



Energy for a Clean Environment

Ethanol Connection



Golden Grain Energy LLC



@ggecorn

IRS ruling on R&D tax, K-1 amendment still pending

Although it seems as though the process has been slow, we can assure you that Golden Grain Energy and its tax preparer, RSM US, have worked meticulously with the IRS on the research and development credit and private letter ruling (PLR).

As we patiently wait for a final conclusion to the PLR so that we can analyze amending GGE's returns for 2013 and 2014, we understand that many of our members are also waiting to file their 2015 tax returns.

This week, GGE anticipates sending an updated informational letter to members regarding Alternative Minimum Tax (AMT). Upon receipt, please forward this supplemental letter to your tax preparer.

GGE also plans to hold informational meetings for tax preparers who still have questions regarding GGE's tax position as it pertains to R&D credit and AMT with dates, times and locations TBD. Please encourage your tax preparer to attend one of the meetings. Should you have questions, please contact the GGE office at (641) 423-8525 or cmarchand@ggecorn.com



Participants in the 2016 GGE Friends of Ethanol PAC outing raised a total of \$15,950 between the golf outing, dinner and silent auction. Attendees also heard from Craig Willis about the Prime the Pump program, which uses contributions from the ethanol industry to fund grants to retailers to assist them in implementing higher ethanol blends, such as E15, at their pumps. PAC members thank those who attended and those Golden Grain Energy members who also made separate contributions to the PAC. The PAC met in late August to make contributions to our elected officials on the state and federal levels. GGE PAC evaluates the candidates on their support of renewable fuels and makes contributions in a bi-partisan effort.

Mark Your Calendars:

Annual meeting set for Feb. 13

Two seats on the board of directors will be open for election at Golden Grain Energy's 2017 annual member meeting, set for 1 p.m. Monday, Feb. 13, at the Knights of Columbus Hall in Mason City.

Members interested in being nominated for the seats currently held by Jerry Calease and Marion Cagley should contact a member of the nomination committee or the Golden Grain Energy office at 641-423-8525 by Dec. 1. Nomination committee members are Dave Sovereign, Roger Shaffer, Stan Laures, and Ron Pumphrey.

Nominees will be announced in December, with absentee ballots and additional information to be sent to members after the first of the year.



Low prices continue to restrict net income

The third fiscal quarter ended July 31, finishing on a similar note to last year's quarterly results. However, the tight crush margins for the first half of the 2016 fiscal year means year over year results continue to lag.

GGE reported \$8.3 million in net income, or \$0.42/unit, for the quarter ended July 31, 2016, compared to \$7.4 million or \$0.37/unit for the comparable quarter of 2015. Even though the quarter results were similar, 2016 year to date results continue to lag behind 2015 as outlined in the table below.

Ethanol and distiller grain prices for the nine months ended July 31, 2016 were approximately 14% and 21% lower, respectively, compared to the nine months ended July 31, 2015. When adjusting the cost of corn for derivative gains, the total cost of corn was approximately 9% lower for the current nine month period compared to the same period of 2015. We have also seen a 33% decrease in natural gas costs.

Our production levels are up 5% as the operations crew continues to

look for ways to increase efficiencies and corn conversion. We have experienced higher operating expenses this year because of a partial expiration of our property tax grant that has been in place since inception, as well as increased accounting and legal fees from the research & development tax credit and the Chinese distiller grains anti-dumping and countervailing duty claims.

Exciting updates are changing the topography of GGE. To date, we have spent nearly \$11 million on capital expenditures. The largest portion of these upgrades has been for the water treatment system, including a new cooling tower.

As we roll into the last fiscal quar-

ter of 2016 we are expecting margins to remain similar to what we experienced in the third quarter. Our focus for the next few months will be to continue to make incremental improvements to the facility. We have two projects with Golden Renewable Energy and Golden Advanced Proteins that will help us optimize the GGE assets in ways that should enhance investor return and provide economic growth.

The complete 10-Q for the quarter was filed on Sept. 14 and can be found on the SEC website or by following the investor link at www.ggecorn.com.

— *Christy Marchand, CFO*
Golden Grain Energy

| BALANCE SHEET | July 31, 2016 | October 31, 2015 |
|------------------------------|----------------|------------------|
| Current Assets | \$ 39,934,753 | \$ 47,036,908 |
| Total Assets | \$ 132,950,607 | \$ 138,155,320 |
| Current Liabilities | \$ 7,686,190 | \$ 8,114,578 |
| Long-term liabilities | \$ 411,453 | \$ 476,962 |
| Members Equity | \$ 124,852,964 | \$ 129,563,780 |
| Book Value per Unit | \$ 6.28 | \$ 6.52 |

| INCOME STATEMENT | Three Months Ended 7/31/16 | Three Months Ended 7/31/15 | Nine Months Ended 7/31/16 | Nine Months Ended 7/31/15 |
|--|----------------------------|----------------------------|---------------------------|---------------------------|
| Revenues | \$ 48,641,969 | \$ 52,082,545 | \$ 148,934,083 | \$ 165,984,860 |
| Gross Profit | 6,983,670 | 6,054,597 | 10,558,498 | 22,235,252 |
| Equity in Net Income from Investments | 1,830,948 | 2,021,660 | 5,684,572 | 6,033,904 |
| Net Income | \$ 8,346,905 | \$ 7,356,150 | \$ 14,168,534 | \$ 26,226,469 |
| Net Income per Unit | \$ 0.42 | \$ 0.37 | \$ 0.71 | \$ 1.32 |
| Distribution Paid | \$ 0.25 | \$ 0.50 | \$ 0.95 | \$ 3.10 |

New “billion gallon club” members: Homeland & Absolute

Congratulations to Homeland Energy Solutions and Absolute Energy, neighboring north Iowa ethanol plants, on their anticipated billionth gallons to be

produced in October.

Golden Grain Energy is an investor in both of these plants.

Opportunities for synergy are 'golden'

Steam coming soon from Golden Renewables

Golden Renewable Energy hosted an open house Sept. 9 and is in the final stages of start-up. The cogeneration or CHP (combined heat and power) plant located adjacent to Golden Grain Energy will receive condensate water from GGE's ethanol production process, and return it to GGE in the form of steam.

This cooperative relationship reduces the total water and power needs of both entities, compared to each operating independently and provides a cost savings for Golden Grain.

"The addition of the Golden Renewables Energy project is expected to increase our steam production capabilities by approximately 10 percent," says COO Chad Kuhlers, "and with the hard work of all of employees, we hope to use this additional steam to increase our ethanol production."

Also, because the steam that is generated by the Golden Renewables Energy project is a byproduct of producing electricity, this steam should allow GGE to make more environmentally friendly ethanol that generates less CO₂ in the production process.

Kuhlers said that Golden Renewable Energy is expected to begin operations in the last week of September or first week of October, with full tie-in to GGE anticipated within 60-90 days.

Golden Renewable Energy LLC is an independent entity from Golden Grain Energy.

Converting corn syrup to protein for fish and pigs

An ethanol production byproduct that has at times cost the company money to dispose of may soon have a steady, local market.

Golden Advanced Proteins LLC is planning to build a plant that would use corn syrup from the ethanol production process as a feed source for growing single cell protein, bacteria that provide a readily used protein source for aquaculture and for weanling pigs. Feed trials will begin once the investor funds have been collected and the trial contracts are in place.

"With the increase in ethanol production nationwide and at GGE, along with changes in the process that result in the production of more corn syrup as a byproduct, the market is often flooded with more corn syrup than it can absorb, which can result in costs for disposal, rather than a return on selling the syrup," says Curt Strong, executive vice president and commodity manager at Golden Grain Energy. "The potential for a steady, local market for our corn syrup means not only increased profit potential for GGE, but also a reduction in waste from the process."

GAP is in the beginning stages of raising \$12.25 million in equity to make the company a reality. Golden Grain Energy will not be an investor in GAP, but anticipates developing an agreement for GAP to purchase corn syrup from our plant.

Pink AT THE PUMP

Choose the Pink E15 Nozzle to Fight Breast Cancer

3¢ per gallon donated to the National Breast Cancer Foundation for every gallon of E15 purchased from October 1-31.*

NATIONAL BREAST CANCER FOUNDATION, INC. | Iowa Renewable Fuels Association | IOWA CORN

*E15 is approved by EPA for all 2001 & newer vehicles.

PARTICIPATING LOCATIONS:

| | | |
|---|--|--|
| Waukon Feed Ranch 625 Old Hwy 5, Waukon, IA | Cresco FastStop 22063 Hwy 9 West, Cresco, IA | Fuel Time 202 Garth Avenue, St. Ansgar, IA |
| | Three Rivers FS Company 1000 Field of Dreams Way, Dyersville, IA | Murphy USA 4026 4th Street, SW, Mason City, IA |

Golden Grain Energy
1822 43rd St. SW
Mason City, IA 50401

Until next time ... Looking toward a safe, successful harvest

The USDA projects the 2016 corn crop to be a record large 15.093 billion bushels according to the September WASDE estimates. US average yields are projected to be 174.1 bu/ac, eclipsing the previous high of 171.0 in 2014, though actual early harvest yields have traders somewhat skeptical of the USDA projections. Our US corn producers continue to feed the corn demand base not only in the US, but the entire world. GGE appreciates the efforts of our local corn producers to provide a consistent high quality feed stock for our production needs. We wish everyone that has a part in getting the crops from the field to the bin and on to the end user a safe harvest, and encourage everyone to be patient with the large equipment sharing the roads during harvest time.

Golden Grain Energy, LLC

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Dave Sovereign, Chairman
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Jerry Calease
Marion Cagley
Dave Reinhart
Leslie Hansen

Duane Lynch
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Chad Kuhlers, Chief Operating
Officer
Christy Marchand,
Chief Financial Officer

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 website or upon request.

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OUR MISSION:
Add value to the corn production of the area and enhance the incomes of our investor partners while providing economic growth to the area we serve.