



Ethanol - The Alternative Solution

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Plant News & Ethanol Update

March 2010

From the CEO:

First year yields solid profits despite challenges

I am pleased to report that Homeland has ended its first year with strong results. The year started with a slight delay in construction due to a snowy winter. The staff started training Feb. 16, 2009, and operations began in April just as the economics for ethanol turned positive. Our first quarter of production showed a profit of just over \$1 million.

On Sept. 19, Homeland employees and board members hosted more than 1,200 shareholders and customers on a beautiful, warm fall day for an open house to showcase the plant.

Profits for the third quarter continued to improve to \$4.2 million as production and crush margins improved and employees gained a stronger understanding of their responsibilities. Unfortunately, as harvest got under way, we discovered rather quickly that corn quality was not as we had hoped. Light testweight and mold presented new challenges to operations and commodity departments. Our operations and lab personnel have done a great job of squeezing

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Homeland's annual meeting set for March 30

14 candidates on ballot for 8 director seats

Homeland Energy Solutions members are encouraged to plan to attend the company's annual meeting, set for March 30 at the Starlight Ballroom in Lawler, IA. Registration will be at 1 p.m. with the meeting beginning at 2 p.m. Refreshments will be provided.

Included on the agenda for the meeting is the election of directors to the board. There are fourteen nominees for director and there are eight board seats up for election at the 2010 Annual Meeting.

The nominees are: James Boeding, Patrick Boyle, Jerry Calease, Donovan Drenth, Matthew Driscoll, Stephen Eastman, Maurice Hyde, Chad Kuhlert, Robert Lynch, Christine Marchand, Jerry Reicks, Bernard Retterath, Duane Schwickerath, and Loras Wolfe.

The Company's operating agreement provides that at the first annual meeting where directors are elected, the Company will split the board of director's seats into three groups with

staggered three year terms. These three groups will be called Group I, Group II and Group III. There are two Group I director seats, three Group II director seats and three Group III director seats.

In order to create the staggered terms, Group I directors will serve an initial term of one year, Group II directors will serve an initial term of two years and Group III directors will serve an initial term of three years.

After the initial terms expire, the Group I, Group II and Group III board of director seats will stand for election to three year terms. Therefore, approximately one-third of the director seats will be up for election at each annual meeting following the 2010 Annual Meeting.

Members will also hear updates from Homeland Energy's management team, DDGS and ethanol marketers, and Ron Fagen.

If you are unable to attend the annual meeting, please be sure to return the proxy statement and ballot you will receive in the mail in the next few days.

Homeland finishes first production year with strong profits, stable balance sheet

Despite entering the market on the tail end of very tough economic conditions, Homeland Energy recorded solid profits for its first year of operations.

The year ended with net income topping \$15.6 million or more than \$171 per membership unit. Exceptional fourth quarter profits and cash flows allowed HES to pay its debt down to \$69.0 million at the close of the fiscal year on Dec. 31. The original

term loan that was converted from a construction note on July 1, 2009, was for approximately \$92.7 million.

Highlights of the financial results are shown in the accompanying charts. A more detailed version will be available on the HES or SEC website in the middle of March.

| BALANCE SHEET | | |
|--------------------------------|--------------|-------------|
| | 12/31/09 | 12/31/08 |
| Current Assets | \$19,811,778 | \$160,466 |
| Property & Equipment | 149,107,152 | 139,822,177 |
| Other Assets | 13,600,758 | 13,073,975 |
| Total Assets | 182,519,688 | 153,056,618 |
| Current Liabilities | \$12,652,511 | 9,456,921 |
| Long-term Liabilities | 62,263,911 | 51,636,807 |
| Total Members' Equity | 107,603,266 | 91,962,890 |
| Total Liabilities & Equity | 182,519,688 | 153,056,618 |
| Book Value per membership unit | 1,177 | 1,006 |

| INCOME STATEMENT | | | | | |
|----------------------------|-----------------------|----------------------|----------------------|----------------------|---------------|
| | Qtr Ended 12/31/09 | Qtr Ended 9/30/09 | Qtr Ended 6/30/09 | Qtr Ended 3/31/09 | Year to Date |
| Revenue | \$69,358,347 | \$52,934,845 | \$39,562,718 | -- | \$161,855,910 |
| Cost of Goods Sold | 56,777,672 | 47,307,748 | 38,133,578 | -- | 142,218,998 |
| Operating Expenses | 576,448 | 685,278 | 150,199 | 1,216,537 | 2,628,462 |
| Operating Income (Loss) | 12,004,227 | 4,941,819 | 1,278,941 | (1,216,537) | 17,008,450 |
| Other Income (Expenses) | (500,979) | (712,046) | (232,607) | 77,557 | (1,368,075) |
| Net Income (Loss) | 11,503,248 | 4,229,773 | 1,046,334 | (1,138,980) | 15,640,375 |
| Net Income (Loss) Per Unit | 125.81 | 46.25 | 11.44 | (12.46) | 171.04 |

New CFO named for Homeland Energy

Jeff Grober took over as Homeland Energy Solutions' new chief financial officer on Jan. 1, replacing Christy Marchand. Prior to joining Homeland Energy, Mr. Grober, age 47, was the Plant Manager/CFO of a Kellogg Company plant located in Seelyville, Indiana.

Prior to his employment with Kellogg Company, Mr. Grober worked for Brownie Products Co./Indybake

Products, LLC in Seelyville, Indiana, from 1995 – 2009, where he most recently was the CFO for both companies for 11 years. Brownie/Indybake Products were multi-million dollar food manufacturing companies and were acquired by Kellogg Company in 2008.

The Homeland Energy Solutions board is pleased to have a CFO with years of accounting experience,

including valuable experience in operations, and looks forward to the expertise he brings to the company.

This will be Marchand's last financial report, and we would like to thank her for helping Homeland set up the accounting systems to get the company off to a good start.

Marchand continues to serve as CFO for Golden Grain Energy.

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Future margins tight without approval of E15

out every possible drop of ethanol out of the corn. The vomitoxin issue still has not gone away, and we continue to test DON (deoxynivalenol) levels daily and post the results regularly on our webpage. It is our goal to have levels no higher than 5 ppm in our DDGS.

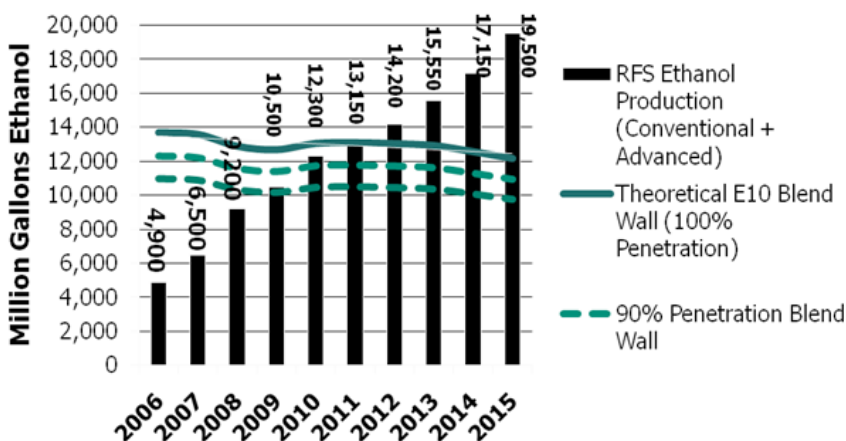
I encourage elevators and farmers to continue to watch their bins closely, take loads out of the center regularly, deliver higher moisture corn first, and keep grain temperatures as low as practical to avoid mold growth. Mold growth is likely to intensify as moisture tops 15% and temps go beyond 50°F.

This summer we fear things could get worse, and we may need to implement a discount schedule or reject corn if it tests over a certain level. If we don't, we risk losing our local swine and export DDGS markets, both of which have strict limits on vomitoxin levels.

Even with the corn issues, the fourth quarter continued positive growth, and Homeland finished its first year with profits of \$11.5 million for the quarter and \$15.6 million for the year.

Homeland has made good use of its profits to pay down debt. This helps the company stay comfortably within its loan covenants and leaves a cushion in case margins become extremely tight.

January and February of 2010 have still been good months for Homeland,



Higher blend levels needed to utilize 2010 ethanol production

Production could outpace blending unless E10 is blended with 90% or more of gasoline this year. Approval of E15 would open even more market for our ethanol sales.

but because of the weather in the East that reduced driving, and ADM and Valero both continuing to bring on more production, margins have become tighter, even as gasoline and corn prices have gone up.

How can this happen? Even though ethanol is \$1/gallon less than gasoline, the blenders are having a problem finding new gallons to blend into. (See above chart.)

This is why it is critical to gain the approval of 15% ethanol blends in ALL cars by the EPA as soon as possible.

If E15 gains universal approval, it will loosen margins and benefit both ethanol producers and consumers, who will benefit from lower fuel costs.

I look forward to seeing everyone

at the Homeland Energy annual meeting March 30. We will be hearing from our ethanol and DDGS marketers, along with Ron Fagen, who will talk about his promotion efforts. Of course, we will also present financial and production reports for Homeland Energy Solutions.

I greatly appreciate the confidence Homeland Energy's board has shown in its managers and employees during the company's first year. It is an honor to work for such a financially strong company and to work with an energetic and focused group of employees.

— **Walt Wendland,**
President & CEO

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.

Homeland Energy Solutions

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 Merchandiser

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Thanks for your grain business & support

Wow! What a difference a year makes. A year ago some were questioning why Homeland was even opening. Then, the market changed, economics improved, and we had a successful first year.

I thank everyone for their grain business and support – both farmers and local grain elevators. We appreciate the confidence and patience you have shown through our first year. It was a team effort. The market gave us opportunity, you supplied grain, and our employees did our best to capture the results. With your help, Homeland has decreased our country's dependence on foreign oil, made our air cleaner to breath, and supported local members and the community.

— Stan Wubbena

Encourage Iowa lawmakers to back E10 Fuel Quality Standard

Now is the time to contact your state senator and representative to urge their support for an E10 Fuel Quality Standard. This legislation would make E10 (10% ethanol) the base fuel for all Iowans (with exceptions for small and off-road engines). This bill is crucial to the future of the ethanol industry and the wallets of Iowa consumers because it will shift the focus of Iowa policy away from incenting the use of E10 and onto making E15 (15% ethanol) an option at Iowa gasoline stations.

Today, Iowa taxpayers spend around \$6 million dollars on bonuses for retailers to sell E10. The result? Iowa sells about 73% E10 compared to non-blended gasoline. **Iowa ranks 32nd out of 50 states in the percentage of E10 sold.** That sounds a little like giving million dollar bonuses to Wall Street Execs who ran their companies into the ground. Enacting an E10 Fuel Quality Standard will end this waste of taxpayer money and open the door for E15.

Consider that most Iowa fuel stations have two gasoline storage tanks. Today, one holds E0, the non-ethanol fuel, and one holds E10. Assuming for a moment that the EPA approves E15 later this year as expected, retailers will have three legal fuels vying for storage in only two tanks. **Retailer associations across Iowa and the nation have made it crystal clear that they will not make E15 available when it is approved under the current situation.** So by enacting an E10 Fuel Quality Standard,

Iowa legislators will be opening up one of the two storage tanks at retail stations. Combined with shifting the incentives from E10 to E15, a large number of retailers will likely make E15 a **choice** for consumers.

There is no doubt that Iowans will choose E15 at the pump if given the opportunity. Based on current economics, **E15 would be 5 to 6 cents cheaper** than E10 (which is already 10 to 12 cents cheaper than E0). If E15 accounted for 50% of Iowa fuels sales, it would save Iowa consumers roughly \$40 million per year--money that could be better spent on other priorities. Out-of-state and foreign refiners should not dictate to Iowans whether or not they have the E15 option.

Here is the bottom line: Iowans are going to have two fuel choices at the pump for years to come. If left to the oil industry, those choices will be between E0 and E10. If Iowa shows leadership, however, the choices will be between E10 and E15. If Iowa leads the way, shifting the ethanol "blend wall" from E10 to **E15 adds 7 billion gallons of new ethanol demand nationwide.** So take every opportunity – legislative forums, emails, and calls – to urge your legislators to support an E10 Fuel Quality Standard.

Monte Shaw
 Executive Director
 Iowa Renewable Fuels
 Association
 515-252-6249

Find your legislators at <http://www.legis.state.ia.us/FindLeg/> and contact them to show your support for an Iowa E10 Fuel Quality Standard.