



Ethanol - The Alternative Solution

Homeland Energy Solutions · 2779 Highway 24 · Lawler, IA 52154  
563-238-5555 · www.homelandenergysolutions.com

March 2015

***From the President***

# 2015 markets look like repeat of 2009

Looking back to when Homeland started production in April 2009 things have really changed. We have had some major swings financially with profits from a low of \$494,765 in 2012 to our record setting profit this past year (2014) of \$68,615,951. With our successes, we have had some challenges:

- restricted rail availability that helped drive tighter inventories, ultimately leading to higher margins for 2014,
- higher corn prices,
- low ethanol prices, and
- pending litigation.

Our revenue streams have gone from a low of \$161,855,910 in 2009 to a high of \$419,312,560 in 2011. Ultimately, they are a reflection of what we receive for our products. Revenue in the commodity business does not necessarily correlate with profitability; it all comes down to net crush margins per gallon or tons produced.

I frequently hear, when corn prices were really high, “Plant can’t be making much money,” or with corn prices low, “Plant must be making all kinds of money.” As most of you know, there generally is no correlation between the two, as several other factors enter into the profitability formula for ethanol.

While 2014 was a banner year, 2015 is looking to be a little more challenging in regard to profitability. It is starting

Looking back at Homeland’s history				
	Net Revenues	Net Income	Corn Bushels Ground	Ethanol Gallons Produced
2009	\$ 161,855,910	\$ 15,640,375	30,001,425	83,227,247
2010	\$ 254,480,111	\$ 11,030,809	45,186,681	128,024,689
2011	\$ 419,312,560	\$ 36,353,768	48,282,538	138,379,926
2012	\$ 359,242,777	\$ 494,765	44,083,923	127,809,502
2013	\$ 400,211,785	\$ 28,233,908	48,189,997	138,210,880
2014	\$ 330,436,877	\$ 68,615,951	47,136,162	134,716,811

to look somewhat like 2009. Currently we have lower corn prices, and crude is also at an all-time low comparing back to 2009. Crude on Jan. 16, 2009, was \$36.51 with a high of \$80.50 on Oct. 23 for that year. Currently crude is trading in the \$50 range for 2015. Current cash corn prices have ranged from \$3.61 to \$3.93. In 2009, cash corn prices ranged from a high of about \$4.60 to a low of approximately \$2.80.

While conditions may look a lot like 2009, we can look back at what Homeland has achieved since that year and be optimistic about the future.

Since starting production six years ago, Homeland has ground 262,880,736 bushels of corn, produced 750,369,055 gallons of ethanol, and generated \$1,925,540,020 in revenue. Economists say that every dollar of revenue generated by a local industry will turn over seven

times within the community. That means Homeland has had over a \$13.5 billion impact on the local economy. What a great accomplishment you as investors and our employees can be proud of.

With the latest distribution of \$152 per unit in March, total distributions from profits since inception to unit holders will be \$1,181 per unit.

With all of the challenges and success we have one thing to be thankful for, our great workforce dedicated to making sure our plant is up and running and making it as profitable as they can. Our workforce has made Homeland one of the leaders in the industry, where other plants look to us for ideas.

As we face our challenges in the future we also have a lot to be proud and thankful for during the past six years.

—Pat Boyle  
HES Board President

## Plan to attend Homeland’s 2015 annual meeting

**Day & Time:**

**Thursday, April 9**  
Registration and lunch at noon; meeting at 1 p.m.

**Where:**

**Fredericksburg Community Center, 151 West Main St.,  
Fredericksburg, Iowa**

**If you can’t attend:**

**Proxy cards should be returned to the company by 5 p.m., Wednesday, April 8, to register your votes on directors and “say-on-pay.”**

## HES sets record profits of \$68.6m in 2014

Logistics issues caused by rail delays hampered production during the first quarter of 2014, but Homeland was still able to produce and sell more than 134 million gallons of ethanol, 29 million pounds of corn oil, and 350,000 tons of distillers grains last year. Coupled with exceptional margins and overall plant efficiency, this level of production enabled Homeland to generate record profits in excess of \$68.6 million for the fiscal year.

These profits were passed on to share-

holders in the form of three cash distributions totaling \$568 per outstanding member share. The last of these payments was made March 6, 2015, and I am happy to say that the total cash distributions made to Homeland shareholders now totals \$1,181 per share.

In other financial news, member K1s were distributed on Feb. 17. If you have not received your K1, please contact the Homeland office at your convenience. Every individual or business has their

own unique tax situation, and I would encourage all of Homeland's members to consult their tax professional to determine what course of action, if any, is needed for their tax preparation.

Please see a summary of the company's 2014 financial performance below. A more detailed version of the financial results is currently available on the [HES](#) or [SEC website](#).

— *David Finke*,  
Chief Financial Officer

INCOME STATEMENT					
		Year Ended 12/31/14	Year Ended 12/31/13	Year Ended 12/31/12	Year Ended 12/31/11
<b>Revenue</b>	\$	330,436,877	400,211,785	359,242,777	419,312,560
<b>Cost of Goods Sold</b>		257,608,689	368,758,166	356,064,736	379,166,073
<b>Operating Expenses</b>		4,716,194	3,380,466	2,758,898	2,764,369
<b>Operating Income</b>		68,039,993	28,073,153	419,143	37,382,118
<b>Other Income (Expenses)</b>		575,958	160,755	75,622	(1,028,350)
<b>Net Income</b>	\$	68,615,951	28,233,908	494,765	36,353,768
<b>Net Income Per Unit</b>	\$	1,026.41	359.48	5.47	401.94

BALANCE SHEET					
		12/31/14	12/31/13	12/31/12	12/31/11
<b>Current Assets</b>	\$	78,792,392	56,456,056	17,402,396	22,898,863
<b>Property &amp; Equipment</b>		105,218,605	113,502,166	121,150,465	131,218,450
<b>Other Assets</b>		4,496,076	4,119,904	3,294,307	2,971,781
<b>Total Assets</b>	\$	188,507,073	174,078,126	141,847,168	157,089,094
<b>Current Liabilities</b>	\$	40,237,858	39,627,710	11,204,758	16,150,179
<b>Long-term Liabilities</b>		419,904	15,303,526	1,268,793	246,488
<b>Total Members' Equity</b>		147,849,311	119,146,890	129,373,617	140,692,427
<b>Total Liabilities &amp; Equity</b>	\$	188,507,073	174,078,126	141,847,168	157,089,094
<b>Book Value - 64,585 Outstanding Membership Units</b>	\$	2,289	1,845	NA	NA
<b>Book Value - 90,445 Outstanding Membership Units</b>	\$	1,635	1,317	1,430	1,736

### Still time to apply for ACE scholarship

Employees and dependents of employees and shareholders of American Coalition for Ethanol producer, voting and associate members have an April 1 deadline to apply for one of three \$1,000 scholarships being offered by the organization. The application can be found at [http://www.redfieldenergy.com/wp-content/uploads/2015/02/ACE\\_Scholarship\\_Program.pdf](http://www.redfieldenergy.com/wp-content/uploads/2015/02/ACE_Scholarship_Program.pdf).

## 3 director seats to be decided April 6

At the April 9 Homeland Energy Solutions annual meeting, members will vote to elect directors to three seats on the company board. There are four nominees for the three positions. Nominees are:

**Steven Core:** Core is recently retired from Fagen Inc., which constructed the company's plant. He served as a project developer for Fagen. In the last five years, he has served on the board of directors of Golden Grain Energy LLC, Little Sioux Corn Processors LLC, Heron Lake BioEnergy LLC, and Granite Falls Energy LLC. He is currently on the board of directors of Lincolnland Agri-Energy LLC, Husker Ag LLC, CORN LP, and Little Sioux Corn Processors LLC.

**Maurice Hyde,** current vice chairman and incumbent: Hyde was elected to the board in 2010 and serves as chair of the risk management committee. From 1978 to 2007, he was the president and CEO of United Suppliers Inc. of Eldora, Iowa. He was a consultant for United Suppliers from 2007 to 2010, assisting in the transition of the new CEO of that agriculture wholesale and retail input company, which has distribution in 17 Midwest states and annual sales in excess of \$1 billion

and approximately 650 employees. Hyde is also a director of Hardin County Saving Bank and the North Central Railroad.

**Christine Marchand,** current secretary and incumbent: Marchand has been a director since 2010. She previously served as treasurer/CFO for Homeland from December 2008 to January 2010. She is currently the CFO for Golden Grain Energy LLC, a position she has held since 2005. Prior to her tenure at Golden Grain, Marchand was the controller for Kiefer Built LLC and was an accountant for a public accounting company. She serves on the board of directors of Marchand Investments Inc.

**Robert Savre:** Savre is the community president at the New Hampton branch of the First Citizens National Bank. He has been employed at First Citizens since 1988. Savre manages the Alta Vista and New Hampton locations for the bank and primarily focuses on commercial and agricultural lending. He is also a farmer who sells corn to the company. Savre currently serves on the AVExpress Convenience Store board of directors and previously served on Mercy Medical Community Board in New Hampton.

## Legal proceedings continue in discrimination, Retterath cases

### Retterath Update

Starting in August 2013, Homeland has been involved in two lawsuits with Steve Retterath. One lawsuit was filed by Steve Retterath in state court in Florida and was later moved to federal court in Iowa. The second lawsuit was filed by Homeland in Iowa State Court. These lawsuits primarily relate to an agreement Homeland and Retterath executed in 2013 to repurchase all of Retterath's units for \$30 million (the "repurchase agreement"). Retterath claims he is not bound by the repurchase agreement. In the last few months, there have been developments in these lawsuits.

In November 2014, the Federal Court in Iowa held a hearing to consider Homeland's motion to dismiss Retterath's lawsuit and his motion for summary judgment requesting that the court find the repurchase agreement invalid. In December 2014, the Federal Court in Iowa dismissed the only federal claim in Retterath's lawsuit, which was directed to certain Homeland directors and others, and did not give Retterath a further opportunity to amend his lawsuit with respect to this issue. In addition, the court refused to consider the other claims in Retterath's lawsuit, which were based on state law, and instead returned the lawsuit to the Florida state court where the case

was originally filed by Retterath.

Retterath has filed a motion to have the court reconsider its ruling. In addition, Homeland has joined with the other defendants in a motion requesting the Federal Court in Iowa consider whether Retterath should be required to pay the defendants' attorney fees. These motions are currently pending. Further, Retterath's son and daughter-in-law, who have intervened in the lawsuit, have sought permission to amend their claims in this lawsuit to include an additional federal claim which is being considered by the Federal Court in Iowa.

Homeland has a lawsuit pending in Iowa State Court requesting that the court determine that the repurchase agreement is valid and directing Retterath to fulfill his obligations under the agreement. Recently Retterath filed a motion seeking additional time to respond to Homeland's motion for summary judgment. Further, Retterath's son and daughter-in-law have filed a motion seeking to be added as parties to the Iowa State Court lawsuit and challenging the repurchase agreement.

### Discrimination suit

Following the October 2014 verdict in a gender discrimination lawsuit against the company, Homeland filed various motions with the court, including a motion for a new trial. The court held

a hearing in December 2014, and in a ruling issued in early March 2015, it denied Homeland's motions. Further, the court ruled in favor of the plaintiff and awarded her attorneys' fees and future lost wages. The trial judge refused to re-examine the propriety of the law the plaintiff requested be submitted to the jury as the basis of her claim.

Homeland believes that the law which was used to instruct the jury in this case represents a departure from well settled law in Iowa and that if this decision is allowed to stand, the law applied in this case will be a major change for all Iowa employers. Homeland will now appeal the decision of the court and seek to have a new trial be granted. Homeland believes that the verdict in the lawsuit would be different if the jury had been correctly instructed regarding the law. It is now up to the appellate court to determine if that law is to change, or if a jury should judge Homeland's conduct based upon longstanding rules governing employer response to harassment allegations.

Homeland is disappointed that the trial court has not rectified these errors at this juncture, and looks forward to having its position vindicated on appeal.

For more information regarding these lawsuits, please review the periodic reports Homeland files with the United States Securities and Exchange Commission.

### Homeland Energy Solutions Board of Directors

Pat Boyle (elected), Chairman  
Maurice Hyde (elected), Vice  
Chairman

Christine Marchand (elected),  
Secretary

Randy Bruess (elected)

Mathew Driscoll (elected)

Keith Eastman (elected)

\*Steve Eastman (appointed by  
Steve Retterath)

Leslie Hansen (appointed by  
Golden Grain Energy)

\*Ed Hatten (appointed by Steve  
Retterath)

Chad Kuhlers (elected)

Bernard Retterath (elected)

\*Still serving on the board  
despite repurchase agreement  
with Retterath

### Management Team

David Finke,  
Chief Financial Officer

Stan Wubbena, Grain  
Merchandiser

Kevin Howes, Plant Manager

2779 Highway 24  
Lawler, IA 52154  
563-238-5555  
Fax: 563-238-5557

*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.*

**If you would like to receive future newsletters by email instead of mail, please send your email address to [kbalk@etoh.us](mailto:kbalk@etoh.us). Thanks.**

## HES puts \$6M back into plant

In October 2014, a \$550,000 contract was executed with ICM (designer of the original plant) to design and construct a degassing system to remove a portion of the entrained CO<sub>2</sub> in the liquid stream that is fed to distillation. By removing this CO<sub>2</sub>, the vacuum requirements in distillation are reduced, and the entire system can operate at reduced pressures, which decreases energy requirements for the same throughput.

This system started up March 10, and appears to meet our expectations. After some additional runtime, an economic analysis will be completed to determine the demonstrated payback. Another benefit of this system is we now have the opportunity to increase the throughput if the rest of the plant is capable.

In January 2015, a \$5,250,000 contract was executed with Nelson Engineering out of Sioux Falls, SD, to address constraints with the hold time in the early part of the process. As Homeland continues to operate the plant at about 140% of name-plate capacity, front end residence time to allow enzymes to break down starch and sugars is limited, which can reduce plant efficiency, especially if plant rates continue to be increased. To address this area the decision was made to add a third liquefaction tank and an eighth fermenter.

During the first quarter of 2014, plant rates were reduced due to difficulties in



*Construction is underway on the additional 1.5 million gallon ethanol storage tank.*

moving ethanol out of the plant caused by rail logistics issues. To address this area, the decision was made to add an additional 1.5 million gallon ethanol storage tank and an additional rail loadout. This will increase our on-site storage capacity by 3.5 days and give us the ability to load an ethanol unit train in under 36 hours.

In discussions with our ethanol marketer, RPMG, we hope to leverage these logistics improvements regarding railcar and CP locomotive availability. In an effort to minimize overall project costs, Homeland's management is overseeing approximately \$200,000 of additional capital improvements related to flare modifications, fire protection, and computer software and hardware.

—Kevin Howes, Plant Manager

### Meet your team members

## Nathan Scheidel, Production Supervisor

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

A. The new challenges that each day brings. Our progressive management team is always looking for ways to improve, so something is always changing.

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

A. I grew up on a farm 2 miles from the plant, attended New Hampton community schools, and then Iowa State University where I studied ag with an emphasis on grain production and handling. Following college I worked for Ames Feed and Supply for 7 years as a mill operator. I got the opportunity to move back to Lawler in 2006 by taking a job as Reicks View Farms' mill manager.

In February 2009 I accepted the position of production supervisor here at Homeland.

My wife, Melissa, and I have been married 15 years and have two sons: Tyler, 12, and Riley, 6.

**Q. Any hobbies or interests?**

A. My family, farming and Cubs baseball take up most of my time away from the plant. I also find time for hunting, fishing and restoring vintage John Deere tractors.

