



# Glacial Lakes Energy, LLC

CREATING ECONOMIC VALUE FROM CORN

# NEWSLETTER

September - November 2018

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## What a Decade!

*By Jim Seurer, Chief Executive Officer*

As we reflect back on the celebration of our 10 year anniversary in Mina last August, I took a few minutes to gather some information about the past decade...and what a ten years it's been! In some ways it's seemed longer than 10 years but in most ways I found myself amazed at how far we've come during the period!

Since I have a financial background, I gravitate toward and enjoy numbers and statistics, a few of which I'll share here. Over the past ten years, GLCP's audited net income (including 2018) has been approximately \$214 million with 2009 being the low year at a loss of over \$81 million and 2014 being the high year at a gain of \$107 million. In between these two extremes we experienced one more year with a loss of \$11 million (2012) and seven years of gains. During three of those years, we posted gains between \$13 million and \$17 million (2016, 2013, & 2011) and there was an additional three years with gains between \$33 million and \$35 million (2018, 2017, & 2010). During the final year (2015), we recorded a gain of \$51 million. By now, I'm sure you realize that our business is a capital intensive one with large dollars invested in property and equipment necessary (the Mina plant alone had a price tag of more than \$160 million when built back in 2008). Capital intensive businesses like ours record significant amounts of non-cash depreciation expense and, when added back to the aforementioned bottom lines, one quickly realizes just how much cash is really being generated. These numbers can quickly add up to be staggering figures.

Looking at our business model, there are four ways in which we utilize or "invest" cash generated from operations: debt payment, investor returns (dividends), capital and improvement projects, and building working capital. In the past ten years, we have repaid approximately \$180 million in debt which was borrowed to double the production capacity in Watertown and construct the Mina plant. Your Board of Directors has also returned over \$190 million in dividends to our shareholders during that same period. Although I don't have exact figures, I estimate our reinvestment in various projects to maintain, increase, or improve profitability, performance, and efficiency in both plants is somewhere in the ballpark of \$90 million since late 2008. And remember back when our working capital was a skimpy \$15 million after the 2008 fiasco? Over time, this too, was increased to by around \$50 million to a level that is consistently kept near \$65 million today. So...all told, we have generated cash of over ONE-HALF BILLION in the past ten years!

Our combined production statistics are equally as impressive. In fiscal 2009, which was the first full year of production of both plants, we produced approximately 188 million gallons of ethanol from 68 million bushels of corn. Ten years later, we produced 255 million gallons of ethanol from 92 million bushels of corn. During the entire 10-year period, GLE has converted over 821 million bushels of locally grown corn to nearly 2.3 BILLION gallons of ethanol. Now, those are some REAL numbers!

I have often said that this industry is doing exactly what our founders and investors envisioned it to do...provide an opportunity to add value to locally grown crops. Until we look at a longer period similar to the past ten years, it is very easy to under estimate the benefits of the risks that these folks took to build our company. Had the aforementioned 821 million bushels of corn simply been put on a rail car and shipped out of our area, the cash generated would have been a fraction of what it was and the "cash lift" would have gone elsewhere.

On behalf of the GLE Board of Directors, we sincerely THANK the GLE teams for producing these results and we THANK YOU for your patience during our past ten years of success. We pledge to do our best to increase these results in the next ten years!!!

## Mark Your Calendars!

February 15, 2019

GLE Night at Northern State University



## The Results Are In – Premium E30 Works!

When Glacial Lakes Energy (“GLE”) launched the first E30 Challenge in 2016 in Watertown, SD, the goals were clear. “We wanted to increase consumer awareness of Premium E30, use hard data to dispel myths about Premium E30, and ultimately change consumer behavior,” explained Marcy Kohl Director of Communications and Corporate Affairs for the company. GLE had another goal in mind – to create a model that could be replicated throughout the industry. With the first stage of that mission accomplished in Watertown during the summer of 2016, GLE launched a second E30 Challenge in Aberdeen, SD this past summer.

With five locations in the city and several more in the outlying communities, Aberdeen was chosen due to its existing infrastructure of blender pumps. Another reason was a strong community response and support led by the Brown County Commissioners’ adoption of the premium fuel almost a year ago. The region is home to three other ethanol production facilities in addition to Glacial Lakes Energy’s Mina plant.

The Challenge mirrored the one completed in Watertown following a multi-tiered approach that enlisted the participation of engine performance experts, local fuel retailers, auto repair shops and dealerships and the driving public.

Aberdeen area drivers were enticed to try the fuel with a \$0.30 per gallon discount during the months of July and August. GLE pledged to donate another \$0.30 per gallon to the Aberdeen Area Boys and Girls Club for every gallon sold during the promotion period.

“To be sure key people were well informed, GLE met with area auto technicians and presented information about Premium E30, because far too often the illumination of the check engine light is blame on the ethanol in the fuel”, says Andy Wicks, owner of DynoTune Speed and Performance in Watertown. Wicks also serves as GLE’s expert consultant.

As the official mechanics for the Aberdeen E30 Challenge, service technicians at Gelling Auto were charged with ensuring the mechanical health of participating vehicles should questions arise.

“Our job was to look over the vehicles that would be taking part in the E30 Challenge to determine if they were in a normal state of tune before they switched to Premium E30,” notes Gelling Auto service technician Mark Herman. “We also inspected vehicles after they ran Premium E30, and we saw no issues with any of those vehicles.”

Mark notes there is a long list of issues that can cause a check engine light to appear, from the transmission to a loose gas cap. The Gelling technicians were focused on finding any pre-existing

conditions that might cause the light to come on with a fuel change.

Going beyond the role of expert technician, Mark also used Premium E30 on his personal vehicles—two older Toyota Tundra pickups and a Toyota Sequoia—and noticed an improvement in engine performance.

“Normally, when I’m pulling a trailer with my pickup on a hot day, you can hear a slight pinging when I kick it into passing gear,” he notes. “With straight 87 gas, you can actually feel it hold back a little. I didn’t have any pinging or hesitation that with Premium E30. It ran great with no check engine lights. “We were happy to participate in the E30 Challenge,” Mark concludes. “Anything we can do to use more corn and help the farmers get the prices up a little, we want to do.”

Evidence and experience persuaded Aberdeen mechanic, Curt Reuer and made a believer out of him. The owner of Reuer’s Auto in Aberdeen notes that a combination of education, customer feedback, and personal experience convinced him that Premium E30 may very well be the fuel of the future.

Reuer’s Auto handles everything but body work for Aberdeen area car and truck customers, plus fleet work for FedEx, Dumbo Bakery and North Star Energy. “We learned about the Premium E30 challenge from Oscar Schlenker, a very good customer and member of the Glacial Lakes Energy Board of Directors,” Reuer explains.

Reuer attended the informational meetings GLE held prior to kicking off the E30 Challenge. “That’s what sold me on trying Premium E30,” Reuer says. “I know Andy Wicks from Watertown. He’s smart as a whip and well informed and I knew he wouldn’t put his name on the line if he didn’t believe in it. Once you see all the charts he had on the fuel trim for various vehicles, that convinced me. I did some more reading on Premium E30 and told GLE, ‘Let’s get some information set up here at the shop.’”

“My wife drives a 2016 Buick Enclave. She was using 10 percent, and now she runs strictly Premium E30,” Reuer notes. “She’s gained just about three miles per gallon running on the interstate with no check engine lights. She’s pretty happy with that.”

Reuer also followed Andy Wicks’ suggestion when introducing Premium E30 to his wife’s Enclave. “He mentioned that the computer has to learn the octane ratio, so you might not want to just throw it into an empty tank,” he notes. “So, with the Enclave, we added it to a ¼ full tank, then ½ full, then ¾ and finally went straight Premium E30 with no problems.”

It’s a procedure he shares with his customers who have asked about using Premium E30 in their vehicles. He adds that he hasn’t seen check engine lights from any other customers running Premium E30, with the exception of one customer. “It turned out he had a

number of other issues before adding the Premium E30 that would have triggered the check engine light,” Reuer explains.

Reuer is also running Premium E30 in several of his own vehicles—specifically, a 1994 and 1995 Suburban, a 2003 F-350, a 2004 F-250 and a Corvette. “I haven’t had any problems with any of them,” Reuer states.

For Reuer, the evidence has been convincing, and he doesn’t understand the resistance some in the industry still have when looking at Premium E30.

“A lot of people just don’t look at it with an open mind,” he concludes. “I think Premium E30 is going to be the ticket.”

GLE also launched a Test Vehicle study where area participants volunteered to fuel their vehicles first with E10 and then Premium E30 and compare the results including vehicle performance and fuel economy.

Bryan Krisch took the E30 Challenge. “I am currently on my fifth tank of Premium E30 fuel in my 1999 Chevrolet Silverado and have had no check engine lights or issues since I made the switch. I was skeptical at first but after seeing others use the product with no issue, I decided to give it a shot. I couldn’t be happier with the savings at the pump and the performance.”

Yet another E30 Challenge participant was Allie Carley of Aberdeen. She decided to take the Challenge after hearing about it when working on a billboard campaign featuring the Challenge. “I have always been told that Premium E30 works only in flex-fuel vehicles. Well I can honestly say that my car has driven the same as it did before. I didn’t notice any major changes, and will now use Premium E30 as my fuel of choice.” Carley went on to say she believes more people would use the product if they knew it would work in their vehicle.

The Aberdeen Area Boys and Girls Club depends on Premium E30 to operate the Club’s eleven vans and one mini-bus. With only four of those being flex-fuel vehicles, Mike Herman reports that Premium E30 has powered their fleet without problems since they made the switch over six months ago.

“Obviously, we depend on our vehicles and the vans get a lot of use,” Herman notes. “We took a group to a Twins game this past summer so they have to be reliable. We have had a very positive experience with no complications, no warning lights—unlike what some had predicted.”

The E30 Challenge proved to be effective, verifying once again that Premium E30 works especially well in cars 2001 and newer as they have enough capacity in the factory fuel injection system to accommodate up to 30 percent ethanol – no check engine lights, no drivability problems.

By the promotion’s end, Premium E30 sales in the Aberdeen area had increased over 600% much like the results seen in Watertown. “We also met our goal and were able to donate \$50,000 to the Aberdeen Area Boys and Girls Club,” Kohl added.

Informing people about Premium E30 is key to increasing usage. “We continue to present the information, and roll out the E30 Challenge in the Midwest,” stated Jim Seurer, Chief Executive Officer. “We continue to tell our story that it’s time consumers have a choice at the pumps and access to higher blends of ethanol such as Premium E30 because it works.” Seurer went on to say that GLE has been contacted by other ethanol facilities in the Midwest who have taken note and want to launch an E30 Challenge in their own community. “We are willing to share our knowledge so others can be successful with changing consumer choice to Premium E30 and making the Midwest the originating point for the rest of the country.”

## GLCP Board Declares 2<sup>nd</sup> Dividend!

The Glacial Lakes Corn Processors Board of Directors recently declared a 2nd dividend of \$0.06 per share for the fiscal year ended August 31, 2018. Coupled with the \$0.04 per share dividend declared last May and paid in October, this will bring the total dividend for fiscal year 2018 to \$0.10 per share and be paid to shareholders of record as of August 31, 2018. As with previous years, another \$0.015 is estimated to be paid as a result of the activity of our export company, Glacial Lakes Exports, Inc. The \$0.06 per share and the \$0.015 per share will be paid during the month of January 2019.



### E30 Challenge Check Presentation

*Glacial Lakes Energy’s E30 Challenge ended with a \$50,000 donation to the Boys & Girls Club of Aberdeen Area.*

## Fiscal Year 2018 Ends on a High Note

### Financial Report for the Quarter Ended 8/31/18

| <i>(dollars in millions)</i> | <b>Q4</b> |
|------------------------------|-----------|
| Total Assets                 | \$244.9   |
| Total Liabilities            | \$46.8    |
| Net Worth                    | \$198.1   |
| <hr/>                        |           |
| Current Assets               | \$122.9   |
| Current Liabilities          | \$40.9    |
| Working Capital              | \$82.0    |
| <hr/>                        |           |
| Net Income                   | \$11.9    |
| YTD Net Income               | \$33.1    |

Glacial Lakes Corn Processors ended its fiscal year with 4th quarter net income of \$11.9 million for the three months ending August 31, 2018. Net income for the year was \$31.5 million. Production rates were on budget for the quarter as additional gallons and efficiency from the selective milling technology and additional fermentation projects came online for the first full quarter.

Crush margins remained strong for most the quarter until markets weakened in August. Distiller grain demand was solid from both export and domestic consumers despite the negative influence from soybean tariff issues with China. Demand for ethanol was seasonally good but tailed off as summer ended. Extremely weak Brazilian currency combined with exceptionally strong carbon credit values to promote the importation of sugarcane ethanol from Brazil took its toll. Ethanol pricing weakened during the quarter in response to a projected increase in US production over the next six to twelve months as well as the Chinese Tariff situation.

*GLE management is pleased to report that the annual audit for the fiscal year ended August 31, 2018 has been completed and is posted to our website. The audit firm completed their work without any material recommendations or adjustments and, as a result, the company received an unqualified (clean) opinion of its financial statements. If you would like a hard copy of the annual audit, please contact our office.*

## Trade Wars Impact Margins

One of the most frequently asked questions over the last few months has been "Is the Trade War impacting Glacial Lakes Energy's business?" The short answer is a definite and resounding "YES". The tariffs currently imposed by China on US ethanol and DDGS have limited badly needed export sales. Any reduction to demand for US commodities can lower prices, and ultimately reduce margins. The ethanol industry, in general, must continue to fight for space in the domestic fuel supply through promotions like the E30 Challenge and for an equal playing field in international trade as well.

GLE's ethanol marketing partner, Eco-Energy, weighed in on the tariffs imposed by China and other nations. In general, there are numerous impacts of reducing free trade specifically for farmers and ethanol producers. Regardless of who started it or who's at fault, there are short-term issues and concerns that could be damaging the incomes of farmers and the profitability of biofuel producers. China was in line to a potential export opportunity of over 500 million gallons annually as they move to a nationwide blend of E10 to capitalize on the clean air benefits of higher ethanol blends. The ethanol industry actually exported 52 million gallons to China in the first quarter of 2018 and, as of late, no more ethanol is flowing due to a 70% import tariff levied by China against US produced ethanol.

While China is currently getting the most attention because of the direct conflict between the Administration, there are other trade issues impacting our ability to access growing markets.

In Brazil, the Northeastern delegation in congress lobbied effectively for a Tariff Rate Quota ("TRQ") which limits the amount

of duty free imports to roughly 160 million gallons annually even though they have the demand to take 450 million gallons, a figure which is growing due to their Low Carbon Fuel Standard being implemented by 2020. There are expectations that Brazil will be a target market taking between 300 and 700 million gallons of US ethanol, but it will depend on the TRQ expiring by 2020. Other trade "spats" are starting to rise up across the globe – Peru filed anti-dumping with the World Trade Organization ("WTO") against US ethanol, along with the European Union ("EU") continuing their anti-dumping duties for another five years which unfairly keep US ethanol out.

China has had tariffs in place for U.S. produced distillers grains for quite some time. In the meantime, new export destinations have been developed but economics, not politics, should preferably drive the market. Recent tariffs on U.S. produced soybeans and meal have pushed the prices for all protein meals down significantly. Officials with Cenex Harvest States ("CHS") which is GLE's distiller grains marketing partner state, "When fully loaded, the current Chinese tariffs are up to 55% of the delivered price to China."

The point here is, a precedent has been set and many countries around the globe are not afraid of protectionist policy. Export markets are critical for the industry's health and we are focused on finding ways to combat the policy and open new markets, but clearly the support and understanding of Washington D.C. is needed.

## GLE Mina Celebrates 10th Anniversary

During the month of August, Glacial Lakes Energy celebrated its 10th Anniversary of the Mina production facility with an open house. With an estimated 250 people in attendance to commemorate the event, a delicious meal was served and tours of the facility were conducted. Presentations were made by GLE CEO Jim Seurer, ICM CEO David Vander Griend, SD Farmers Union President Doug Sombke, and US Representative Kristi Noem. GLE Mina was commissioned in June 2008 and currently produces over 125+ mgy ethanol per year.



**A ribbon cutting ceremony was held to commemorate Glacial Lakes Energy's 10th Anniversary**

*Pictured are the GLE Board of directors and SD Governor - Elect Kristi Noem*

## Governor Ricketts Welcomes EPA Approval of E-30 Pilot for State of Nebraska Vehicles

Recently, Nebraska Governor Pete Ricketts and several state agencies welcomed news that the US Environmental Protection Agency (EPA) has approved a project requested by the State of Nebraska to study the use of higher ethanol blends. In the pilot program, the State of Nebraska will study the use of E-30 in conventional vehicles owned by the state.

In recent months, the Governor's Office, the Nebraska Ethanol Board, the Governors' Biofuels Coalition, and various state agencies have been working with the EPA on a request to pilot the use of higher ethanol blends in state vehicles. The pilot program will assess the effects of E-15 and E-30 blends on "vehicle performance, fuel economy, and emissions control systems" in state-owned vehicles. The fuel used in the pilot program will be supplied by Nebraska ethanol companies.

"This demonstration program is designed to evaluate the use of an E-30 ethanol blend in conventional vehicles compared to the same type vehicles operating on E-10 and E-15 blends," said Sarah Caswell, Administrator of the Nebraska Ethanol Board. "Fuel cost per mile, performance, maintenance and other factors will be included as a part of the project. Several engineering consultants from the University of Nebraska-Lincoln will help provide technical expertise during the duration of the project. Approximately 50 vehicles will be involved in the demonstration program. In addition to state fueling sites, six Nebraska fuel marketers have agreed to provide access to E-30 at fueling sites in the state."

GLE's E30 Challenge was instrumental in providing the information proving Premium E30 does work in non-flex fuel vehicles. The information that was shared with the Governors' Biofuels Coalition, which ultimately led to their decision to pilot Premium E30 fuel. GLE has shared the large amounts of data they gathered from the E30 Challenge with other ethanol plants, EPA, the large motor vehicle companies such as Ford and Chevrolet to name a few.

## Glacial Lakes Energy Annual Meeting

The Glacial Lakes Corn Processors, parent company of Glacial Lakes Energy, held their Annual Meeting of shareholders. Guest speakers were Ron Alverson, American Coalition for Ethanol Board of Director. He gave a presentation on Low Carbon Intensity as it relates to corn based ethanol plants. SD Farmers Union President Doug Sombke also spoke about the need for higher blends of ethanol such as E30. Management reported on the state of the business of the Cooperative including presenting a financial report. The following officers were elected to a three year board term: District 1: Larry Kahnke, Florence, SD; District 2: Noel Pond, Ipswich SD; District 3: Craig Johnson, Vermillion, SD and Mark J Schmidt, Gary, SD.

Ron Alverson was inducted into the Glacial Lakes Energy Outstanding Ethanol Advocate Hall of Fame in support of his work with the Low Carbon Intensity of biofuels and support of the ethanol industry.



*Pictured are:  
District 1: Larry Kahnke  
District 2: Noel Pond  
District 3: Craig Johnson &  
Mark J Schmidt*



# Glacial Lakes Energy, LLC

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

[http://www.glaciallakesenergy.com/invest\\_financial.htm](http://www.glaciallakesenergy.com/invest_financial.htm)

Our quarterly financials will be posted to our web page on or about the following dates  
December 21, 2018 • March 22, 2019 • June 21, 2019 • September 20, 2019 • December 20, 2019



## Stay Up to Date on Your Investment!



Would you like to be kept up-to-date on the latest news about Glacial Lakes Energy and the ethanol industry?

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](mailto: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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