



Ethanol - The Alternative Solution

Homeland Energy Solutions · 2779 Highway 24 · Lawler, IA 52154  
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# Plant News & Ethanol Update

February 2011

## HES becomes owner in ethanol, distillers grain marketing firm

Homeland Energy's board of directors has voted to become owners in the marketing firm RPMG, effective May 1. In joining the firm, Homeland partners with 13 other farmer-owned ethanol plants to access markets, improve logistics and lower marketing costs.

"We hope that RPMG can help with the logistics for the plant in working with the Canadian Pacific Railroad, which has been a challenge," said HES President and CEO Walt Wendland. RPMG may help smooth the operational flow at the plant by offering the flexibility to move cars among the five plants it will now be working with that are served by Canadian Pacific lines.

"Green Plains Renewable Products has done a very good job marketing our ethanol," Wendland said. Their people have worked very hard and closely with us to maximize our crush margins." The board's decision was based on RPMG's ability to assist with logistics and the company's willingness to allow Homeland to become an owner in the marketing firm.

## Annual meeting set April 7 Voting includes two director seats

Homeland Energy Solutions will host its 2011 Annual Meeting of Members on Thursday, April 7, at the Starlite Ballroom, 417 E. Grove St., Lawler, Iowa, with registration beginning at 1 p.m. and the meeting beginning 2 p.m.

Included in the business of the meeting will be the election of two directors to three-year terms on the board of directors.

Nominees for the board include incumbents Mathew Driscoll and Duane Schwickerath, who were each elected in 2010 to serve for one year, along with members Stephen Eastman, Bernard Retterath and Robert Sieracki.

### About the nominees:

**Mathew Driscoll, 31:** Has been employed by, and is on the board of, Christensen and Driscoll Financial Services since June 2009. He has been previously employed as a financial advisor by Tuve Investments of Waterloo and MidWestOne Financial Group of Cedar Falls. He is currently a Homeland Energy Solutions board director and serves on the audit committee.

**Duane Schwickerath, 50:** Has

been self-employed as a farmer since 1978. He is currently a board director for the company and serves on the risk management committee.

**Stephen Eastman, 41:** Has been the manager and owner of the family-owned Farmers Feed and Grain in Riceville since 1987, along with operating a corn and soybean enterprise and 400-head cattle feedlot. He was president of Homeland Energy Solutions from its inception to December 2008 and continued to serve as a director and board chairman until the 2010 annual meeting.

**Bernard Retterath, 71:** Is an Army veteran and has operated farming and trucking operations in Mitchell County since 2003. He was treasurer for the company from its inception through December 2008 and continued to serve as a director until the 2010 annual meeting.

**Robert Sieracki, 70:** Has owned and operated income producing real estate in St. Paul, Minn., since 1985. He has also served as a Commander and Coxswain in the US Coast Guard Auxiliary and as a boat captain for Marine Max, located in Oakdale, Minn.

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## 2010 highlights: debt pay-down, distribution

Homeland Energy Solutions filed its 2010 Annual Report 12-31-10 Form 10K and the 2011 Proxy Statement on Feb. 18, 2011, with the SEC. The Homeland team continues to operate the plant at very efficient levels, and the plant continues to reach new daily production milestones.

The increasing corn price has had an impact on margins for the company and a negative impact on the fourth quarter financial results. Despite what has happened in the corn market, Homeland showed profits for the quarter of more than \$1.57 million or \$17.28 per membership unit.

The Company has accomplished many things during

its fiscal year ended Dec. 31, 2010, including the reduction of long term debt by approximately \$32 million and the declaration of a member distribution for members of record at Dec. 15, 2010, of \$68 per unit. We hope to pay this distribution to the membership by April 1, 2011.

Please note that the book value per membership unit has decreased but that is due to the distribution declared in December 2010. Highlights of the financial results are printed below. A more detailed version of the financial results is currently available on the [HES](#) or [SEC website](#).

— *Jeff Grober, Chief Financial Officer  
Homeland Energy Solutions*

BALANCE SHEET					
	12/31/10	9/30/10	6/30/10	3/31/10	12/31/09
Current Assets	\$30,920,597	\$18,495,942	\$23,081,129	\$25,017,424	\$19,811,778
Property & Equipment	138,906,631	141,759,292	144,250,831	146,436,843	149,107,152
Other Assets	2,847,833	2,944,666	13,069,402	13,134,598	13,600,758
<b>Total Assets</b>	<b>\$172,675,061</b>	<b>\$163,199,900</b>	<b>\$180,401,362</b>	<b>\$184,588,865</b>	<b>\$182,519,688</b>
Current Liabilities	\$27,089,841	\$14,441,159	\$11,093,397	\$15,498,682	\$12,652,511
Long-term Liabilities	33,101,406	31,704,602	53,557,751	55,410,855	62,263,911
Total Members' Equity	112,483,814	117,054,139	115,750,214	113,679,328	107,603,266
<b>Total Liabilities &amp; Equity</b>	<b>\$172,675,061</b>	<b>\$163,199,900</b>	<b>\$180,401,362</b>	<b>\$184,588,865</b>	<b>\$182,519,688</b>
Book Value per membership unit	\$1,230	\$1,280	\$1,266	\$1,243	\$1,177

INCOME STATEMENT				
	Qtr Ended 12/31/10	Qtr Ended 12/31/09	Year to date 12/31/10	Year to date 12/31/09
Revenue	\$79,104,912	\$69,358,347	\$254,480,111	\$161,855,910
Cost of Goods Sold	76,571,898	56,777,672	239,311,226	142,218,998
Operating Expenses	751,995	576,448	2,198,314	2,451,539
Operating Income (Loss)	1,781,019	12,004,227	12,970,571	17,185,373
Other Income (Expenses)	(201,083)	(500,979)	(1,939,762)	(1,544,998)
Net Income (Loss)	1,579,936	11,503,248	11,030,809	15,640,375
Net Income (Loss) Per Unit	17.28	125.81	120.63	171.04

This newsletter marks the last financial report Homeland Energy Solutions will receive from Jeff Grober, who has been chief financial officer since December 2009, and resigned from the position effective Feb. 25. The company and board of directors thank Jeff for his hard work and commitment and wishes him well in his next endeavour.

A search has been started to find a new CFO, with hopes to fill the position soon.

### Touting ethanol's benefits:

## RFA membership helps promote ethanol now

Now, more than ever before, ethanol makes sense in providing the United States with options in meeting its energy and fuel needs.

As corn prices dropped 30 cents in one day, and oil increase \$15/barrel in two days in late February due to unrest in the Middle East, it should be more and more apparent that ethanol and other homegrown fuel sources are needed.

"This is why we need to get the message out that reducing our dependence on foreign oil is a good thing," says Walt Wendland, HES president and CEO. "You never know when foreign oil monopolies are going to cut off

our oil supply or drag us into another war."

If ethanol is available as an option to replace petroleum in our nation's fuel supply, we can reduce our dependence and vulnerability.

One way Homeland Energy Solutions is working to continue to put that message in front of the public and our government leaders is by choosing to join the Renewable Fuels Association, which the board of directors recently voted to do. Board chairman Jim Boeding is Homeland's representative to the RFA.

"It takes everyone in the industry to participate, fight the battle and stand up for our industry," Wendland said.

### HES receives 2011 Progressive Manufacturing Award

Homeland has been selected as a winner of the 2011 Progressive Manufacturing 100 Award (PM 100) for the Advanced Process Control (APC) project implemented in 2009/2010.

APC is a multi-variable computer model of the plant that is utilized to maximize plant efficiency. Once the plant achieves a steady state condition, APC is turned on, and the computer manipulates multiple variables to maintain optimum conditions. It can be compared to the cruise control in a car in very simple terms, except that in addition to changing the gas pedal to maintain speed, it looks at if your speed is increasing or decreasing, the terrain and the wind direction to also adjust the air pressure, spoiler height and gas mixture composition.

Our selection for a PM 100 Award confirms we are among the most innovative manufacturers in the world. Our project was chosen by a panel of distinguished judges from hundreds of nominations. The PMA Awards will be presented at an exclusive black tie gala dinner May 11 at the Breakers Hotel in Palm Beach, Fla.

## Annual meeting, proxy info ... continued from Page 1

### How the voting will work:

Voting for the directors will be open to member/owners of record as of Feb. 18, 2011, and may be conducted either in person at the annual meeting or by proxy. Members will receive a proxy statement and ballot by mail prior to the annual meeting, and are encouraged to return the proxy even if they plan to attend the meeting. This is your company. Please exercise your right to vote!

The ballot will ask members to vote for up to two directors; each member entitled to vote will have one vote for each membership unit owned. The two nominees receiving the greatest number of votes, relative to the votes cast for their competitors, will be elected. Abstentions and withheld votes do not count for or against any nominee.

Proxy ballots must be received by mail or fax by 5 p.m. Wednes-

day, April 6, 2011, in order to be valid. They may be mailed to 2779 Highway 24, Lawler, IA 52154 or faxed to 563-238-5557. If the proxy card is signed and returned without specifying choices, your membership units will be voted as for the incumbents, Mathew Driscoll and Duane Schwickerath.

The proxy statement, ballot and more complete information about the annual meeting and company can be found online by visiting the [Homeland Energy Solutions](#) website and following the link under Investor Relations to SEC filings. Included in the more detailed information is information about the current board of directors, the security ownership of management and directors, committee reports, audit reports, information on submitting nominations and proposals for the 2012 annual meeting, and executive and director compensation.

## Homeland Energy Solutions

### Board of Directors

Jim Boeding, Chairman  
 Leslie Hansen, Vice Chairman  
 Christine Marchand, Secretary  
 Pat Boyle  
 Jerry Calease  
 Mathew Driscoll  
 Ed Hatten  
 Maurice Hyde  
 Chad Kuhlert  
 Steve Retterath  
 Duane Schwickerath

### Management Team

Walter Wendland,  
 President & CEO  
 Jeff Grober,  
 Chief Financial Officer  
 Kevin Howes, Plant Manager  
 Stan Wubbena, Grain  
 Merchandiser

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*This newsletter contains forward-looking statements. We undertake no responsibility to update any forward looking statement. When used, the words "believe", "hope", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements. Readers should not place undue reliance on any forward-looking statements and recognize that the statements are not predictions of actual future results, which could and likely will differ materially from those anticipated in the forward-looking statements due to risks and uncertainties, including those described in our Securities and Exchange Commission filings, copies of which are available through our web site or upon request.*

## Refining, refocusing production improves conversion rate

Homeland Energy's operations staff is dedicated to finding ways of improving production and maximizing profits for the company and its owners. One way they are doing so now, in this environment of higher priced corn, is to focus on improving the plant's efficiency.

Changes have been made in production and operations to increase the plant's efficiency, focusing on the number of gallons of ethanol produced per bushel of corn, using the least amount of energy possible, rather than focusing solely on the number of gallons per day. The heartbeat of our plant is the fermentation process. Every day, we review our data to make sure we are getting

everything out of the corn we can. January was our best conversion (gallons produced) per bushel.

Changes we have made include grinding the corn into smaller pieces, changing to a more concentrated enzyme, and maximizing the working volume of each fermentor. Benchtop fermentation, where we mimic our large 800,000 gallon fermentors in beakers containing just a few ounces, has proven to be very valuable. Every week, we are running at least one benchtop, which allows us to evaluate fermentation changes before going full scale.

This change should further maximize profitability based on the current market conditions.

## Ethanol industry news

### E-15 still gets mixed reviews, faces challenges

Though the Environmental Protection Agency in December approved the use of E-15 in vehicles manufactured from 2001 to 2007, recent action in Congress shows that successful implementation of the higher blend still faces steep uphill challenges.

The House of Representatives voted last week to cut funding for the EPA to implement the E-15 standard and promote blender-pump installations. While leaders with the Renewable Fuels Association say it is unlikely the legislation will advance to the Senate, RFA urges members to continue to communicate with their

elected officials about the importance of E-15 in the nation's future fuel supply.

### Engineering firm gives E-15 green light for older vehicles, too

At the Iowa Renewable Fuels Summit in January, Ricardo, an internationally recognized automotive and engineering firm, asserted that E-15 is safe for vehicles made between 1994 and 2000, expanding another 7 years beyond the window approved by the EPA.

More information about the presentation can be found online at <http://domesticfuel.com/2011/02/23/df-cast-study-shows-e15-ok-in-older-vehicles/>.