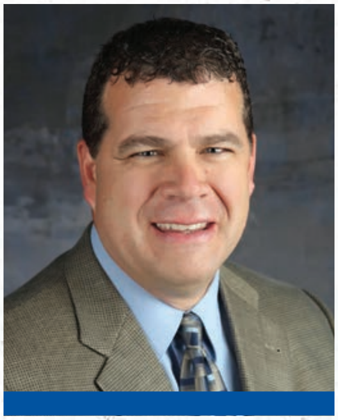
Glacial Lakes Energy, LLC

NEWSLETTER

CREATING ECONOMIC VALUE FROM CORN

QUARTER 3 & 4 | FY 2020



# FY 2020'S DAILY WILDCARD COVID-19

JIM SEURER, CEO, GLACIAL LAKES ENERGY

*"As we move into the 2021 fiscal year, please know that your GLE management team does so with cautious optimism."*

As we take a look at the unfavorable year-end financial results for fiscal 2020, I'd like to make sure we all understand the factors which impacted our performance and how your GLE team responded.

When the COVID-19 pandemic shut down our country last March & April, gasoline demand went to zero almost immediately as driving across the country came to a halt. While some U.S. ethanol plants reacted with shutdowns, your GLE Board and management team sharpened up our analytical tools, reviewed significant contracts and commitments, and studied other considerations before making the decision to keep grinding through the upside-down margins.

The reason for our decision was mainly driven by a comparison of costs. Due to the numerous commitments for corn, natural gas, ethanol, distiller's grain, and railcars that we enter in the normal course of our business and the cost of terminating or exiting these obligations, it does not pencil out favorably to shut down our plant(s) for short periods of time. We also projected that the US wouldn't stay idle for long and that some element of demand for our products would return, albeit a likely lower demand or "new normal". We have never taken a decision to shut down one or more of our plants lightly. In almost every case, it means backing out of the aforementioned contracts with steep penalties and extremely disruptive consequences.

In the heat of that time period, our teams reviewed cash flow models and determined that covering our fixed operating costs and avoiding the payment of termination penalties would be better off than shutting down the plants. Rest assured, this decision was reviewed on a daily basis and we can now say our decision paid off. When ethanol demand surged back, we were able to capitalize on stronger markets.

Although we posted a loss of $14.3 million to end our fiscal year, our net income was negative due to our high depreciation. We ended fiscal year 2020 in a strong financial position with audited working capital of more than $67 million.

Another key component of our working capital retention was management's aggressive reduction of expenses and postponement of all capital projects planned for the summer months of 2020. While this pushed some very attractive capital projects into the fall or later, it was the right decision at that time.

To keep our employee team safe and protected, management implemented measures that closely complied with CDC Covid-19 safety protocols by limiting travel between plants, restricting meetings within the plants, and granting flexibility with sick leave to encourage all employees to stay home if they were not feeling well.

GLE also found a way to give back to our community during the pandemic. We partnered with Lake Area Technical College (LATC) in Watertown to provide ethanol for hand sanitizer at no cost to first response, health and elder care, and incarceration facilities to protect front line workers.

Throughout all of this, the GLE employee teams have performed in an exemplary manner. To date, there has not been any employee-to-employee spread of the virus within our locations and our production has not missed a beat.

As we move into the 2021 fiscal year, please know that your GLE management team does so with cautious optimism. COVID-19 remains a Wildcard, but we will continue to employ the same cautious and conservative approach that has worked in the past.

## THIRD & FOURTH QUARTER NEGATIVE & POSITIVE

*"During the second quarter, with a sizeable amount of ethanol production remaining on the sidelines and Americans taking back to the roads, ethanol demand rebounded much quicker than anyone anticipated."*

As Americans stayed home from work and major freeways were vacated last March and April, gasoline and ethanol markets plummeted in response to the weak demand.

During our third quarter (March thru May), we posted a net loss of $14.3 million, all of which occurred during the month of March when ethanol markets declined significantly more than corn markets.

During the second quarter, with a sizeable amount of ethanol production remaining on the sidelines and Americans taking back to the roads, ethanol demand rebounded much quicker than anyone anticipated.

GLE's fourth quarter reflects this, ending on a positive note with $2.1 million in net income. All-in-all we wrap up the 2020 fiscal year with an audited net loss of about $14.3 million.

Looking ahead, uncertainty remains due to the ongoing COVID-19 pandemic. While it feels like we may be over the hump, the Board and management team remains cautiously optimistic.

| Financial Report for the Year Ended August, 2020 (unaudited) *Dollars in Millions* | | | |
|---|---|---|---|
| Total Assets | 244.12 | Current Assets | 103.92 |
| Total Liabilities | 88.77 | Current Liabilities | 36.44 |
| Net Worth | 155.35 | Working Capital | 67.48 |
| **Net (Loss) ($14.3)** | | | |

# MARGINS REBOUND IN FINAL QUARTER OF FY2020

The COVID-19 pandemic brought commuter travel to a halt this spring and, in response, nearly seventy of our nation's approximately two hundred ethanol plants closed while many others slowed production. With people sheltering in place and limiting their travel, the gasoline and ethanol markets were hit hard along with the rest of the economy.

GLE was not immune to this downturn which is evident from our posted year end loss. However, the fact that so much ethanol production was going offline provided us some optimism that better profit margins would quickly return, and they did.

As a result of the traveling restrictions in many large populated states, Americans wanted to get out of the house. Most felt safer driving than flying and they began to hit the road as spring gave way to summer. Domestic demand steadily continued to increase and was a key factor in keeping the ethanol market strong.

The distiller grain market was a highlight during the pandemic as prices soared on speculation that there wouldn't be enough of the high-quality feed to go around. That demand helped lessen the impact of the lower fuel ethanol demand.

Looking forward, we will continue to see the impact of the pandemic on these markets as we wait for a COVID-19 vaccine. As consumers continue to long for a "get back to normal" state, we believe the ethanol markets will slowly follow but then more production will come online. Please remember, as a GLCP shareholder, you can help protect your investment and provide a demand for ethanol by fueling with a higher blend of ethanol, such as Premium E30.

## FISCAL YEAR 2020 AUDIT AVAILABLE

Our Fiscal Year 2020 Audit, in its entirety, has been posted to the GLE website. Please visit www.glaciallakesenergy.com/invest_financial.htm to view. You may also contact our office at 605-882-8480 and request a hard copy be mailed to you.

# MIDLANDS VOICES:

## GIVING A BOOST TO ETHANOL MEANS GIVING A BOOST TO CLEANER AIR

LARRY PEARCE AND DOUG DURANTE, GUEST COLUMNISTS

*"We need EPA to enforce Congress's long-neglected directive to reduce the toxic compounds in gasoline."*

In October, catastrophic wildfires raced through California, Oregon and Washington state, leaving over 30 people dead while toxic smoke blocked out the sun and created a cloud that slowly migrated to Nebraska, quite visible to the eye. State officials issued a statewide health advisory warning vulnerable Nebraskans to curtail activities. Unfortunately, a bigger problem exists in the air which we don't see — toxic ultra-fine particles (UFPs).

For more than 30 years, regulators have failed to control this lethal pollutant. Unlike the smoke from forest fires, these particles are invisible and are a primary cause of pre-term births, childhood asthma, cardiovascular disease and a wide range of cancers. EPA has recently acknowledged that its own models fail to address these UFPs.

Regulating pollutants has always been problematic. It took almost three decades for lead, an octane booster, to be removed from gasoline because it was a poison. By the time Congress finally banned lead in the 1990 Clean Air Act, new health threats had emerged as refiners were replacing a poison with a toxic carcinogen — oil-derived octane boosters called aromatics. So Congress overwhelming voted to require EPA to replace aromatics as soon as safe substitutes became available. Congress reaffirmed that mandate in the Energy Policy Act of 2005.

Now, this important requirement to protect our health continues to be ignored. Currently, 25% of the 140 billion gallons of gasoline consumed in the U.S. contains carcinogenic aromatics, even though a less costly octane booster is widely available.

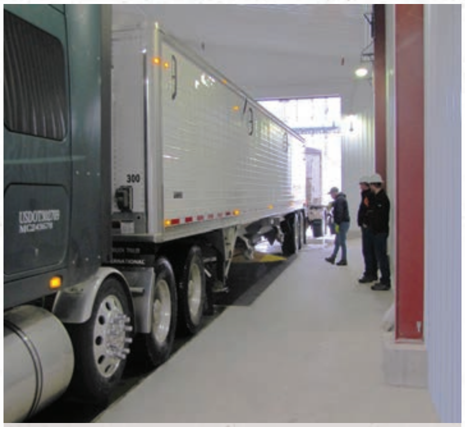
As an aromatics substitute, high octane ethanol is safe, reduces carbon emissions, is environmentally friendly and cost effective. Use of high-octane ethanol in the nation's gasoline could also bring a much-needed boost to Nebraska's and the nation's agriculture and ethanol producers shaken by the pandemic.

Respected political leaders have endorsed the benefit of using ethanol in much higher volumes than we are using now as an aromatics replacement. Last year, U.S. Sen. Chuck Grassley and former Senator Tim Wirth, in a bipartisan message, wrote that the use of higher ethanol blends is part of the solution to the nation's energy and climate challenges. Recently, Minnesota Governor Tim Walz and South Dakota Governor Kristi Noem of the Governors' Biofuels Coalition wrote to then President Trump requesting that he direct EPA to reduce the use of toxic aromatics, as the Clean Air Act directs, by substituting high octane ethanol.

In Nebraska, a pilot program, sponsored by the Nebraska Ethanol Board, is under way that will confirm the benefits of using a 30% ethanol blend in conventional vehicles.

We need EPA to enforce Congress's long-neglected directive to reduce the toxic compounds in gasoline. By replacing aromatics with cleaner alternatives such as high-octane ethanol, the nation will be meeting its obligation to protect the health and welfare of its citizens. We can't always prevent wildfires, but we can prevent harmful emissions from toxic aromatics in gasoline.

*Larry Pearce lives in Omaha and is the Executive Director of the Governors' Biofuels Coalition. Doug Durante is the Executive Director of the Clean Fuels Development Coalition.*



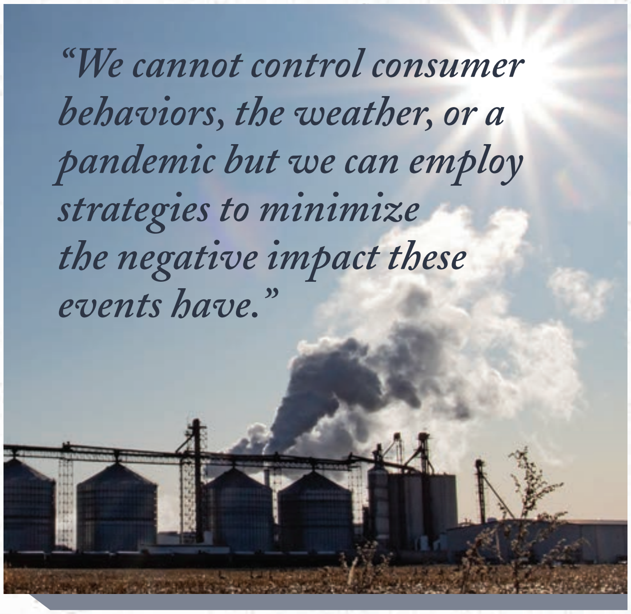
## NOW CONTRACTING PRODUCER DIRECT CORN IN ABERDEEN

Aberdeen area corn growers now have the option of marketing their corn direct to GLE's recently acquired Aberdeen plant. When we took over ownership of the Aberdeen plant, 100% of its corn was purchased and delivered through Agtegra Cooperative, however, GLE is now buying corn direct from growers.

GLCP shareholder-producers who sell corn directly to the Aberdeen plant will qualify for member freight and those bushels will be applied against their annual corn commitment.

***To contract corn for delivery to Aberdeen, please contact our Mina office at 605.225.9900, or our Watertown Office at 605-882-8480.***

# ADAPTING TO A LOW CARBON WORLD




We cannot control consumer behaviors, the weather, or a pandemic but we can employ strategies to minimize the negative impact these events have. As consumer behaviors in the world around us gradually shifts toward a low carbon focus, the value we receive for our products will likely be impacted if we don't respond. To that end, we have obtained a carbon intensity (CI) score for each of our four plants and, as you might imagine, that score takes into account a variety of factors which includes everything from how the land was farmed to our ethanol production process.

The lower the CI score, the easier it is to access markets in states such as California and provinces in Canada where premiums might exist. The trend toward lower carbon continues to grow as Oregon, Washington, and Colorado consider similar initiatives to California and British Columbia.

In the past, GLE has not been able to capitalize on these markets due to the higher CI scores of our larger plants. However, our recently acquired Huron facility is able to sell into these lower CI markets and, at times, we have been able to receive a slight premium on those sales.

Our Huron facility has the lowest CI score in our fleet, and it is unique because it produces nearly 100% of its distiller grain without the use of a dryer.

It doesn't appear that this lower CI movement is a passing fad and please be assured that we will continue to monitor these trends and respond appropriately to maximize the value of your investment.

# GLE TEAMS MANAGE THROUGH PANDEMIC AND SET PRODUCTION RECORDS

One of the most frequent questions we receive is, "Are we making progress in bringing the Advanced Bio-Energy plants up to par with the Watertown and Mina plants?" It's a fair question and one that doesn't have a quick and simple answer. Months after our acquisition, the pandemic hit and the negative margins that came with it resulted in our decision to suspend all process improvement projects that were planned for the Aberdeen and Huron plants during the summer months. This meant that many of the improvement projects (and process improvements) were delayed into the winter of 2020 or summer of 2021.

These projects were identified as necessities as soon as we began our pre-purchase due diligence review. As an example, the ethanol production and yields are being negatively impacted by inconsistent fermentation performance caused by the many piping 'dead ends' which create areas for harmful bacteria to grow. The GLE team has responded and we are making slow but gradual progress in resolving these critical issues.

A July 4 windstorm packing winds of 100+ mph damaged two 500,000-bushel bins at the Mina plant. This incident is an example of issues beyond our control that can affect our performance. Luckily, no one was injured, and we were able to maintain an ample flow of corn to feed the plant but corn buying opportunities were missed. The bins have since been repaired and usage is back to normal.

There is some good news among our past fiscal year…our plants are running efficiently, and our teams have done an exemplary job of working through these difficult times. In fact, we continue to set record production rates and ethanol yields at our legacy plants in Watertown and Mina. We have also successfully been able to reduce our costs of production which improves our bottom line.

Reflecting on everything that has occurred over the last six months, we are most proud of the GLE employee teams and their handling of every challenge that came our way. The response and cooperation was tremendous and everyone rallied together to willingly assume additional responsibility to keep our plants operational while keeping everyone safe.

# SOUTH DAKOTANS,
# LET'S HELP EACH OTHER

DALE V. CHRISTENSEN GUEST COLUMNIST

***Dale V. Christensen of Watertown is a former member of the Glacial Lakes Energy Board of Directors and President of Codington County Farmers Union.***

With everything going on currently in our world and economy, and tough times in agriculture and our communities, now is the time that South Dakotans need to help themselves. Let's be honest, if we don't who will? And the place to start is how we fuel our vehicles. Old habits don't have to die hard — change can be quick and painless, with lots of benefits.

What if I told you there is a fuel that will typically cost you less at the pump, make your engine perform more efficiently, promote independence from foreign oil, support local agriculture, create jobs, and does not contain cancer-causing chemicals found in gasoline? What would you say? I'd say FILL 'ER UP!

The fuel I'm talking about is ethanol. While the attributes of ethanol are endless, there continues to be misconceptions and downright wrong information about ethanol. I'm tired of ethanol getting a bad rap because the petroleum industry continues to spew misinformation about this renewable, homegrown fuel.

The petroleum industry, also known as "Big Oil", doesn't want you to use ethanol because it will affect their capitalization on the fuel market. Why share the marketspace with a fuel that makes sense when you can scare people away from a competitor and pad your pockets, right?

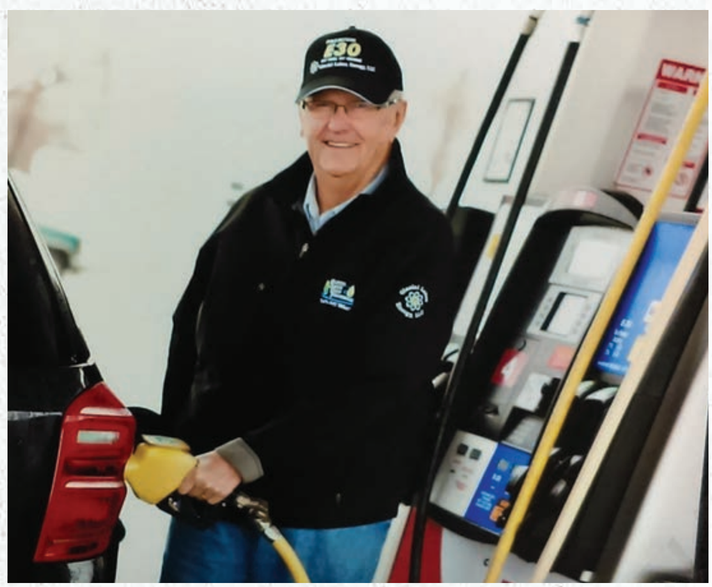
What's worse is people believe the lies ranging from claims that it hurts your engine to accusing us of using food for fuel. There is not a single legitimate argument against ethanol as it is a cleaner, domestic, higher performing fuel than the gasoline it replaces, which is loaded with toxic carcinogens that cause a range of health problems including respiratory and even neurological ailments.

And the notion that we are energy independent is simply false — did you know that the U.S. spends over $6 billion dollars a year on importing oil from foreign countries? That is insane!

We need to start supporting our home-grown energy source by using higher blends of ethanol like Premium E30. By choosing E30 at the pump you are cleaning the air, supporting local agriculture and saving money all the while your automobile engine will perform better using high-octane fuel!

Consumers that participated in GLE's Premium E30 Challenge in Watertown have proven time and time again that any vehicle, including non-flex fuel vehicles, can use Premium E30. The Watertown area has driven 100 million miles with no mechanical issues and Aberdeen is well on the way to proving the same!

The time is now. Let's pull together like we South Dakotans do and support our own. The next time you fuel up, grab the Premium E30 hose. For our community, our farmers, and our nation.



*"The time is now. Let's pull together like we South Dakotans do and support our own. The next time you fuel up, grab the E30 hose. For our community, our farmers, and our nation."*

**Glacial Lakes Energy, LLC**

PO Box 933, Watertown, SD 57201 | 605-882-8480

WWW.GLACIALLAKESENERGY.COM


E30 GALLONS SOLD
IN WATERTOWN AND ABERDEEN
SINCE 2016

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

**WWW.GLACIALLAKESENERGY.COM/INVEST_FINANCIAL.HTM**

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Please send us your email address to receive regular communications, "Like Us" on Facebook, or "Follow Us" on Twitter. To be added to our email list, please contact Penni Tuttle, Membership Coordinator at ptuttle@glaciallakesenergy.com or 605-882-8480.