants are both well above nameplate gallons producing a combined 255 million gallons of ethanol in fiscal 2018.



GLE Watertown can now rail corn oil to biodiesel refineries in the Gulf states such as Louisiana.

Increased market access: Since 2017, GLE invested a significant amount in the Watertown rail infrastructure (Watertown loop track), increasing our access to ethanol and corn oil markets both domestic and export. Now both plants are on an even keel when it comes to production because both plants can produce and ship the same product and take advantage of market opportunities.

Return on investment: Before we invest in capital improvement projects, GLE leadership prepares a return analysis to find give us an idea of both cost and return of that cost. If the return is below 2-3 year window, it becomes a compelling decision. If it extends beyond the 2-3 window (such as the Watertown loop track), it becomes a more strategic and long term question and receives a higher level of scrutiny.

"We are always looking for ways to improve the efficiencies and outputs of our plants. Our production teams work to continually improve our product and performance. We have done this through additional capital improvement projects at both facilities" states Hogan. "GLE operations team are focused on providing consistent production that produces high quality products which increases our bottom line."



Recently, Growth Energy, an ethanol industry trade organization, and its members met with over 70 lawmakers to discuss key legislative priorities for the ethanol in Washington, DC. The fly-in took place during the same week as EPA's proposed rule to allow year-round sales of E15, giving our members the opportunity to stress the significance of EPA completing the rule by June 1. Pictured above is GLE's Terry Schmidt (far right) with Senator John Thune.



GLE Board Chairman Mark Schmidt (left) presents H. Oscar Schlenker of Aberdeen with a plaque in appreciation for his years of service to the Glacial Lakes Energy board of directors.

Financial Results

Financial Report for the Quarter ended November 30, 2018

(dollars in millions)

Total Assets	\$250.3	Current Assets	\$130.0
Total Liabilities	\$65.1	Current Liabilities	\$59.0
Net Worth	\$185.2	Working Capital	\$71.0
Net Loss	\$3.9	YTD Loss	\$3.9

Unaudited

A Tougher First Quarter

The record production (over supply) of ethanol coupled with low demand (China trade dispute) for both ethanol and distiller's grain created a loss of \$3.9 million for the first quarter of fiscal 2019. Although quarterly losses are not unheard of and GLE has experienced them before, at \$3.9 million, this one is more sizeable than previous quarterly losses. Crush margins during the first quarter hadn't been as negative as they were since 13 years ago. The next most significant loss that occurred in recent times, is during the 2nd quarter of fiscal 2016 at \$2.6 million.

CEO Jim Seurer states, "The good news, if there is any, is that from a working capital perspective, we are exactly where we were at the end of the previous quarter when cash dividends paid in January 2019 are considered. To come through a period such as this with a cash break-even position is a small victory for us." Looking forward, crush margins typically improve as the summer driving season gets underway so there is still a chance that this situation could improve. Seurer is quick to remind that GLE ended 2016 with net income of approximately \$14 million despite the negative quarter previously mentioned. "We still have a chance to have a positive year but it will depend on what the markets give us," says Seurer.

2019 Market Outlook

Although marketing opportunities are not as robust at the current time, the Glacial Lakes Energy team has a definite advantage over many of our counterparts.

When it comes to ethanol production, we are in the most efficient region of the US. In addition, GLE is built on a culture of efficiency putting capital to work in facility upgrades that increase efficiencies, cut costs, and position us to take advantage of market opportunities.

According to GLE's Director of Commodities and Risk Management Brad Schultz, "When over-capacity and tariffs put pressure on ethanol pricing and crush margins, our experienced risk management team responds by listening to the markets. And, the markets are telling us to roll up our sleeves, look at things a bit differently, and focus on being efficient and precise in everything we do."

Historically, low corn prices ensured ethanol profits but times have changed. Today, ethanol prices are just as important to profit as the price of corn and the current period is a good example of this. Although corn prices are low, ethanol prices are not strong enough to even support these lower corn prices.

"Economics 101 tells us the low-cost producer will survive and move forward. Our commodity team has decades of risk management and trading skill and we are well positioned in terms of talent and experience to leverage this advantage as best we can, even in a down market." stated Schultz. "As our team looks at the current situation, we remain optimistic. We understand that commodity markets are cyclical and we've all managed through tight margin environments before."

According to Schultz, looking ahead, there are two aspects that need to change to improve the current market situation. First,

ethanol demand needs to increase across the United States and GLE's E30 Challenge is a critical part of that effort. Second, markets in China need to re-open.

Now that China soybean markets are open, trade experts are hopeful China will resume its imports of ethanol. In just the last three years, ethanol exports to China have doubled and they are interested in even higher levels of usage. Once China returns to the ethanol market, we expect to see crush margins improve as export demand eats away at domestic over-supply.

When the China market returns, GLE is well positioned thanks to the capital improvements and infrastructure in which we have invested. And, GLE is actively doing our part to drive domestic demand by launching the E30 Challenge in 2016.



Watertown and Mina can reach export markets via shipping a unit train of ethanol. Pictured here is the Watertown loop track completed in 2016.

GLE Night at NSU



For the past 8 years and in response to an identity challenge that GLE had with corn producers around the Mina plant, the decision was made to become a sponsor of Northern State University (NSU) athletics to increase our visibility and improve our image. With this sponsorship comes the opportunity to conduct a special event at one of the combined women's and men's basketball games each winter. The effort has become a highly popular and very successful event in the Aberdeen area.

On February 15th, GLE hosted "GLE Night at NSU" proudly sponsoring the NSU Wolves men's and women's basketball games against University of Minnesota – Duluth. With just under 1,000 shareholders and customers, the highly attended event was a unique way to promote GLE and the ethanol industry to the surrounding area – all while having fun and supporting NSU's athletics.

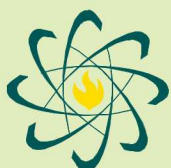
New Holland Offers Producer Club Program

New Holland Agriculture and Growth Energy, in conjunction with Glacial Lakes Energy, have formed an exclusive partnership to promote ethanol and reward farmers at the same time.

It's called the Producer Club Program. Members of the Producer Club receive preferred pricing off manufacturer suggested retail pricing. In return, New Holland will use funds

generated from this program to donate to Growth Energy, an industry trade organization to promote the usage and benefits of ethanol on a national level.

Please visit with your local New Holland dealership for more information or contact Penni Tuttle, GLE Membership Coordinator at 605-882-8480.



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and usage. During their meeting, SD Farmers Union and Glacial Lakes Energy committed to aiding Noem's efforts in any way they can. "We look forward to what the future holds," Kohl said.

Teaming up for Legislative Day made a lot of sense, said Karla Hofhenke, SDFU Executive Director. "Many of their members are the same South Dakotans we serve – family farmers or ranchers. And, because of our shared support for E30, it only made sense to celebrate and advocate together."

Fourth-generation Watertown farmer and Glacial Lakes Energy cooperative member, Kevin Bach agreed. "There is a synergy between Glacial Lakes and the Farmers Union working together to promote the use of E30," explained Bach, who traveled to Pierre with his dad, Lowell. Together, the father and son raise corn, wheat and soybeans.

Like many family farmers and ranchers participating in Legislative Day, the Bachs have fueled up with Premium E30 for many trouble-free years.

Frederick farmer, John Sumption echoes Bach's comments, "I burn E30 in all our vehicles, all the time. Its octane levels are higher and we have not had any performance issues – the mileage is good and the engines last."

Recently introduced to Premium E30, District 3 Representative Drew Dennert, has been equally impressed. "I like E30 and didn't notice any issues," explained Dennert, who participated in the E30 Challenge promoted by Glacial Lakes Energy in Aberdeen. "And, it's great to fuel up with E30 because I know our state's farmers and ranchers are struggling, and by using this homegrown fuel, we are helping them."

Boots on the ground advocacy does work. And, South Dakota's leaders take notice when a large group of farmers and ranchers make time to show up in Pierre, said Brock Greenfield, District 2 Senator and President Pro Tempore. "You folks (Glacial Lakes Energy and SD Farmers Union) have done a lot to move the ball forward and advocate for what you believe by virtue of being here and by keeping legislators familiar with the issues. If we aren't going to promote rural South Dakota and the issues that are near and dear to those of us who live there, who will?"



Senator Lee Schoenbeck reads the Premium E30 Day proclamation during general session in Pierre, SD.

Lieutenant Governor Larry Rhoden agreed. "In South Dakota, agriculture is king. I always say it's an understatement when people say it's our number one industry, because we are 10 times the economic impact of the number two industry. This is where decisions that impact our industry are made, so it is critical agriculture has a big presence in Pierre during the legislative session."

"Noem's pledge to support the use of higher ethanol blends, demonstrates her commitment to South Dakota's number one industry of agriculture," stated Jim Seurer.

On behalf of Glacial Lakes Energy (GLE), and the South Dakota corn producers we represent, thank you Governor Noem!



GLE representatives met with SD Governor Noem in Pierre on February 19, 2019 as she proclaimed it Premium E30 Day in Pierre, SD. Pictures Left to Right: Jim Seurer, GLE CEO; Doug Sombke, SD Farmers Union Board Chairman, Marcy Kohl, GLE Director of Communications and Corporate Affairs; Governor Kristi Noem. GLE Board of Directors Larry Kahnke, Steve Birkholtz, and Dale Christensen.



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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 dates for 2019:

June 21, 2019 • September 20, 2019 • December 20, 2019



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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.

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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