



**Glacial Lakes
Energy, LLC**

NEWSLETTER

CREATING ECONOMIC VALUE FROM CORN

QUARTER 4 2019

FARMER KNOWS BEST

JIM SEURER, CEO, GLACIAL LAKES ENERGY

"It was a simple, direct, and thoughtful message: the agriculture crisis can be averted if the Trump Administration would simply let us compete in the fuel market, which is our highest value and most important contribution to our country's security."



Recently, our good friend Doug Sombke, President of the South Dakota Farmers Union, made an appeal directly to President Trump. It was a simple, direct, and thoughtful message: the agriculture crisis can be averted if the Trump Administration would simply let us compete in the fuel market, which is our highest value and most important contribution to our country's security. In other words, let us help ourselves!

Several months ago, the Trump Administration put a band-aid on the hemorrhaging Renewable Fuel Standard by vowing to re-allocate 500 million of the 4 billion gallons our industry has lost as a result of EPA (Environmental Protection Agency) waivers to Big Oil. Putting back 500 million gallons of demand may help but it fails to address the long-term problem of an EPA that does not allow ethanol to fairly compete in the fuel marketplace. This Farm Crisis can only be solved with increased demand and new markets. At the same time, a fuel economy rule that has become a bitter battle between the Administration and numerous states, led by

California, threatens to seriously damage the economy by forcing automakers to comply with multiple standards which raises costs to us, as consumers. The solution to both issues is for the Trump EPA to open the market to higher ethanol blends so a low carbon, high octane fuel like ethanol can compete.

To do this, President Trump can simply direct the EPA to obey the law and reduce the carcinogenic, toxic compounds that refiners are currently allowed to use to increase octane. Higher blends of ethanol can compete head and beat anything Big Oil can come up with. No subsidies required, just let us compete.

This solution transcends politics – Iowa Republican Senator Chuck Grassley teamed with former Colorado Democratic Senator Tim Wirth recently urging environmentalists to look at the benefits of higher blends of ethanol, such as the Premium E30 we are using right here in northeast South Dakota. That level of ethanol and octane would create new markets for corn, allow automakers to meet fuel economy

standards, reduce carbon emissions, and potentially double the demand of ethanol we are currently seeing from the RFS.

The mission of the EPA is, and should be, protecting the public's health by reducing toxic, aromatic compounds that Big Oil currently uses to increase octane. With an octane rating of 94, clean burning Premium E30 can accomplish that objective. In addition, other benefits to the public sector such as saving our family farms, creating jobs, providing energy security, and reducing carbon emissions would also be realized.

The President has the power to direct the EPA to make this happen. The RFS would no longer define our value as we will easily exceed any RFS mandated volumes and stop this endless battle that surrounds it.

Thanks Mr. Sombke, for telling President Trump and his EPA how rural America can be saved and, at the same time, how to clean up our environment.

Cautionary Statements Regarding Forward-Looking Statements

This document contains 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 valuation 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 achievement.



\$3,734 RAISED

From Left: Watertown Police Department Captain Kirk Ellis and Chief of Police Lee McPeck; Bob Faehn, KXLG Radio Owner; Connie Cutler, Administrative Assistant WPD; Chris Hughes, GLE Ethanol Marketing Manager; Marcy Kohl, GLE Director of Communications and Corporate Affairs, and Michelle Jensen, WPD.

Thanks to Glacial Lakes Energy's "Fueling Good with E30" campaign, Watertown drivers also have an opportunity to give back. Up to 2 cents for every gallon E30 purchased from partnering fuel stations which include Cowboy Country Stores, Prairie Stop and Sioux Valley Coop. For the months of April - June, \$3,700 was donated to the Watertown Police Department for their youth programming. For the months of July - September, \$3,734 was donated to Watertown Fire & Rescue and currently, GLE is supporting the "Hope, Healing and Hoof Prints at Joy Ranch.



\$1,415 RAISED

From Left: Bob Faehn, Chris Hughes, Allison Gilbertson, Director of the Prairie Lakes Healthcare Foundation, & Marcy Kohl

GLE partnered with the Cowboy Country Stores, Prairie Stop and Sioux Valley Coop, to help raise funds for the Suzanne Jacobson Memorial Foundation. For every gallon of Premium E30 sold during the week, \$0.05 per gallon was donated to the foundation. A total of \$1,415 was raised and will be used by the Foundation to provide funds to help cover expenses of cancer patients and their families as they go through treatment. The Foundation honors the memory of Suzanne Jacobson, who won many battles with cancer, but in the end lost the war.



STUDENTS GAIN HANDS-ON EXPERIENCE THROUGH BIOFUELS CURRICULUM

BY GROWTH ENERGY

"Our curriculum represents a critical investment in our nation's future leaders by fostering innovation and curiosity among our students."

"Consistently, we were hearing from friends of the industry and stakeholders who had high school students that what they were learning about biofuels didn't sound quite right," Kelly Manning Growth Energy Vice President of Development recently told American Ethanol Magazine. "This was nothing against the teachers, but good factual information was hard to come by, and a lot of the material was dated."

It was through this realization that Growth Energy partnered with the National Association of Agricultural Educators (NAAE) and National FFA to develop our Biofuels Curriculum. Our curriculum represents a critical investment in our nation's future leaders by fostering innovation and curiosity among our students. Biofuels are the cutting edge in agriculture's capacity for innovation, and we want to make sure that teachers and students take advantage of that capacity in the classroom. By adopting our curriculum into their schedule, schools can offer students a unique experience and set them up to pursue a career in biofuels.

Released earlier this summer, our curriculum introduces students to the important relationship between biofuels, agriculture, and the economy. Through science, technology, engineering and math (STEM) based activities over two weeks, students produce their own biofuel and measure its energy content and emissions. The lessons also provide students with the technological and historical background to ensure a full understanding of why STEM activities and biofuels are so important to agricultural innovation.

Teachers considering adding our curriculum to their teaching schedule can either choose to integrate the whole curriculum or individual sections to supplement their normal schedule. By doing so, they can ensure that students have exposure to a critical economic driver for our nation and source of innovation for a cleaner future. However, we need help to get the word out and put our curriculum in the hands of students and teachers. By directing agricultural educators you know to growthenergy.org/curriculum, you can help ensure a brighter future for the rural communities that keep our nation strong.

For further assistance or questions on how you can help introduce the biofuels curriculum to your community, please contact Kelly Manning at kmanning@growthenergy.org.



GROWTHENERGY.ORG/CURRICULUM



DON'T MESS WITH THE RFS

EPA has granted a record number of small refinery exemptions (SREs) over the last two years. These exemptions are cutting markets at a time when growers and producers need them the most.

Earlier this year, President Trump received praise for taking steps to allow E15, a gasoline blend with 15 percent ethanol, to be used year-round across the country. But that praise was met with criticism that his Administration too frequently exempts small refineries from the requirements set forth in the Renewable Fuels Standard (RFS) to blend ethanol into the nation's fuel supply. When oil refineries receive waivers, they no longer are required to comply with renewable fuel blend laws, put in place by the Renewable Fuels Standard (RFS), eliminating their need to blend ethanol and other renewable fuels.

Since 2016, Trump's Environmental Protection Agency (EPA) has granted 85 hardship waivers to oil refineries, including ExxonMobil and Chevron. Thirty-one of those waivers were granted in August 2019 setting off a fire-storm of criticism. These results have resulted in significant damage to the demand for domestic ethanol which, in turn, has devastated the farm economy as well as the ethanol industry.

Hardship waivers have reduced demand for corn by nearly 1 billion bushels and ethanol by nearly 4 billion gallons. In the last two years, thirteen (13) ethanol plants have shut down across the country. "In just the past two years, the amount of ethanol gallons waived represents approximately 25 percent of our industry's annual production which is very disturbing," says Jim Seurer, Glacial Lakes Energy CEO. "This industry was built to produce a product that is better for our environment and the EPA's primary responsibility is to protect our environment. I just don't get it...how can they be allowed to reject a product that is better for our air quality?"

"EPA doesn't seem to be listening, so it's our responsibility to engage the ears of policy makers and Washington, D.C. decision makers," says Mark Schmidt, Glacial Lakes Energy's Board President and a farmer from rural Gary, S.D.

"I have a tough time believing Chevron or Exxon – companies with annual incomes of more than \$10 billion – qualify for hardship waivers. There must be a loophole somewhere. There needs to be transparency and the EPA

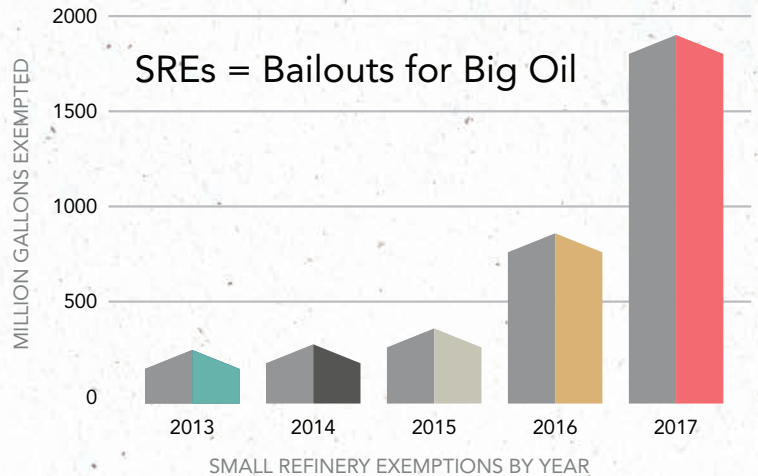
needs to be held accountable," Schmidt continues. Not one to mince words, Schmidt shared his frustration with the EPA Region 8 Administrator during a tour of Glacial Lakes Energy's Watertown plant in August; ten days later 31 more waivers were issued.

South Dakota farmers and Glacial Lakes Energy leadership are not alone in their assertion that the waivers are being illegally granted.

Sioux Falls – based ethanol producer, POET, posted on the website, "EPA's continued misuse of small refinery exemptions is artificially capping demand for biofuels and, consequently, impacting farmers' bottom line by severely reducing an important market for corn. The waivers have more than quadrupled through 2017 from 2013 levels and have been issued to some of the largest and richest companies in the world."

Iowa's Senator Chuck Grassley also doubts the legitimacy of Big Oil's hardship. In response to the August 13, 2019 prediction by the USDA that corn demand will fall due to reduction in ethanol production, he had this to say, "Seems to me the bottom line is that EPA is undermining the congressional intent in the (RFS), and it's surely hurting farmers in Iowa and rural America." Grassley called for transparency from the EPA.

Over the past month, six ethanol plants had closed or been idled, at least temporarily. In Winnebago, M.N., where production stopped and all but a few employees of the Corn Plus ethanol plant were laid-off, that meant the sudden loss of one of the town's three largest employers and an added expense for nearby



"Multibillion-dollar oil companies like ExxonMobil and Chevron have claimed "economic hardship" to qualify for special exemptions from the EPA. Rural families are paying the price."

farmers who had planned to sell their harvest there.

Midwestern farmers continued their criticism of President Trump's ethanol policy in measured but increasingly impatient tones: Fix the policies hurting corn prices and prompting ethanol plants to close or risk alienating one of the most loyal parts of your political base.

After weeks of intense pressure from the Corn Belt, the Administration changed course and yielded, saying that it would put forth rules designed to increase ethanol demand. However, it was later determined that the plan put forth by the Trump EPA lacked detail and came up well short of what is needed to fix the issue. Under intense pressure from Big Oil, the issue remains in a stalemate.

Even without the disruption to the ethanol market, farmers have faced a difficult year where rain has delayed planting, a trade war with China has siphoned off profits, and weather extremes have busted levees and swallowed fields.

WHAT IS THE RFS?

(RENEWABLE FUELS STANDARD)

The Renewable Fuels Standard or RFS is a program that requires oil refineries to add and blend a percentage of ethanol and other renewable fuels. It reduces greenhouse gas emissions by 42 percent. The RFS saves American families hundreds of dollars a year on fuel purchases. It has reduced purchases of foreign oil by \$40 billion.

GLCP PLANS STRATEGIC EXPANSION

“We have met most of the Advanced Bio Energy crews and we can say for certain that our entire GLE management team is ready and excited to bring these dedicated folks into the GLE family...”

Glacial Lakes Corn Processors (GLCP), the parent company of Glacial Lakes Energy LLC, recently announced their intended purchase of two ethanol plants located in Huron and Aberdeen, S.D. from Advanced BioEnergy (ABE) which is headquartered in Minneapolis. The two plants to be acquired have a combined production rate of over 80 million gallons per year.

“You can buy something anytime, but you also need to ask, does it make sense? Our Board of Directors believes this purchase does make sense because these plants are within our footprint, the timing was right, and many other reasons which align with our strategic plan,” explains Mark Schmidt, GLCP Board Chairman.

“Extensive research went into the decision, the plants’ facilities and production capacity were thoroughly vetted,” explains Jim Seurer, Glacial Lakes Energy CEO. “Our board of directors and management team did not make this decision lightly. We take a longer view, understanding decisions we make today will impact us well into the future, and we believe this purchase will have a positive impact on the future of this cooperative. We see expanded demand for ethanol around the globe and this positions GLE to better meet that expanded growth,” Seurer says.

Growth is part of the cooperative’s strategic plan, and Schmidt and Seurer explain expansion opportunities tend to arise more frequently in a down market. “When times are good and markets are robust, opportunities to expand don’t always come along so we are responding to an opportunity that may not be available in the future,” Seurer adds.

The purchase of the two Advanced BioEnergy facilities will bring Glacial Lakes Energy’s annual production to approximately 350 million gallons of ethanol; 1 million tons of feed and over 100 million pounds of corn oil – increasing shareholders’ ownership by 32%. “One way to look at this is, each share owns about 1.3 gallons prior to the purchase and, subsequently, each share will own approximately 1.7 gallons. It is an asset purchase not a merger and, therefore, we will not take on additional shareholders or dilution,” Seurer explains. “When the deal is finalized, we will hand Advanced BioEnergy a check and they will hand over the keys. At some time thereafter, Advanced BioEnergy will hand out final distribution checks to their member-owners.”

Like GLE’s Watertown and Mina plants, the Aberdeen and Huron ethanol plants have been well managed and maintained, says GLE Director of Operations, Pat Hogan. “They will fit into our current operations very nicely and we’ll be able to capitalize on higher efficiencies, essentially reducing our overall cost-per-gallon of production.”

The purchase will allow GLE to increase and maximize co-product production and distribution efficiencies within the expanded footprint. Hogan also expects to realize volume discounts on inputs.

The Aberdeen facility was built in 2007. It includes a loop track to ship unit trains and other recent upgrades, including a grain handling facility. The Huron facility, which is over 20 years old, has been well maintained.

Both facilities bring added marketing flexibility and opportunities, explains Brad Schultz, GLE Director of Commodities and Risk Management. “Three operating, unit shipping



ABERDEEN, SD



HURON, SD

locations can help us increase our marketing capacity and logistical flexibility for both domestic and export markets”.

As an additional feature, the Huron location provides GLE with an opportunity to enter new, premium markets because the ethanol produced there receives a lower carbon intensity score. “Demand is growing for ethanol that meets lower carbon fuel standards out west – California, Oregon and Western Canada,” Schultz explains.

“Speaking to demand. Purchasing these two operational plants, will increase the volume of corn GLE purchases annually to approximately 125 million bushels.” Schultz explains. “However, this does not create a procurement issue because these plants are already operational and farmers are already supplying them with corn,” he says. “Both plants will provide GLE producers with additional destinations within our trade territory.”

“Employees will be offered comparable positions with GLE and we are working to ensure a smooth transition for their nearly 60 employees,” explains Tara Crowder, Director of Human Resources. “We are excited for them to join our team and our management team appreciates the knowledge and years of experience these employees bring to GLE – they know how these plants operate and they have great tenure.”

A final closing date on the transaction has not been finalized but will happen in the near future. GLE’s team will then begin managing the two facilities by initiating GLE’s management philosophy and work culture into the new locations.

“We have met most of the Advanced BioEnergy crews and we can say for certain that our entire GLE management team is ready and excited to bring these dedicated folks into the GLE family,” states Jim Seurer, CEO.

FISCAL 2019 ENDS ON A POSITIVE NOTE

Despite losses in three previous quarters and a continuation of extreme margin compression, the fourth and final quarter of our fiscal year 2019 ended on a positive note with net income of \$1.7 million. This performance, however, wasn't enough to erase the damage wreaked by the demand crushing trade dispute with China and the refinery waivers granted to Big Oil by the Administration's EPA (Environmental Protection Agency). These two factors continue to create significant challenges for the entire ethanol sector as many producers have cut back production because of negative margin economics. Although not all companies are in a position to keep their balance sheets strong, GLE has been successful in doing so as demonstrated by the maintenance of our working capital base which has remained constant since the beginning of the fiscal year.

GLE began the fourth quarter with a year-to-date net loss of \$9.8 million and ended it with a year-to-date net loss of \$8.1 million. Looking back at all four quarters, the 3rd quarter with its loss of \$5.2 million, was particularly difficult due to the lower production and difficult logistical challenges brought on by unprecedented winter conditions. "The GLE team battled every element thrown at us and, even after the snow melted, the flooding in other parts of the country kept us from our full production potential," says CEO Jim Seurer. "After managing through these challenges, it was nice to see our production results bounce back and finish the 4th quarter in record setting fashion with the production of 69.4 million gallons," continues Seurer. "Most importantly, on a cash flow basis, we have managed through these difficult times and still kept our working capital base at approximately the same level over the past twelve months."

UNAUDITED FINANCIAL RESULTS

FOR THE QUARTER ENDED AUGUST 31, 2019
(IN MILLIONS)

Total Assets	\$216.0	Current Assets	\$104.8
Total Liabilities	\$38.0	Current Liabilities	\$31.4
Net Worth	\$178.0	Working Capital	\$73.4
QTD Net Income	\$1.7	YTD Loss	\$8.1

October 8, 2019
The Honorable Donald J. Trump President
The White House
1600 Pennsylvania Avenue Washington, DC



GOVERNORS' BIOFUELS COALITION

Dear Mr. President:

As Chair and Vice Chair of the Governors' Biofuels Coalition, we want to thank you for listening to and working with the nation's agricultural leaders and biofuel producers to develop a proposal to help mitigate the effects of EPA's small refinery exemptions. While the small refinery exemptions have already damaged the economic health of biofuels producers across the country, this proposal is an important effort towards restoring confidence to producers and bringing stability to the industry. We are pleased that EPA will publish a proposed supplemental rule to address future small refinery waivers and will honor the Renewable Fuel Standard's blending requirements. We urge EPA to finalize the rule as soon as possible.

We respectfully request that your Administration use existing executive authority to act immediately to help restore and grow the nation's agriculture and biofuels industries. You can also take additional administrative steps now to grow the nation's agriculture and biofuels industries without Congress's approval. Please consider taking the following steps now:

- Direct EPA to enforce the Clean Air Act and reduce the aromatics in gasoline, opening new market opportunities for ethanol to replace toxics and give refiners more options to meet octane demand with high octane ethanol. Replacing hazardous aromatics in gasoline with biofuel will reduce carbon emissions and will provide incalculable health benefits, especially for those Americans living in urban areas.
- Direct EPA to extend the RVP waiver to higher ethanol blends, including E30. Efforts to revitalize rural growth must include a waiver for all ethanol blends above E15, including E30. EPA's regulations have unnecessarily limited the amount of ethanol used in the market, despite the economic and environmental benefits that come with increased ethanol consumption.
- Direct EPA to update its lifecycle carbon findings. EPA's estimate of lifecycle carbon emissions associated with ethanol have not been updated for a decade, thereby permitting the use of obsolete data to distort the public's perception of biofuels' environmental benefits. Recent studies show that one of the most effective ways to reduce the carbon in gasoline is to encourage the widespread use of high-octane, lower carbon gasoline blends.
- Direct EPA to resume processing and approving registration applications for the production of cellulosic ethanol from corn kernel fiber for D3 RIN credit under existing regulations. Applications from companies seeking D3 RIN approval have been delayed in EPA's regulatory process, resulting in millions of cellulosic biofuel gallons withheld from the marketplace because of regulatory delay.

These administrative actions would immediately expand renewable energy production and allow the states, especially those in the Midwest, to harvest the economic and environmental benefits of a thriving biofuels industry. We welcome an opportunity to work with you and Administrator Wheeler on these and other steps to benefit the states' biofuels industries.

Tim Walz

Chair and Governor of Minnesota

Kristi Noem

Vice Chair and Governor of South Dakota

cc: The Honorable Andrew Wheeler, Administrator, U.S. Environmental Protection Agency, The Honorable Sonny Perdue, Secretary, U.S. Department of Agriculture, The Honorable Doug Hoelscher, Deputy Assistant to the President & Director, White House Intergovernmental Affairs, The Honorable Francis Brooke, Special Assistant to the President for Energy and Environmental Policy, Member Governors



Glacial Lakes Energy, LLC

301 20th Avenue SE, Watertown, SD 57201 | 605-882-8480

WWW.GLACIALLAKESENERGY.COM



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

WWW.GLACIALLAKESENERGY.COM/INVEST_FINANCIAL.HTM

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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 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.



EPA ADMINISTRATOR TOURS GLE WATERTOWN

Gregory Sopkin, U.S. Environmental Protection Agency (EPA) Regional Administrator for Region VIII toured Glacial Lakes Energy's ethanol production plant in Watertown as part of his visit to South Dakota this past August.

"Knowledge is power. Anytime we can educate someone about our industry, they have a better ability to understand and relate to us and that gives us advantages as well," says Glacial Lakes Energy's CEO Jim Seurer.

Sopkin's tour was thorough, beginning at delivery of corn and concluding with the discussion and review of production co-products. "He was very interested in the production of distiller feed and asked a lot of good questions. This was his first tour of an ethanol plant and we're honored we had the opportunity to showcase our Watertown facility," Marcy Kohl, GLE Director of Communications & Corporate Affairs. "We were able to show him that there is no waste at an ethanol plant. We also provided him with the history of GLE, as well as the economic impact ethanol has on our state and nation." In Watertown alone, GLE is estimated to have an indirect economic impact of nearly \$500 million.

Following the tour, GLE organized a meeting where Sopkin visited with Watertown Mayor Sarah Caron, Watertown Police Department leaders, high performance engine mechanic and small business owner, Andy Wicks and others who use Premium E30 daily in non-flex fuel vehicles.

"The Watertown ambulances, police fleet, and transit vans have all been successfully fueling up with Premium E30 for a few years now – we felt it was a good idea to have others, outside of GLE share why they use and trust Premium E30," Kohl explains.



The next day, Sopkin had this to say about his experience at GLE. "I received education on the possibilities of Premium E30 and what the community is doing to promote Premium E30," Sopkin shared. "When I was at Glacial Lakes Energy, many in the community showed up to say how they used Premium E30 in non-flex fuel vehicles and in general, they had a positive experience."

GLE board Chairman, Mark Schmidt took advantage of Sopkin's visit to air frustrations over EPA providing blend waivers to Big Oil companies. "I told him I have a hard time believing Chevron and Exxon, who make \$10 billion a year, need hardship waivers. Administrator Sopkin said he would take our message to his colleagues in D.C."

Since the Administrator's visit, the GLE team has remained in contact with Sopkin via email. "It's important for someone in the Administrator's role to understand that even though he visited our plant, there are roughly 200 others out there like ours," Seurer explains. "I think this visit helped him grasp a better understanding of our industry as a whole."