



GLACIAL LAKES CORN PROCESSORS

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January 31, 2018

GLCP Shareholder Patrons & Customers:

In the final hours of calendar year 2017, the Tax Cuts & Jobs Act of 2017 was passed by Congress and signed by the President. Contained within that law were changes made to the pass-through rules for partnerships, limited liability companies, S-corporations, and cooperatives including agricultural cooperatives. One of the changes was the elimination of a deduction known as the Section 199 deduction or Domestic Production Activities Deduction ("DPAD"). This deduction provided tax relief for domestic job production and was heavily relied upon by cooperative ethanol producers including Glacial Lakes Corn Processors. A new Section 199A provision was created to replace the lost DPAD. The new Section 199A provides, among other things, a 20% deduction for the sale of corn to an agricultural cooperative. Although there are discussions underway in Congress that could lower or eliminate this deduction, the 20% deduction on the sale of products by a patron to a cooperative is currently the law of the land.

Glacial Lakes Corn Processors is a cooperative, and operates its business, including all grain origination and procurement, through its 100% owned subsidiaries Glacial Lakes Energy LLC and Aberdeen Energy LLC. Since early January, we have worked diligently with our legal counsel to understand the impact of this law and what changes, if any, need to be made to the way we conduct our business. As a result of this review and in accordance with our Bylaws, we made slight changes and, effective January 30, 2018, 100% of the bushels we purchase will qualify for the new Section 199A 20% deduction.

The Section 199A 20% deduction also applies to the patronage dividends that Glacial Lakes Corn Processors pays to its shareholder members. As with all tax provisions, please consult with your tax accountant on the impact and applicability of the new Section 199A 20% deduction to your own tax situation.

On the back of this letter is a "Frequently Asked Questions" section in which we answer questions that you may have. If you have additional questions, please feel free to call our commodities department in Watertown at (605) 882-8480 or Mina at (605) 225-9900.

On behalf of the Board of Directors and our employee teams, thank you for your continued support!

Sincerely,
GLACIAL LAKES ENERGY, LLC

James A. Seurer
Chief Executive Officer

Frequently Asked Questions

How do I qualify for this deduction and when will I receive it? *You qualify by delivering corn to one of GLE's two locations (Watertown & Mina) during calendar year 2018 as set forth below. Forms 1099-PATR will be issued to patrons in early 2019 that will report all corn payments made by the cooperative on or after January 30, 2018 as per-unit retains paid in money ("PURPIMs"), which will need to be reported as taxable income but will also qualify for the Section 199A 20% deduction. This is new, as we have not previously reported corn payments on the 1099-PATR.*

What about the payment for bushels between January 1st and 30th, 2018? *Payments made for committed bushels after January 1, 2018 will be reported as PURPIMS eligible for the Section 199A 20% deduction. Payments made for non-committed bushels on or after January 30, 2018, will be reported as PURPIMS eligible for the Section 199A 20% deduction. Payments made for non-committed bushels between January 1st and January 30th, will NOT be eligible for the Section 199A 20% deduction.*

How will this affect my Deferred Price and Deferred Payment bushels? *The cooperative will treat all payments made on or after January 30 as PURPIMS which are eligible for the Section 199A 20% deduction. Payments made between January 1st and 30th, 2018 will NOT receive the Section 199A 20% deduction unless those payments are applicable to committed bushels (per above).*

What about bushels I deliver under another's membership/shares? *In accordance with the rules, we must report the PURPIMS which are eligible for the Section 199A 20% deduction to the member in whose name the bushels were delivered. Since the "gross proceeds" of those deliveries will now be reported, the deliverer and the member in whose name the bushels were delivered should discuss whether this result is acceptable to both parties.*

Can I purchase corn for delivery on my committed bushels and receive the PURPIMs that the cooperative pays for that corn? *Yes. However, we strongly recommend that you first discuss this with your tax accountant and carefully consider all of the other risks associated with this strategy.*

Is the patronage income that I receive from GLCP eligible for a Section 199A 20% deduction? *Yes, you will continue to receive a 1099-PATR that reflects your patronage dividends of the cooperative. Beginning with your 2018 tax return, you will need to visit with your tax consultant about how the 20% deduction is taken on your tax return.*