



Ethanol - The Alternative Solution

Homeland Energy Solutions · 2779 Highway 24 · Lawler, IA 52154  
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March 2013

## Plan to attend April 4 annual meeting

All members of Homeland Energy Solutions should by now have received ballots and proxy statements for the upcoming annual meeting, scheduled for Thursday, April 4, at Kolby's Dine & Stein, 503 W. Milwaukee St., New Hampton. Registration and lunch will begin at noon, with the meeting to begin at 1 p.m.

If you have not received a ballot or proxy statement, please contact the Homeland office at 563-238-5555 or 866-238-7879 or by email at [info@homelandenergysolutions.com](mailto:info@homelandenergysolutions.com). The complete ballot can also be found under the company's [SEC filings online](#).

Members will vote on two separate proposals, in addition to choosing three directors to the board from among four candidates.

The two proposals include one presented by the board to clarify sections in the company's operating agreement and one presented by a member which would prohibit members who are entitled to appoint directors from voting in the general director election.

Candidates for the three board seats are: Patrick Boyle (incumbent), Keith Eastman, Chad Kuhlers (incumbent), and Walter Wendland. More information on the nominees is included in the complete ballot.

## *Chairman's Year in Review*

# HES strong through tough conditions

Each year about this time, the President gives a State of the Union address to the nation. With similar intentions, I will attempt to give you insight and perspective on the overall status of Homeland Energy Solutions.

The report seems to have two major topics, both having happy endings, so I will start with the most interesting subject to the average shareholder.

The 2012 ethanol production year was a major challenge for the entire industry. Low ethanol prices, a large ethanol inventory and high feed stock costs combined to create small margins and tremendous pressure on every plant. Some plants closed, and most reduced production to match demand.

Homeland Energy is a survivor, and the company posted some really great stats along the way. Our net profit is down dramatically from 2011 with a profit this year of \$494,000, but it is a profit, whereas many of our counterparts reported red ink. Our conversion rate of corn to alco-

hol (2.9 gallons per bushel of corn) helped our bottom line. Frugal use of electricity and natural gas decreased variable costs. Dried distillers grain (DDG) prices and demand for corn oil all contributed to the bottom line figure. And the major players in this tension-filled world of ethanol are our 42 employees and management team.

“ I would remind you of the old adages about how ‘only the strong survive.’ ”

On behalf of the board, I commend Kevin Howes, our chief operations officer; Stan Wubben, our risk management/grain origination expert; David Finke, our chief

financial officer; and Walter Wendland, who serves as CEO/chief executive officer. We thank you and all of our valued employees for the work you do.

In ending, I would remind you of the old adages about how ‘only the strong survive’ and ‘when the going gets tough, the tough get going!’ Homeland has indeed survived and is staged for the next tough challenge

The next topic is one that should-

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## Members should have K-1 tax reports in hand

It is a well known fact that the economic environment for the ethanol industry was a challenging one in 2012. For anyone needing additional reassurance of this, I would invite you to peruse the financials of many of our publicly reporting competitors. More times than not, the information you will find does not paint a pretty picture. Merely glancing at Homeland's bottom line will show you a smaller number than the year before, but it will not tell you about the successes of Homeland over the last 12 months.

In April, more than \$12 million in profits was distributed to Homeland shareholders. During the summer drought when other ethanol plants were cutting or ceasing production, Homeland maintained positive cash flows and established new highs for ethanol conversion. In November, the company made the final payment on its long term

debt. And finally, when the dust settled in December, I am happy to say that Homeland was able to report a net profit of \$494,765 (\$5.47/share) for the year.

Member K-1's for the 2012 fiscal year were distributed via mail during the week of February 11th. If you have questions about your K-1 or have not yet received the document, do not hesitate to contact the Homeland offices. Please consult your independent tax professional for details specific to your personal or business situation.

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](#).

— *David Finke,*  
*Chief Financial Officer*  
*Homeland Energy Solutions*

INCOME STATEMENT					
		Year Ended 12/31/12	Year Ended 12/31/11	Year Ended 12/31/10	Year Ended 12/31/09
Revenue	\$	359,242,777	419,312,560	254,480,111	161,855,910
Cost of Goods Sold		356,064,739	379,166,073	239,311,226	142,218,998
Operating Expenses		2,758,898	2,764,369	2,198,314	2,451,539
Operating Income		419,143	37,382,118	12,970,571	17,185,373
Other Income (Expenses)		75,622	(1,028,350)	(1,939,762)	(1,544,998)
Net Income	\$	494,765	36,353,768	11,030,809	15,640,375
Net Income Per Unit	\$	5.47	401.94	120.63	171.04

BALANCE SHEET					
		12/31/12	12/31/11	12/31/10	12/31/09
Current Assets	\$	17,402,396	23,319,876	30,920,597	19,811,778
Property & Equipment		121,150,465	131,218,450	138,906,631	149,107,152
Other Assets		3,294,307	2,971,781	2,847,833	13,600,758
Total Assets	\$	141,847,168	157,510,107	172,675,061	182,519,688
Current Liabilities	\$	11,268,793	16,571,192	27,089,841	12,664,291
Long-term Liabilities		1,268,793	246,488	33,101,406	62,252,132
Total Members' Equity		129,373,617	140,692,427	112,483,814	107,603,265
Total Liabilities & Equity	\$	141,847,168	157,510,107	172,675,061	182,519,688
Book Value per membership unit	\$	1,430	1,556	1,230	1,177

Update from the CEO**Industry needs to adjust demand, not inventory**

As Homeland Energy Solutions prepares for its annual membership meeting, there are two main points I want to express about our company and industry.

First, I couldn't be more proud of how hard our employees work every day to keep Homeland Energy Solutions profitable in a tough economic environment. They deserve recognition for their efforts and commitment.

Secondly, I want to address the comment many in the media and elsewhere have made that the ethanol industry has an inventory issue. I prefer to look at it as a demand problem. Rather than reducing inventory, the industry — including each of us as investors — needs to focus on increasing demand.

Just last week, the Brazilian government made it official that every gallon of their gasoline sold, starting in May, will have a minimum of 25% ethanol, up from the current standard of 20%. For all vehicles, not just newer models. Yet here, we are struggling to get 15% ethanol into vehicles.

We really need to continue to put the pressure on retailers to provide E15 to their customers.

While some drivers are still uncertain about whether they should use E15, Hall of Fame NASCAR driver Rusty Wallace isn't. In a ceremony last week in which Wallace was named an honorary Iowan, he said: All the NASCAR cars are running on 15% ethanol, and I hope one day all of Iowa's cars are running on 15% ethanol, also.

While our first choice as an industry should be to boost the domestic demand for ethanol, reducing our dependence on foreign oil and petroleum, we can be very competitive on a global basis, as well. Rest assured, our industry will find a market to stay viable.

— *Walt Wendland, CEO & President*

**New grain bin will increase flexibility**

In January, HES entered into a contract with Buresh Building Systems of Hampton, Iowa, to build a 1,029,618 bushel grain bin. Currently, HES has two 500,000 bushel concrete silos which gives the plant a maximum of seven days corn inventory. With this new Sukup 135' diameter x 20 ring steel storage bin, our corn storage capacity will double. The bin will come equipped with a flush floor aeration system and a Sukup zero-entry bin sweep. We will have the ability to fill this bin at a rate of 40,000 bushel per hour via the two existing corn dumps and conveyor system and a new top-fill belt conveyor. The bin reclaim conveyor will be able to supply the plant with up to 6,700 bushels per hour of high quality locally grown corn. Construction will begin the first week in April and will be completed by Sept. 1.

This bin will help Homeland compete by being able to provide more consistent corn dumping hours for our corn customers. At the same time, the additional grain space will provide us the ability to better manage our corn prices, the resulting crush margin, and the bottom line for the investor owners of Homeland.

There are three times each year when the additional storage can very important to profitability and operations: (1) during harvest when corn availability is the greatest; (2) during the winter when storms can delay delivery of grain, especially during the holiday season; and (3) spring planting season when farmers and elevators have other things to do besides delivering corn.

The plant management staff would like to thank the Homeland Board of Directors for approving this investment.

— *Kevin Howes, plant manager  
& Stan Wubbena, grain merchandiser*

Continued from Page 1**Paying off construction debt puts HES on solid ground**

bring our shareholders great joy.

In the first week of November 2012, we made our final payment on our plant construction note of \$92 million dollars. That translates into less cash flow devoted to interest and put HES on the map where old-fashioned money management was the smart way to do business. HES still borrows money for operations and any expenses that are prudent. Our balance sheet has a enviable asset to

debt ratio not many companies can claim.

In closing, I would ask you to be an advocate of renewable fuels and use the product. Sell us your grain when possible and get involved in the election process. Take pride in HES's past performance and promising future.

— *J.R. Boeding,  
Board Chairman*

### Homeland Energy Solutions Board of Directors

Jim Boeding, Chairman  
Pat Boyle, Vice Chairman  
Christine Marchand, Secretary  
Mathew Driscoll  
Leslie Hansen  
Ed Hatten  
Maurice Hyde  
Chad Kuhlert  
Bernard Retterath  
Steve Retterath  
Robert Sieracki

### Management Team

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

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## HES earns third CP safety award

Canadian Pacific rewards its customers who are dedicated to safety by exercising safe loading and unloading practices with a Chemical Shipper Safety Award to those who ship more than 400 freight carloads of regulated chemicals without a Non-Accidental Release (NAR) during loading or unloading. A NAR is the unintentional release of a hazardous material during any transportation phase. This type of leak can result from splashes or improperly secured or defective valves, fittings and tank shells. They also include venting of non-atmospheric gases from safety relief devices. CP recently recognized Homeland Energy Solutions, LLC for their outstanding safety record for 2011. Homeland Energy has earned this award every year since their production start up in 2009. In 2011, Homeland Energy loaded and shipped 4,507 tankers of ethanol which is 500 more cars than in 2010. Pictured above are (from left): Allen King, Tony Zeien, Carol Brown from Canadian Pacific, Dan Clark and Stan Wubbena.

### Meet your team members

## Katherine Balk, Office, Human Relations & Accounting Assistant

**Q. What do you like most about working at Homeland?**

A. The atmosphere. There are so many different areas of work here at Homeland but we all work to achieve the same goal, making ethanol. The benefits are great, and there are always activities going on to involve everyone. It is nice to find a job close to home and seems to fit me.

**Q. Tell us about your background. (HS, college, previous jobs)**

A. I was raised on a dairy farm in Ionia and attended New Hampton School. After graduating, I went to further my education and went to



UNI for 4 ½ years and received a BA in Finance. After college, I found a full time job at Security State Bank. I worked in the operations department for seven years before transitioning to Homeland.

**Q. Tell us about your family.**

A. My husband, Dan, and I were married in 2004. We live on a farm in the country by Waucoma. We have four children: Brooke, 7, Deanna, 5, Megan, 3, and Luke, 5 months old. Dan currently drives a semi and pulls a hopper trailer over the road for Klassen Inc.

**Q. Any hobbies or interests?**

A. I like spending time with my kids, cooking with my girls, collecting Longaberger baskets, going to auctions and have just started to learn trapshooting.

*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.*