

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13E3

Schedule filed to report going private transactions(Issuer Self-Tender Offer)

Filing Date: **2021-06-28**
SEC Accession No. [0001558370-21-008661](#)

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SUBJECT COMPANY

Heron Lake BioEnergy, LLC

CIK: [1286964](#) | IRS No.: **412002393** | State of Incorp.: **MN** | Fiscal Year End: **1031**
Type: **SC 13E3** | Act: **34** | File No.: [005-84239](#) | Film No.: **211054531**
SIC: **2860** Industrial organic chemicals

Mailing Address
*91246 390TH AVENUE
HERON LAKE MN
56137-1375*

Business Address
*91246 390TH AVENUE
HERON LAKE MN
56137-1375
507-793-0077*

FILED BY

Heron Lake BioEnergy, LLC

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 13E-3

(Rule 13e-3)

RULE 13e-3 TRANSACTION STATEMENT UNDER SECTION 13(e) OF THE SECURITIES EXCHANGE ACT OF 1934

Heron Lake BioEnergy, LLC

(Name of Issuer)

Heron Lake BioEnergy, LLC

Granite Falls Energy, LLC

Project Viking, L.L.C.

Granite Heron Merger Sub, LLC

(Name of Person(s) Filing Statement)

Class A Membership Units

(Title of Class of Securities)

Not Applicable

(CUSIP Number of Class of Securities)

Joel M. Aschbrenner

William E. Hanigan

Dentons Davis Brown

The Davis Brown Tower

215 10th Street, Suite 1300

Des Moines, IA 50309

(515) 288-2500

*(Name, Address and Telephone Number of Person Authorized to Receive
Notices and Communications on Behalf of Persons Filing Statement)*

This statement is filed with (check appropriate box):

- e. ☒ The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C, or Rule 13e-3(c) under the Securities Exchange Act of 1934.
- f. ? The filing of a registration statement under the Securities Act of 1933.
- g. ? A tender offer.
- h. ? None of the above.

Check the following box if the solicitation materials or information statement referred to in checking box (a) are preliminary copies. ☒

Check the following box if the filing is a final amendment reporting the results of the transaction: ?

CALCULATION OF FILING FEE

Transaction Valuation

\$ 14,000,000.00

Amount of Filing Fee*

\$ 0.00

* Determined by multiplying \$14,000,000.00 by .0001091 less \$1527.40 (the amount paid in a previous filing for the same transaction).

☒ Check Box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount previously paid: \$1,527.40 Filing Party: Heron Lake BioEnergy,
LLC

Form or Registration No.: Schedule 14A Date Filed: May 21, 2021

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this transaction, passed upon the merits or fairness of this transaction or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

INTRODUCTION

This Rule 13e-3 transaction statement on Schedule 13E-3, together with the exhibits hereto (this “Transaction Statement”), is being filed with the Securities and Exchange Commission (the “SEC”) pursuant to Section 13(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), jointly by the following persons (each, a “Filing Person,” and collectively, the “Filing Persons”): (a) Heron Lake BioEnergy, LLC, a Minnesota limited liability company (the “Company” or “HLBE”); (b) Granite Falls Energy, LLC, a Minnesota Limited Liability Company (“GFE”); (c) Granite Heron Merger Sub, LLC, a Minnesota Limited Liability Company and a wholly owned subsidiary of GFE (“Merger Sub”); and Project Viking, L.L.C., (“Project Viking”) a Minnesota limited liability company and a wholly owned subsidiary of GFE.

GFE is the majority owner of the Company, controlling approximately 50.7% of the Company’s issued and outstanding units through GFE’s wholly owned subsidiary Project Viking. The remainder of the Company’s issued and outstanding units are held by approximately 1,200 investors (the “Minority Ownership Interest”). The Company, GFE, and Merger Sub have executed a Merger Agreement (the “Merger Agreement”), pursuant to which GFE would acquire the Minority Ownership Interest for \$14,000,000.00 or approximately \$0.36405 per unit. The structure of the transaction is a Merger in which Merger Sub will merge with and into HLBE, with HLBE surviving the transaction as a wholly owned subsidiary of GFE (the “Merger”). Minority Ownership Interest unitholders will obtain the right to receive cash compensation for their units (“Merger Consideration”) and will cease to be owners of HLBE. Merger Sub will cease to exist upon completion of the Merger. At the time the Merger becomes effective, 100 percent of the membership interest in the Merger Sub will be converted into and become 100 percent of the membership interests in HLBE, as the surviving company in the Merger. GFE will emerge from the transaction with sole control of the Company, owning 100% of the Company’s units directly and through GFE’s wholly owned subsidiary Project Viking.

This Schedule 13E-3 is being filed with the Securities and Exchange Commission concurrently with a preliminary proxy statement filed by us pursuant to Regulation 14A under the Exchange Act, pursuant to which our members will be given notice of a special meeting at which they will be asked to approve the Merger Agreement and the transactions contemplated thereby (the “Proxy Statement”).

The information contained in the Proxy Statement relating to this special meeting of members is hereby expressly incorporated herein by reference and the responses to each item are qualified in their entirety by reference to the information contained in the Proxy Statement. As of the date hereof, the Proxy Statement is in preliminary form and is subject to completion or amendment. This Schedule 13E-3 will be amended to reflect such completion or amendment of the Proxy Statement.

All parenthetical references under the various Item headings contained in this Schedule 13E-3 are references to the corresponding Items contained in Regulation M-A under the Exchange Act.

TRANSACTION STATEMENT

ITEM 1. Summary Term Sheet. (Reg. M-A 1001)

The information set forth in the Proxy Statement under the caption “SUMMARY” is hereby incorporated herein by reference.

ITEM 2. Subject Company Information (Reg. M-A 1002)

- (a) The information set forth in the Proxy Statement under the caption “SUMMARY — Parties Involved in the Merger” is hereby incorporated herein by reference.
- (b) The information set forth in the Proxy Statement under the captions “SUMMARY — The Securities” and “ADDITIONAL INFORMATION — Securities, Market, and Dividend Information” is hereby incorporated herein by reference.
- (c) The information set forth in the Proxy Statement under the captions “SUMMARY — The Securities” and “ADDITIONAL INFORMATION — Securities, Market, and Dividend Information” is hereby incorporated herein by reference.
- (d) The information set forth in the Proxy Statement under the captions “SUMMARY — The Securities” and “ADDITIONAL INFORMATION — Securities, Market, and Dividend Information” is hereby incorporated herein by reference.
- (e) Not applicable. The information set forth in the Proxy Statement under the captions “SUMMARY — The Securities” and “ADDITIONAL INFORMATION — Securities, Market, and Dividend Information” is hereby incorporated herein by reference.
- (f) Not applicable. The information set forth in the Proxy Statement under the captions “SUMMARY — The Securities” and “ADDITIONAL INFORMATION — Securities, Market, and Dividend Information” is hereby incorporated herein by reference.

ITEM 3. Identity and Background of Filing Person (Reg. M-A 1003(a) through (c))

- (a) The information set forth in the Proxy Statement under the captions “SUMMARY — Parties Involved in the Merger” and “ADDITIONAL INFORMATION — Identity and Background of the Filing Persons” is hereby incorporated herein by reference.
- (b) The information set forth in the Proxy Statement under the captions “SUMMARY — Parties Involved in the Merger” and “ADDITIONAL INFORMATION — Identity and Background of the Filing Persons” is hereby incorporated herein by reference.
- (c) The information set forth in the Proxy Statement under the caption “ADDITIONAL INFORMATION — Identity and Background of the Filing Persons — Governors and Officers of the Filing Persons” is hereby incorporated herein by reference.

ITEM 4. Terms of the Transaction

(Reg. M-A 1004(a) and (c) through (e))

- (a) The information set forth in the Proxy Statement under the captions “SUMMARY,” “QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND VOTING,” “THE SPECIAL MEETING — Required Vote,” “THE MERGER — Background of the Merger,” “THE MERGER — Effect of the Merger,” “THE MERGER — Accounting Treatment,” “THE MERGER — Material U.S. Federal Income Tax Consequences of the Merger,” and “SPECIAL FACTORS — Purpose, Alternatives, Reasons, and Effects” is hereby incorporated herein by reference.
- (b) Not applicable.

- (c) The information set forth in the Proxy Statement under the caption “THE MERGER — Effect of the Merger” is hereby incorporated by reference.
- (d) The information set forth in the Proxy Statement under the caption “THE SPECIAL MEETING — No Dissenters’ Rights or Appraisal Rights,” is hereby incorporated by reference.
- (e) The information set forth in the Proxy Statement under the caption “ADDITIONAL INFORMATION — Securities, Market, and Dividend Information — No Provision for Access to Company Files” is hereby incorporated herein by reference.

ITEM 5. Past Contacts, Transactions, Negotiations and Agreements

(Reg. M-A Item 1005(a) through (c) and (e))

- (a) The information set forth in the Proxy Statement under the caption “ADDITIONAL INFORMATION — Related Party Transactions”, is hereby incorporated by reference. The information in our proxy statements dated February 26, 2021, and February 21, 2020, under the Caption “REQUIRED INFORMATION — Certain Relationships and Related Party Transactions”, in our Form 8-K dated October 22, 2019, and in our quarterly report on Form 10-Q dated June 14, 2021 under the Captions “DEBT FACILITIES - Short Term Revolving Promissory Note,” and “DEBT FACILITIES - Negotiable Promissory Notes with GFE,” is hereby incorporated by reference. Additionally, the information set forth in GFE’s proxy statements dated February 26, 2021, and February 21, 2020, under the caption “REQUIRED INFORMATION — Certain Relationships and Related Party Transactions,” and GFE’s Forms 8-K dated February 22, 2021, and May 24, 2021, is hereby incorporated by reference.
- (b) The information set forth in the Proxy Statement under the captions “ADDITIONAL INFORMATION — Significant Corporate Events,” “SUMMARY — The Merger,” “THE MERGER — Background of the Merger,” “THE MERGER AGREEMENT AND VOTING AGREEMENTS — The Merger Agreement,” and “THE MERGER AGREEMENT AND VOTING AGREEMENTS — The Voting Agreements,” is hereby incorporated by reference. The information set forth in our annual report on Form 10-K dated February 26, 2021 under the caption “BUSINESS — Natural Gas Pipeline Segment,” is hereby incorporated by reference.
- (c) The information set forth in the Proxy Statement under the captions “ADDITIONAL INFORMATION — Negotiations and Contracts Involving Significant Corporate Events,” “THE MERGER — Background of the Merger,” “THE MERGER AGREEMENT AND VOTING AGREEMENTS — The Merger Agreement,” and “THE MERGER AGREEMENT AND VOTING AGREEMENTS — The Voting Agreements,” is hereby incorporated by reference. The information set forth in our quarterly report on Form 8-K filed with the SEC on October 22, 2019 is hereby incorporated by reference.
- (e) The information set forth in the Proxy Statement under the captions “ADDITIONAL INFORMATION — Agreements Involving Our Securities,” “THE MERGER AGREEMENT AND VOTING AGREEMENTS — The Merger Agreement,” and “THE MERGER AGREEMENT AND VOTING AGREEMENTS — The Voting Agreements,” is hereby incorporated by reference.

ITEM 6. Purposes of the Transaction and Plans or Proposals

(Reg. M-A Item 1006(b) and (c)(1) through (8))

- (b) The information set forth in the Proxy Statement under the captions “THE MERGER — Effect of the Merger” and “ADDITIONAL INFORMATION — Securities, Market, and Dividend Information — Use of the Securities Subject to the Merger” is hereby incorporated herein by reference.
- (c) The information set forth in the Proxy Statement under the captions “SUMMARY — The Merger,” “THE MERGER,” “THE MERGER AGREEMENT AND VOTING AGREEMENTS,” and “SPECIAL FACTORS — Purpose, Alternatives, Reasons, and Effects — Effect of the Merger” and “ADDITIONAL INFORMATION — Securities, Market, and Dividend Information — Reports to Securities Holders” is hereby incorporated by reference. The information set forth in our 8-K filed with the SEC on March 25, 2021, is hereby incorporated by reference.

ITEM 7. Purposes, Alternatives, Reasons and Effects
(Reg. M-A Item 1013)

- (a) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Purpose, Alternatives, Reasons, and Effects — Purposes of and Reasons for the Merger,” is hereby incorporated herein by reference.
- (b) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Purpose, Alternatives, Reasons, and Effects — Alternatives to the Merger,” is hereby incorporated herein by reference.
- (c) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Purpose, Alternatives, Reasons, and Effects — Purposes of and Reasons for the Merger,” is hereby incorporated herein by reference.
- (d) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Purpose, Alternatives, Reasons, and Effects — Effects of the Merger,” is hereby incorporated herein by reference.

ITEM 8. Fairness of the Transaction
(Reg. M-A Item 1014)

- (a) The Company reasonably believe that the transaction is fair to the Minority Ownership Interest. GFE, Merger Sub, and Project Viking have not issued an opinion regarding the fairness of the transaction. The information set forth in the Proxy Statement under the captions “SPECIAL FACTORS — Fairness of the Transaction” is hereby incorporated herein by reference.
- (b) The information set forth in the Proxy Statement under the captions “SPECIAL FACTORS — Fairness of the Transaction — Factors Considered in Determining Fairness” is hereby incorporated herein by reference.
- (c) A majority of the Minority Ownership Interest must approve of the Merger for the Merger to become effective. The information set forth in the Proxy Statement under the captions “SPECIAL FACTORS — Fairness of the Transaction — Approval of Security Holders” is hereby incorporated herein by reference.
- (d) HLBE’s Minority Ownership Interest has been represented by independent counsel regarding the Merger. The information set forth in the Proxy Statement under the captions “SPECIAL FACTORS — Fairness of the Transaction — Unaffiliated Representative” is hereby incorporated herein by reference.
- (e) The Merger was approved unanimously by the HLBE and GFE boards of governors, including all of the HLBE governors elected by the Minority Ownership Interest. The information set forth in the Proxy Statement under the captions “SPECIAL FACTORS — Fairness of the Transaction — Approval of Governors” is hereby incorporated herein by reference.
- (f) No other offers have been received to purchase HLBE’s Minority Ownership Interest. The information set forth in the Proxy Statement under the captions “SPECIAL FACTORS — Fairness of the Transaction — No Other Offers” is hereby incorporated herein by reference.

ITEM 9. Reports, Opinions, Appraisals and Negotiations
(Reg. M-A Item 1015)

- (a) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Fairness of the Transaction — Reports, Opinions, Appraisals and Negotiations” is hereby incorporated herein by reference.

- (b) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Fairness of the Transaction — Reports, Opinions, Appraisals and Negotiations” is hereby incorporated herein by reference.
- (c) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Fairness of the Transaction — Reports, Opinions, Appraisals and Negotiations — Availability of Fairness Opinion” is hereby incorporated herein by reference.

ITEM 10. Source and Amounts of Funds or Other Consideration
(Reg. M-A Item 1007)

- (a) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Financing the Merger — Source of Funds” is hereby incorporated herein by reference.

- (b) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Financing the Merger — Financing Conditions” is hereby incorporated herein by reference.
- (c) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Financing the Merger — Merger Fees and Expenses” is hereby incorporated herein by reference.
- (d) The information set forth in the Proxy Statement under the caption “SPECIAL FACTORS — Financing the Merger — Source of Funds” is hereby incorporated herein by reference.

ITEM 11. Interest in Securities of the Subject Company

(Reg. M-A Item 1008)

- (a) The information set forth in the Proxy Statement under the caption “ADDITIONAL INFORMATION — Interests of Certain Persons in the Merger” is hereby incorporated herein by reference.
- (b) There have been no transactions involving the Company’s units in the past 60 days. The information set forth in the Proxy Statement under the caption “ADDITIONAL INFORMATION — Securities, Market, and Dividend Information — Securities Transactions” is hereby incorporated herein by reference.

ITEM 12. The Solicitation or Recommendation

(Reg. M-A Item 1012(d) and (e))

- (d) The Company reasonably believes all of the Governors of the Company intend to vote for the Merger. The information set forth in the Proxy Statement under the captions “THE SPECIAL MEETING — Voting Agreement,” “THE SPECIAL MEETING — Board of Governors Recommendations,” “THE MERGER AGREEMENT AND VOTING AGREEMENTS — The Voting Agreements,” “SPECIAL FACTORS — Fairness of the Transaction — Factors Considered in Determining Fairness,” is hereby incorporated herein by reference.
- (e) All of the Governors of the Company have recommended that members vote for the Merger. The information set forth in the Proxy Statement under the captions “THE SPECIAL MEETING — Board of Governors’ Recommendation,” and “SPECIAL FACTORS — Fairness of the Transaction,” is hereby incorporated herein by reference.

ITEM 13. Financial Statements

(Reg. M-A Item 1010(a) through (b))

- (a) The information set forth in the Proxy Statement under the captions “FINANCIAL STATEMENTS,” “ANNEX A — Selected Portions of Our Annual Report for the Fiscal Year Ended October 31, 2020 on Form 10-K,” and “ANNEX B — Quarterly Report for the period ended April 30, 2021 on Form 10-Q” is hereby incorporated herein by reference.
- (b) The information set forth in the Proxy Statement under the caption “FINANCIAL STATEMENTS — Pro Forma Financial Statements” is hereby incorporated herein by reference.

ITEM 14. Persons/Assets, Retained, Employed, Compensated or Used

(Reg. M-A Item 1009)

- (a) The information set forth in the Proxy Statement under the caption “THE SPECIAL MEETING — Solicitation of Proxies” is hereby incorporated herein by reference.
- (b) The information set forth in the Proxy Statement under the captions “THE SPECIAL MEETING — Solicitation of Proxies” and “SPECIAL FACTORS — Financing the Merger — Merger Fees and Expenses” is hereby incorporated herein by reference.

ITEM 15. Additional Information
(Reg. M-A Item 1011(b) and (c))

- (b) The information set forth in the Proxy Statement under the caption “ADDITIONAL INFORMATION — Interests of Certain Persons in the Merger — No Golden Parachute Compensation” is hereby incorporated herein by reference

- (c) The information set forth in the Proxy Statement, including all exhibits attached thereto, is hereby incorporated herein by reference.

ITEM 16. Exhibits

(Reg. M-A Item 1016(a) through (d), (f) and (g))

| Exhibit No. | Exhibit |
|--------------------|---|
| (a)(1) | <u>Preliminary Proxy Statement of Heron Lake BioEnergy, LLC (incorporated by reference to the Schedule 14A filed by Heron Lake BioEnergy, LLC with the SEC on June 28, 2021).</u> |
| (a)(2) | <u>Notice of a Special Meeting of Members of Heron Lake BioEnergy, LLC dated June 28, 2021 (incorporated by reference to the Proxy Statement).*</u> |
| (a)(3) | <u>Form of Proxy Card (incorporated by reference to the Proxy Statement).*</u> |
| (a)(4) | <u>Annual Report on Form 10-K for the fiscal year ended October 31, 2020 and included as Annex A to the Proxy Statement (incorporated by reference to the Proxy Statement).*</u> |
| (a)(5) | <u>Quarterly Report on Form 10-Q for the three months ended April 30, 2021, included as Annex B in the Proxy Statement (filed with the SEC on June 14, 2021 and incorporated herein by reference).*</u> |
| (b) | None. |
| (c) | <u>Business Advisory Services' Fairness Opinion, dated May 20, 2021.</u> |
| (d)(1) | <u>Plan of Merger between Granite Heron Merger Sub, LLC, and Heron Lake BioEnergy, LLC, dated March 24, 2021.</u> |
| (d)(2) | <u>Merger Agreement between Granite Falls Energy, LLC, and Heron Lake BioEnergy, LLC, dated March 24, 2021.</u> |
| (d)(3) | <u>Voting Agreement between Granite Falls Energy, LLC, and Heron Lake BioEnergy, LLC, dated March 24, 2021.</u> |
| (d)(4) | <u>Voting Agreement between Granite Falls Energy, LLC, and certain governors of Heron Lake BioEnergy, LLC, dated March 24, 2021.</u> |
| (d)(5) | <u>Separation Agreement dated February 17, 2021.</u> |
| (d)(6) | <u>Letter of Employment between Jeffrey Oestmann and Granite Falls Energy, LLC, dated May 20, 2021</u> |
| (d)(7) | <u>Heron Lake BioEnergy, LLC's Current Report on Form 8-K filed October 22, 2019 (incorporated by reference).</u> |
| (d)(8) | <u>Heron Lake BioEnergy, LLC's Current Report on Form 8-K filed March 25, 2021 (incorporated by reference).</u> |

(f) None.

(g) None.

* Incorporated by reference to the Company's Schedule 14A, filed with the SEC on June 28, 2021.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

HERON LAKE BIOENERGY, LLC

Date: June 28, 2021

/s/ Stacie Schuler

Stacie Schuler

Chief Financial Officer

(Principal Financial Officer)



May 20, 2021

Board of Directors
Heron Lake Bio-Energy, LLC
91246 390th Ave,
Heron Lake, MN 56137

Re: Business Advisory Services' Fairness Opinion

Dear Members of the Board of Directors,

The Board of Directors retained Business Advisory Services, Inc. ("BAS") to act as its financial advisor in connection with the Transaction and to provide an opinion to the Board of Directors as to the fairness, from a financial point of view, of the consideration to be received by the Heron Lake BioEnergy, LLC (the "Company" or "HLBE") upon completion of the Transaction. The assets of HLBE include the ethanol plant and all of its supporting assets and Agrinatural Gas, LLC. The Company's wholly owned subsidiary, HLBE Pipeline Company, LLC ("HLBE Pipeline Company"), is the sole owner of Agrinatural Gas, LLC ("Agrinatural"). Agrinatural operates a natural gas pipeline that provides natural gas to Heron Lake BioEnergy, LLC's ethanol production facility and other customers through a connection with natural gas pipeline facilities of Northern Border Pipeline Company in Cottonwood County, Minnesota.

BAS is a financial advisory firm based in Englewood, Colorado with extensive experience in the ethanol sector, having completed transactions, business valuations, strategic and capital planning sessions, as well as managing a proprietary best-practices benchmarking platform for several independent ethanol plants. The Board of Directors selected BAS based on its qualifications, expertise and reputation and knowledge of the industries in which the Company conducts its business.

Based upon and subject to the assumptions, qualifications, limitations and factors described herein, BAS has concluded that the consideration to be received by the Company upon the consummation of the Transaction is fair, from a financial point of view, to the Company.

In arriving at its opinion, BAS took into account an assessment of general economic, market and other conditions, as well as its experience in connection with similar transactions and securities valuations generally. BAS made numerous assumptions about industry performance and general business conditions, many of which are beyond management's control.

In performing its due diligence, BAS performed the following activities, among others:

- reviewed the Merger Agreement;
- reviewed the Plan of Merger;
- reviewed the Minutes of Action of GFE;

- reviewed the Minutes of Action of HLBE;
- reviewed unaudited monthly financial statements of the Company;
- reviewed the Company's U.S. Securities and Exchange Commission and Auditor Reviewed financial statements through October 31, 2020;
- reviewed certain internal financial projections for Seller for the fiscal year ending December 31, 2020 as prepared and provided to BAS by management;
- reviewed HLBE valuation report dated January 2021 and prepared by BAS;
- met with certain members of management to discuss the business, operations, historical and projected financial results and future prospects of the Company;
- reviewed recent industry and analyst reports regarding the ethanol industry;
- reviewed certain publicly available financial data for companies BAS deemed relevant in evaluating the Company;
- reviewed the financial terms, to the extent publicly available, of certain comparable ethanol plant transactions; and
- performed a discounted cash flow analysis utilizing projections from management and based on historical performance of the Company.

In arriving at its opinion, BAS relied upon and assumed the accuracy and completeness of all of the financial and other information, including the projections, that it used, without assuming any responsibility for any independent verification of any such information. Further, BAS relied upon the assurances of the Company's management that they were not aware of any facts or circumstances that would make any such information incomplete or misleading. With respect to the financial information and projections used, BAS assumed that such information had been reasonably prepared on a basis reflecting the best currently available estimates and judgments, and that such information provides a reasonable basis upon which it could make an analysis and form an opinion. BAS did not make or obtain any evaluations or appraisals of the Company's assets and liabilities (contingent or otherwise).

The analyses performed were prepared as part of BAS's analysis of the fairness, from a financial point of view, of the consideration to be paid to the Company upon consummation of the Transaction, and will be provided to the Board of Directors in connection with the delivery of BAS's opinion.

Consideration Overview

Based on the terms of the Merger Agreement of the HLBE minority share purchase, BAS calculated an implied Seller unit value of a range of \$18.6 million to \$22.6 million, which reflects the purchase price of \$14 million, less the HLBE shareholders pro rata share of March 31, 2021 Working Capital of \$2.94 million from HLBE and \$1.2 million from Agrinatural, plus HLBE's

pro rata share of the outstanding debt in the business of \$9.2 million, which Granite Falls Energy (GFE) has agreed to assume. HLBE also has \$8.7 million in Other Long-Term Liabilities, which are rail car leases that are required to be on the balance sheet because they are capital leases. BAS does not believe these while be included in the tax opinion as part of the value in the sale, but as of the writing of this Fairness Opinion we don't know how the IRS will treat these Liabilities. Therefore, the range of \$18.6 million to \$22.6 million doesn't include the Other Long-Term Liability at the low end and does include this Liability at the high end of the value. For this compensation the HLBE shareholders will transfer title of all 38,456,283 units they own in the Company (49.35% of HLBE plant ownership). The sole payment is the Purchase Price. The HLBE shareholders will not have any right to assets of the business and will not have responsibility of any of the liabilities of the business.

Heron Lake BioEnergy, LLC (HLBE) Sale Value 3/31/21 Balance Sheets

| | HLBE | Agrinatural Gas, LLC |
|---|---------------|----------------------|
| Current Assets | \$ 13,600,199 | \$ 2,592,719 |
| Current Liabilities | \$ 7,650,454 | \$ 167,420 |
| Working Capital | \$ 5,949,745 | \$ 2,425,299 |
| Long-Term Debt | \$ 17,673,632 | \$ 0 |
| Other Long-Term Liabilities (OLTL) /3 | \$ 8,216,653 | \$ 0 |
| Total Long-Term Liabilities | \$ 25,890,285 | \$ 0 |
| Demonstarted Denatured Ethanol Production Gallons | 67,000,000 | |
| | Shares | Percent Ownership |
| HLBE Units /1 | 38,456,283 | 49.35 % |
| GFE Units /2 | 39,475,824 | 50.65 % |
| Total HLBE Company Units | 77,932,107 | 100.00 % |

| Price Calculation | Without OLTL | With OLTL |
|---|----------------------|----------------------|
| HLBE Sale Price | \$ 14,000,000 | \$ 14,000,000 |
| HLBE | | |
| Less Working Capital (49.35%) | \$ (2,935,954) | \$ (2,935,954) |
| Plus Long-Term Debt (49.35%) | \$ 8,721,209 | \$ 8,721,209 |
| Plus Other Long-Term Liabilities (49.35%) | | \$ 4,054,580 |
| Agrinatural Gas, LLC | | |
| Less Working Capital (49.35%) | \$ (1,196,785) | \$ (1,196,785) |
| Total Price Consideration | \$ 18,588,470 | \$ 22,643,050 |
| \$/HLBE Unit /1 | \$ 0.48 | \$ 0.59 |
| \$/Denatured Ethanol Gallon (49.35%) | \$ 0.56 | \$ 0.68 |

Heron Lake BioEnergy, LLC (HLBE)

Granite Falls Energy, LLC (GFE)

/1 HLBE minority ownership interest 38,456,283 shares

/2 GFE majority HLBE shares 39,475,824

/3 These liabilities are for rail cars. The long-term leases are expensed in the Income Statement.

Transaction Analysis

BAS performed analyses using three different methodologies, as more fully discussed below:

- a comparable public company analysis;
- a comparable transaction analysis; and
- a discounted cash flow analysis.

In preparing the analyses, BAS also considered the Company's historical and potential future financial performance and the macroeconomic environment.

Comparable Public Company Analysis

In performing a comparable public company analysis, BAS identified similar public companies, evaluated operating performance and profitability for similar public companies and calculated certain multiples and compared them to multiples implied by the Transaction. BAS's analysis focused on public companies in the ethanol industry.

With respect to ethanol producers, BAS focused on three publicly traded companies deemed similar to the Company:

- Green Plains, Inc. (GPPE);
- Alto Ingredients, Inc. (ALTO); and
- REX American Resources Corporation (REX).

None of the comparable companies has characteristics identical to the Company. An analysis of publicly traded comparable companies is not mathematical; rather it involves complex consideration and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors.

The following table summarizes certain multiples for the selected comparable groups and the implied multiple for the Company. In the table, "TTM" refers to a period consisting of the "trailing twelve months," which for the Company's financial statements means the 12-months ended October 31, 2020. For the comparable companies we included similar TTM period for which data was publicly available which may be different than for the Company. "Enterprise Value" or "EV" means the value of the company on a cash-free, debt-free basis. "EBITDA" means earnings before interest, taxes, and depreciation and amortization. The table below compares the Company's Enterprise Value (a) as a multiple of trailing twelve months production in gallons, and (b) as a multiple of trailing twelve months EBITDA, with each of the comparable public companies. The implied EV for HLBE ownership share (49.35%) is \$28.7 million and TTM gallons are 32.2

million gallons. The lower EV / TTM Gallons is driven by the financial distress of the HLBE's business and the lack of Company control of the minority shares. The negative EV / TTM EBITDA is driven by the negative EBITDA.

| HLBE and Public Company Valuation Multiples | | | |
|--|-----------------------------------|----------------------------------|-----------------------|
| | Enterprise Value / TTM Gallons | Enterprise Value / TTM EBITDA | TTM EBITDA (Mil\$) |
| Green Plains, Inc. | 2.26 | -165.05 | -10 |
| Alto Ingredients, Inc | 0.92 | 12.32 | 40.1 |
| REX American Resources, Inc. | 1.68 | 17.40 | 23.8 |
| Low | 0.92 | -165.05 | -10 |
| Mean | 1.62 | -45.11 | 18 |
| High | 2.26 | 17.40 | 40.1 |
| HLBE /1 | 0.89 | -7.93 | -3.6 |

/1 Adjusted for HLBE minority ownership interest of 38,456,283 shares = 49.35% of ownership

Comparable Transaction Analysis

BAS maintains a comprehensive database of ethanol industry transactions going back to 2008. In performing the comparable transaction analysis, BAS identified transactions with known transaction values, calculated certain multiples and compared them to multiples implied by the Transaction. In performing the comparable transaction analysis, BAS conducted a search for similar merger, acquisition and asset purchase transactions, identified transactions with disclosed transaction values, calculated certain multiples and compared them to multiples implied by the Transaction.

BAS focused on transactions with target companies that BAS deemed similar to the Company and that fit within the following parameters:

- transactions where the target company was an ethanol production facility;
- public and private target companies in which transactions occurred for material minority interest or controlling interest of the company was acquired; and
- transactions announced or completed between October 1, 2018 and April 31, 2021.

BAS excluded transactions that did not meet these criteria or for which information was not available, and excluded repurchases and minority interest acquisitions. BAS identified 11 transactions that satisfied the selection criteria:

| Date Closed | Transaction Type | Sale Interest % | Seller | Buyer |
|-------------|------------------|-----------------|------------------------------------|---------------------------------|
| Oct-18 | Full Sale | 100% | Green Plains Renewable Energy | Valero |
| Dec-19 | Full Sale | 100% | Advanced Bioenergy | Glacial Lakes Energy LLC |
| Dec-19 | Full Sale | 100% | Advanced Bioenergy | Glacial Lakes Energy LLC |
| Jan-20 | Partial Sale | 25% | Bungy | SIRE |
| Feb-20 | Partial Sale | 60% | Lincolnway Energy | Husker Ag LLC |
| Oct-20 | Full Sale | 100% | Corn Plus | Greenfield Global |
| Dec-20 | Full Sale | 100% | Green Plains Renewable Energy | Hereford Ethanol Partners, L.P. |
| Feb-21 | Full Sale | 100% | Prairie Horizon | Private |
| Mar-21 | Partial Sale | 13% | IGPC shareholders | Urbana Corporation |
| Apr-21 | Full Sale | 100% | Alto Ingredients (Pacific Ethanol) | Seaboard Energy California |

Like many industries, the ethanol industry has specific valuation metrics for comparing transactions. The most common metric in the ethanol industry is the transaction value for property, plant, and equipment (“PPE”) as a multiple of trailing twelve months ethanol production. Working capital is typically excluded or treated separately. Focusing on the PPE multiple facilitates the comparison of comparable transaction by normalizing for highly seasonal working capital balances. The Transaction Value range of \$18.6 million to \$22.6 million, which reflects the purchase price of \$14 million, less the HLBE shareholders pro rata share of March 31, 2021 Working Capital for HLBE of \$2.94 million and \$1.2 million from Agrinatural, plus HLBE’s pro rata share of the outstanding debt in the business of \$9.2 million. The higher Transaction Value would be if the IRS forced sellers to include Other Long-Term Liabilities of \$8.2 million as part of the value calculation for tax purposes.

Based on the information disclosed with respect to the targets in the each of the comparable transactions, BAS calculated and compared the PPE values as a multiple of TTM annual production capacity in gallons. The analysis indicated that the multiples for these comparable transactions were as follows:

| | Comparable Transactions | | | HLBE |
|-----------------------|-------------------------|--------|--------|---------------------|
| | Low | Mean | High | Price Consideration |
| PPE Value/TTM Gallons | \$0.07 | \$0.46 | \$0.84 | \$0.56 to \$0.68 |

Every company is unique, and none of the target companies utilized in the comparable transactions analysis has characteristics identical to HLBE. Accordingly, an analysis of comparable business combinations is not mathematical; rather it involves complex considerations and judgments concerning differences in financial and operating characteristics of the target

companies in the comparable transactions and other factors that could affect the respective acquisition values.

Discounted Cash Flow Analysis

A discounted cash flow (or “DCF”) analysis estimates the present value of the projected theoretical future cash flow for a company, discounted at a rate reflecting risks inherent in its business and capital structure. In performing a discounted cash flow analysis, BAS reviewed Company projections of future financial performance as prepared by management, reviewed free cash flows over the projection period and calculated terminal value, and calculated present value of projected cash flows and terminal value at market discount rates.

A discounted cash flow analysis estimates a value for a company based on certain assumptions, many of which are beyond the company’s control. Changing market environment, regulatory initiatives, commodity prices and other factors will likely impact the company’s financial performance in ways not anticipated by the discounted cash flow analysis.

In the discounted cash flow analysis, BAS estimated a theoretical value for the Company based on a six-year forecast of future performance with a terminal value projected based on a multiple of the sixth year’s EBITDA.

| Benchmarked EBITDA per Denatured Ethanol Gallon Relative to Midwest Ethanol Plants | | | | | | | | |
|---|-----------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Company | State | 2016 | 2017 | 2018 | 2019 | 2020* | 3yr Avg. | 5yr Avg. |
| Comparison Min | | (0.00) | (0.09) | (0.10) | (0.20) | (0.15) | (0.04) | 0.02 |
| Comparison Avg | | 0.18 | 0.13 | 0.08 | 0.03 | 0.03 | 0.05 | 0.10 |
| Comparison Max | | 0.31 | 0.26 | 0.22 | 0.20 | 0.13 | 0.16 | 0.19 |
| Heron Lake *** | MN | 0.199 | 0.160 | 0.088 | (0.004) | (0.151) | (0.022) | 0.058 |
| | | 17 of 34 | 13 of 34 | 17 of 32 | 20 of 30 | 29 of 30 | 25 of 30 | 21 of 30 |

*All 2020 numbers through Dec except for SEC Filers through 3Q20

**Have not received financials most likely due to plant not operating

***Added back the \$1.83MM write-off on the boiler to 2020

Key Assumptions for the Discounted Cash Flow Valuation

- The FY-2021 EBITDA of negative \$7.6MM after adding back the \$1.83MM boiler write-off. HLBE lost an additional \$2.4MM in Nov-2020 and Dec-2020. Therefore, we used the 5 year average EBITDA per gallon of \$0.058 to estimate EBITDA for years 2021-2026 because we believe the HLBE plant has economic value even though the company has sustained losses in the last 2 years.
- Annual Production of 68MMGY was used to give HLBE credit for the recent investments.
- Capital Expenditure forecast from Company management: \$0.55 million per year
- Working Capital based on historical average
- Tax Rate of 30%, due to the fact the Company is taxed as a partnership
- Tax Depreciation forecast from management
- Discount rate of 8.47% was used based on the Weighted Average Cost of Capital and HLBE’s current capital structure and 15% Return on Equity

- Terminal Value Multiple of 5 was used based on an operating plant sale range of 3.0x to 6.0x on 2026 EBITDA.

| | DCF | | HLBE | |
|--------------------|----------------|-------|----------------|------------------|
| | 3x 2026 EBITDA | | 6x 2026 EBITDA | |
| Enterprise/Gallons | \$ | 0.174 | \$ | 0.348 |
| Enterprise/Unit | \$ | 0.152 | \$ | 0.301 |
| | | | | DCF on PPE basis |
| | | | | 0.29 |
| | | | | 0.25 |

In addition, BAS considered the size and nature of the Company's business, position in the industry, and recent trends in merger and acquisitions. BAS's DCF analysis based on these assumptions resulted in an Enterprise Value for the Company ranging from \$11.8 million applying a multiple of 2026 EBITDA of 3.0x to \$23.7 million applying a multiple of 2026 EBITDA of 6.0x.

Conclusion

Based on the information and analyses set forth above, BAS rendered its oral opinion, subsequently confirmed in writing, to the Board of Directors, which stated that, as of March 31, 2021, based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the opinion, the consideration to be paid to the Company upon consummation of the Transaction is fair, from a financial point of view, to the Company.

BAS's opinion is subject to the assumptions and conditions contained therein and is necessarily based on economic, market and other conditions, and the information made available to BAS, as of the date of its opinion. Events occurring after the date thereof could materially affect the assumptions used in preparing, and the conclusions reached in, that opinion. BAS assumes no responsibility for updating, revising or reaffirming its opinion based on circumstances or events occurring after the date of the opinion, or prior to closing the Transaction.

In reaching its conclusion as to the fairness of the consideration to be paid to the Company and in its presentation to the Board of Directors, BAS did not rely on any single analysis or factor described above, assign relative weights to the analyses or factors considered by it, or make any conclusion as to how the results of any given analysis, taken alone, supported its opinion. The preparation of a fairness opinion is a complex process and not necessarily susceptible to partial analysis or summary description. BAS believes that its analyses must be considered as a whole and that selection of portions of its analyses and of the factors considered by it, without considering all of the factors and analyses, would create a misleading view of the processes underlying the opinion.

BAS's analyses are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by the analyses. Analyses relating to the value of companies are not appraisals or valuations, and do not necessarily reflect the price at which companies may actually be sold. No company or transaction used in any analysis for purposes of comparison is identical to the Company or the Transaction. Accordingly, an analysis of the results of the comparisons is not mathematical; rather, it involves complex considerations and judgments about differences in the companies to which the Company was compared and other factors.

BAS's analysis and opinion are intended for the benefit and use of the Board of Directors in connection with the Transaction. BAS's opinion does not constitute a recommendation to the Board of Directors or to Unit holders as to how to vote in connection with the Transaction. BAS's opinion does not address the underlying business decision to pursue the Transaction, the relative merits of the Transaction as compared to any alternative business strategies that might exist for the Company or the effects of any other transaction in which the Company might engage.

The Company has agreed to pay BAS a fee that is not contingent on the consummation of the Transaction, and to indemnify BAS against various liabilities arising out of BAS's services to the Company. BAS does not beneficially own any interest in either the Company or in Buyer. BAS has previously provided services to the Buyer and the Seller.

Respectfully submitted,

Business Advisory Services, LLC

By: Scott McDermott, CEO