



Fuel & Ethanol NEWSLETTER

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Glacial Lakes Energy, LLC

www.glaciallakesenergy.com

JULY 2006



From the Desk of the CEO

Tom Branhan, Chief Executive Officer

It was August 2001 when Glacial Lakes Energy, LLC began producing its first gallon of ethanol. Almost four years later we have experienced tremendous success by additional facilities and overall increased gallons to our operation. As we look forward, I see a very bright and profitable future for GLE and its investors.

Last month, GLE/GLCP officially announced our intentions to build a 100 mgy ethanol production facility near Aberdeen, SD called Aberdeen Energy. We have options on two land parcels, one in Brown County and the other in Edmunds County. We are currently performing due diligence with the county commissioners regarding rezoning of the land for industrial used hope to announce the exact location within the next week or so. Equity drives are tentatively set for late July/early August. We have secured Fagen, Inc of Granite Falls, MN and ICM, Inc of Colwich, KS as the Design/Build team for this facility. The Fagen, Inc and ICM, Inc team to an outstanding job of designing and constructing ethanol facilities and I'm positive this plant will be a state of the art facility as are the rest of our facilities.

We also recently announced our plans to build a 50 mgy ethanol plant in Madison, MN named Madison Energy. This will be our fifth ethanol plant and we are very excited about this addition. We have secured an option on the land which is located just east of the City. We intend to break ground this fall, begin construction next year and become operational early 2008. We will offer GLCP shares to finance this project and are tentatively planning for an equity drive sometime this next winter.

We are moving forward with the expansion of Glacial Lakes Energy as well. We are beginning preliminary work and hope to have the expansion completed mid 2007. We will increase our current capacity of 50 mgy to 100 mgy. The expansion project will be funded through an additional equity drive in conjunction with the Aberdeen project.

The equity sold to finance the Aberdeen and Madison projects will be Glacial Lakes Corn Processors shares. Meaning that investors, both current and new will share in the benefits of three plants verses one. GLCP members together will own approximately 215 mgy of ethanol production! If you are interested in receiving information regarding either of the named equity drive dates, etc please contact our office and we will add your name to our mailing list.

Another exciting venture we are exploring is the opportunity for a merger with Redfield Energy, LLC. The result would be one company owning four plants with the opportunity for future expansion. In order for both companies to make a sound decision on the potential merger, the boards are utilizing a third party, Greene, Holcomb & Fischer to evaluate the companies and their stock values. This investment banking firm will demonstrate how each investor from both companies will retain the same equity and income potential after the merger as they have now. This information will be presented to the RE Board who will in turn present it to their investors. This study and initial negotiations are estimated to be completed in 30 to 45 days. The Redfield Energy owners will ultimately make the final decision on the proposed merger by vote of their membership. There are several advantages to a merger including diversification-combined equity in multiple plants provides diversification and the potential to increase earnings; Liquidity – more shareholders provide a better marketplace to buy and sell stock; Operation Synergies – we will work more efficiently together under one parent company. Construction at RE is progressing nicely with construction and we are still on target for producing ethanol December 2006. I know there has been a lot of talk regarding soil stabilization at Redfield. The ground that the plant sits on is not as desirable as we'd like, as it's on the bed of the James River. All things considered, we knew we'd have

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Tom Branhan's article continued from page 1

some additional stabilization because of the soil bed even though we have incurred some additional expenses we are still under budget.

We continue to explore BioDiesel and a potential production facility here at GLE. We are currently doing research and development on the refining process. We are very optimistic that we will be able to implement this new product and source of income in the near future. The primary advantage GLE has is we have the main ingredient right at our fingertips to produce a high quality product; oil which we spin off the DDG's. We have purchased the centerfidge which spins the oil and have it installed and running at the plant. Granite Falls Energy, LLC in Granite Falls, MN recently celebrated their Grand Opening on June 13. Among honored guests were Governor Tim Pawlenty, Bob Dineen, RFA; Brian Jennings, ACE; Mike Bryan, BBI; Tom Slunecka, EPIC; Ron Fagen, Fagen, Inc just to name a few. The event was a huge success and we had well over 1,200 people on site for tours. I want to take this time to congratulate all the share holders of Granite Falls Energy including the members of Glacial Lakes Energy on the operations of this plant and the value it continues to add to our group. GFE has a dedicated staff that is committed to making their plant run above name plate capacity. We are proud to be part of such a successful operation! To update you on GFE, they continue to run above name plate capacity with minor issues. It has been full speed ahead since start up in November 2005. We are currently identifying additional water sources to supply the plant per our Water Appropriations Permit in order to elevate any future water issues that may arise. GFE is currently permitted to run at a 45 mgly denatured rate, however the plant is capable of producing 60 mgly. Therefore, we have submitted a request to the State of Minnesota to increase our production and are anxiously waiting for their response. We continue to take a very proactive approach and identify any bottlenecks; etc to make sure that plant is running as efficiently as possible.

In closing, we are proud of the cooperative heritage of working together as farmer producers and the fact that our collective efforts have benefited almost 900 members and not just a select few investors. Our mission remains to add value for our members and communities and to have all of us in the farming and local communities benefit from these exciting times in the ethanol industry.

PRODUCTION Tidbits



Dave Culver, Director of Operations

We have just completed our spring shutdowns at both Glacial Lakes Energy and Granite Falls Energy. The shutdowns at both plants went well. We were able to speed the maintenance shutdowns along very nicely because of the help of extra personnel sent by the plants to each other during the outage. It allowed us to get that little bit of extra tasks done a little bit quicker.

We are continuing to try to find the common benefits to both facilities as we move forward that allow us to get both plants to move forward. We have been able to share a lot of parts, personnel, and maybe most important of all information that has allowed us to move more quickly on the projects and decisions that we need to make. We now have two different facilities that are coming up with separate ideas that can be shared to the benefit of both facilities. It helps us to make decisions quickly and have the ability to quickly test those decisions because we are now able to check into more than one idea at once.

Currently Granite Falls Energy is running well. They have worked there way through most of their start up issues and are cleaning up around the plant after the spring thaw. They are already seeing some of the benefits of the fermentation tank with high ethanol yields (2.8 undenatured – 2.94 denatured), but we are being limited on production due to regulatory issues that we have to deal with in the State of Minnesota.

At Glacial Lakes Energy we are still finding a lot of the benefits that the fourth fermentation tank that was recently added. We have been able to benefit from Granite Falls 3 or 4 month head start on this issue which is helping us figure out the best way to utilize this new factor in our process.

As an added note Gary Bentzin has recently come on board as the Plant Manager for the Redfield Ethanol plant. I am looking forward to the Redfield plant coming online and allowing us to share in the cooperation we already have set up and I look forward to working with Gary into the future.



Reed Storley, Plant Manager

As I write this article we are having another cool rainy day. Hopefully as you read this newsletter the sun is shining and the corn is growing rapidly.

I would like to update you on some the events that have happened at GLE since our last letter. In April we had our annual spring maintenance shutdown which proved to be a successful event this year. As always the entire staff works long hours over three days to make sure the plant is ready to run for the next six months. We also had the help and support from Doug Riesdorfer and his staff from GEE to assist our staff in completing all necessary tasks on our shutdown list. In early May we returned the favor and assisted Doug with their shutdown at the GEE plant. The sharing of resources between the plants is proving to be a great asset for both companies. This should become an even greater resource when the Redfield plant comes on line.

One of the other areas we have been spending a great deal of time with is the addition of the fourth fermenter. Over the last three months we have been working to identify the best way to optimize the fourth fermenter. The fourth fermenter has definitely allowed us to increase production by converting sugars previously left behind by shorter fermentation times. This is a process that requires a great deal of time and patience. After an adjustment is made it takes time to identify all the affects on the entire plant before you can proceed with further adjustments. At the end of the day we need to decide if changes made create a benefit or loss to the overall system.

The challenge for this coming summer and fall will be to optimize our current production and to prepare for the expansion process to start at GLE. Along with expanding the plant we will be exploring new technologies that we could possible incorporate in the expansion of the plant that would make us far more efficient than we currently are. With the rising costs of natural gas and other inputs we need to explore opportunities that will offset those types of obstacles. I hope the planting season has gone well for our producers and that we all have a successful growing season. Have a safe summer.



Bert Magstadt, Energy Commodities Manager

Natural gas futures continue to go lower as more natural gas goes into storage. Currently, storage levels are at all-time highs, primarily because of low demand due to neutral weather in the south and north-east portions of the country. I expect natural gas to continue to trade down in the \$6.00 range for a little longer, but once the first hurricane shows up in the Gulf of Mexico or hot weather starts, prices will rise dramatically. Currently we are hedged for the majority of our natural gas through March of 2007. Unleaded gasoline is approaching \$3.00 per gallon at the pumps and with people using 5% more gasoline than last year at this time, I don't think gasoline prices will come down much in the near future. The biggest reason for high prices is that refineries are running at full capacity with no spare refinery capacity to cover any production disruptions. The industry is concerned that if any supply disruptions do occur, like a hurricane, there could be severe shortages. So if all of the refineries are running at full capacity, where is the extra gasoline coming from? The same way we get the majority of our crude oil, from imports. Gasoline imports now make up 15% of total supply in the United States, up from 10% this time last year. Ethanol prices are very high as well, but for different reasons. The ethanol industry has enough capacity to keep up with current demand, but the transporting of ethanol to major markets is where the bottle necks are. In Texas, some 300 railcars of ethanol were on tracks waiting to be unloaded, but the infrastructure wasn't adequate to unload it quick enough to meet demand, causing prices to sky rocket. Major gasoline producers are also voluntarily blending ethanol with gasoline to meet Federal requirements. This is basically taking any excess capacity left and straining the transportation system even more. Until gasoline producers and the railroad industry get these bottle necks fixed and more ethanol plants come on-line, the high price of ethanol will not change much.



Todd Emslander, Project Manager

Hello, my name is Todd Emslander and I recently joined GLE as Project Manager. As

Project Manager it is my responsibility to oversee the timely completion and budgetary control of capitol projects for Glacial Lakes Energy, Granite Falls Energy, Redfield Energy and recently announced Aberdeen Energy.

The announcement of the Glacial Lakes expansion has created another challenging project. We are currently completing initial engineering and drafting. This will lead to the bidding process and eventually construction starting this fall. I will be working closely with both Reed and David and assisting them with the procurement of this project.

The Redfield project is going well. Phase I soil stabilization is winding down. We are currently at about 90% complete with the installation of the pilings. A lot of concrete is being poured for concrete caps and floors that tie the pilings together, giving the plant a stable base. The DDG storage building construction has begun and should be complete early June. The fermentation tank construction will start the end of May. Equipment is arriving daily. Things should start to progress very quickly from here on out.

Granite Falls Energy also has opportunities for projects. The major project here is the design and construction of an intake system to transport water from the Minnesota River for use in the plant. This is currently in the permitting phase. We hope to start construction mid to late summer.

If those aren't enough I am eagerly waiting to start on Aberdeen Energy. I anticipate groundbreaking this fall.



Allen Wells, Commodity Marketer

Hi from Rising Star Feeds. Hope everyone had a safe and successful planting season. And now we can get to making hay. With the high number of large dairies feeding distillers grain and the record # of cattle on feed, the local distillers grains demand is still very high for this time of year. This market should stay pretty good all through the summer. The future market for distillers grain looks good to me, even with all the new ethanol plants coming on line. Livestock producers will be replacing most of their corm with DDGS for an energy source and using DDGS for their protein source as well. Distillers grain is the fastest growing protein source on the market today. Export demand for DDGS continues to grow at a rapid pace. Many European countries are using distillers grain for livestock feed. The ongoing research for non-agricultural use and potential of using DDGS as an energy source for ethanol plants will also keep the demand high. Check with me in a couple of years, maybe I will be all wrong. On July 15th Rising Star Feeds along with the local elevator and extension office will be sponsoring a 4-H show camp. This is to teach young 4-H members the proper ways to fit and show their livestock projects. If you have young or old 4-H kids please encourage them to attend. It should be fun!! The ethanol tractor will be in the antique tractor parade again this year so mark August 4th and 5th on your calendar. Hope to see you there.



Pete Bullene, Environmental Health & Safety Manager

Congratulations to the GLE staff for being honored by the South Dakota Department of Natural Resources. GLE received the 2005 Industrial Operation and Maintenance Excellence Award. This award recognized GLE as an outstanding wastewater system in South Dakota in the areas of operation and environmental compliance.

On the safety side we have just surpassed 1300 days with out a loss time injury. This is feat that only a handful of ethanol facilities have achieved. An accomplishment such as this shows the commitment put forth by the board of directors, management and employees.

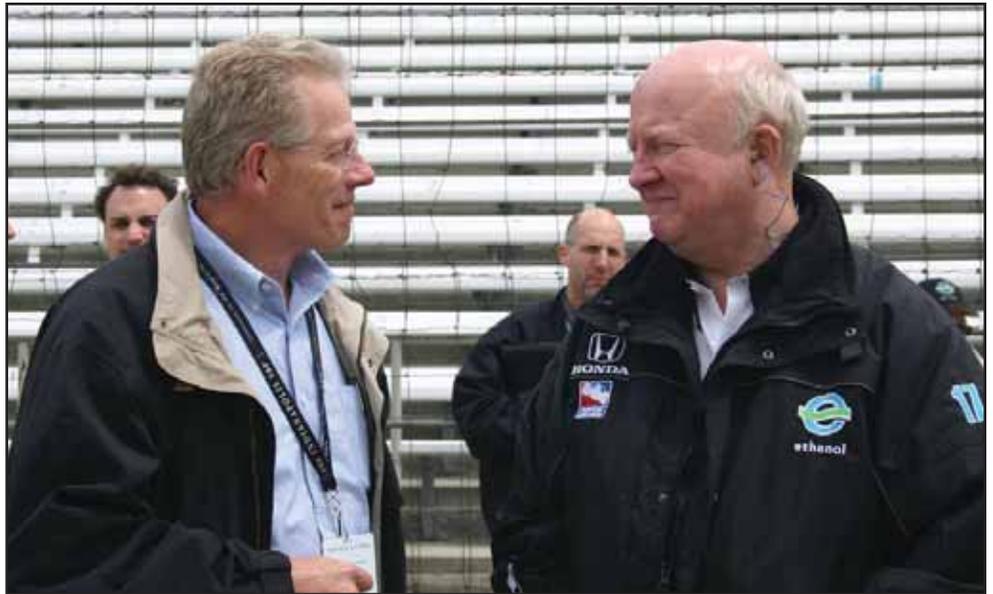
Since our last newsletter GLE has implemented computerized OSHA training sessions. These training sessions will provide employees with the required OSHA training and also further their knowledge in safety and loss control issues.

Air Quality, Stormwater and Wastewater permits are currently under there annual review. GLE has fulfilled all of the recording and reporting obligations with EPA, SDDENR and the City of Watertown.

GLE Current Events



The GLE Ethanol racecar is driven by Reed Storley, our very own Plant Manager.



EPIC Executive Board President and GLE CEO Tom Branhan and US Secretary of Energy Samuel W. Bodman talk about trends affecting the ethanol industry while on the track at the Indianapolis Motor Speedway.

PLANT CONSTRUCTION



Left and Below: Preliminary construction being done at the Glacial Lakes Energy plant in Watertown, SD for expansion.



Above: Due to GLE's growth, construction is being done to the administration building at the Glacial Lakes Energy site to accommodate staff.



Tami Schaefer of GLE explains to a customer at Sioux Valley Coop in Watertown, SD how the newly installed Blender Pumps work. Motorists now have the option to choose from a variety of ethanol blended fuels such as E10, E20, E30, E85 or Regular Unleaded. GLE is the proud supplier of the ethanol blended fuel.

Fuel *for*



THOUGHT

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Jon T. Anderson, GLCP President

A special meeting of the Glacial Lakes Corn Processors membership was held on May 25, 2006 in Watertown. The purpose of this meeting was to amend the articles of incorporation and bylaws in order to increase the authorized shares of common stock and to ensure that existing shares of common stock and new issuances of shares of common stock are entitled to equal rights and privileges in entitlements to liquidating distributions on a split-adjusted basis. The vote passed by a resounding margin. These changes will allow the board of directors to increase the maximum outstanding shares from the current 25 million to a maximum of 500 million. In the event of issuing new common stock it will equalize the par value from current and newly issued shares. GLCP currently has 15.4 million shares outstanding. 500 million is intended to be a ceiling and is not necessarily the amount of shares we will have outstanding. In order to equalize the value of the shares for both current and potential new members we have hired Green, Holcomb, and Fischer, (GH&F) a third party investment banking firm who will prepare a business evaluation to determine the worth of the current GLCP shares and the company. This financial data will allow the board to make a fair and unbiased decision regarding the degree of stock split for current shares issued. Our goal is to declare a stock split in the next 30 to 60 days. Please note that share trading was suspended May 1, 2006 due to the ongoing business evaluation and pending investment opportunities.

Following the stock split, Glacial Lakes Corn Processors intends to offer additional shares for investment into Glacial Lakes Corn Processors to finance the Aberdeen and GLE expansion projects. The GLCP membership will be given the first opportunity to purchase these new shares with the remaining to be offered to new members. The new shares will be restricted to South Dakota residents in accordance with cooperative law. Nine months after the cease of the offering non-resident members/individuals will be allowed to purchase shares through AgStockTrade.com.

The Board of Directors will also distribute Fiscal Year End August 31, 2006 earnings to its members before any subsequent shares shall be effective, as a result there will be no retained earnings carried forward.

The board is committed to maintaining value for current ownership while offering an opportunity to be involved with future expansion of Glacial Lakes Energy. Together, we believe that all of us can continue to participate in the success of your ethanol company in today's ethanol industry.

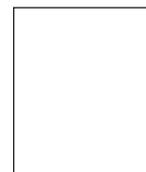
Interested in Purchasing Shares?

We are maintaining a database of interested individuals who would like to receive information regarding equity drive locations and dates for both our Aberdeen & GLE expansion projects as well as Madison Energy. If you'd like to be added to the mailing list, please email your mailing address to marcy@glaciallakesenergy.com or call 605-882-8480.

Visit our website at aberdeenenergy.com
and madisonenergy.com

GLACIAL LAKES ENERGY, LLC

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Micheal Nealon, Director of Finance

With the start of trading of GLCP stock on the AgStockTrade system, we have provided financial information about Glacial Lakes on our website. We will include summary information in the newsletter for those who do not have access to the internet. As can be seen in the results above, we had a very good quarter that ended on February 28, 2006. We are now showing our share of the earnings of Granite Falls Energy, which started up operations on November 13, 2005. Please note that the line item "investment in GFE & RE" combines (a) our share of earnings in Granite Falls Energy and Redfield and (b) the management fees we receive from both. With our current level of profitability and as interest rates continue to increase, we will evaluate paying down more of the debt. As an example, the interest rate on the variable rate note we have was at 5.76% in February 2005, has increased to 7.25% in February 2006 and is expected to be around 8.00% in June 2006. In April 2006, GLCP paid retainage of \$0.2617 per share that related to the first three years of operations. With the retainage payment, GLCP has distributed a total of \$0.9667 per share in cash to its shareholders based on the \$1.00 initial offering price (per share amounts have been adjusted for the 2-for-1 stock split in the fall of 2004).

Summary Financial Data for February 28, 2006

Income Statement:	<u>Q2 2006</u>	<u>Q2 2005</u>	<u>YTD 2006</u>	<u>YTD 2005</u>
Net Sales	\$20,862,161	\$20,132,840	\$42,116,139	\$40,500,540
Costs and Expenses	16,272,889	17,631,781	33,484,836	35,762,638
Income from Operations	4,589,272	2,501,059	8,631,303	4,737,902
Investment in GEE & RE	1,024,441	9,000	1,079,513	18,000
Gov't Programs & Other	335,273	228,270	630,076	631,456
Net Income	\$ 5,949,986	\$ 2,738,329	\$10,340,892	\$ 5,387,358
Shares Outstanding	15,476,628	15,476,628	15,476,628	15,476,628
Net Income per Share	\$0.39	\$0.18	\$0.67	\$0.35
Balance Sheet:				
Working Capital			\$14,375,435	
Total Assets			\$64,912,007	
Long-Term Debt			\$21,253,868	
Stockholders' Equity			\$41,539,654	

