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15045 Hwy. 23 SE  
Granite Falls, MN 56241



**Michael Nealon**  
Controller GFE/GLE

April 2005

Greetings:

We have completed year-end accounting work with the filing of the Form 10-KSB with the SEC on March 31, 2005. You can review a copy of the Form 10-KSB on the SEC's website by following the link at [www.granitefallsenergy.com](http://www.granitefallsenergy.com). The Form 10-KSB contains the audited financials for GFE as of December 31, 2004 and 2003 plus the related footnotes. The Form 10-KSB, which in essence is our Annual Report, also contains other discussions about the ethanol industry and our plant. While I understand that reading a Form 10-KSB can be difficult, I recommend that you do read it as it gives a reader more information about GFE and the ethanol industry than we can put into these newsletters.

One of my main tasks each month for GFE is the preparation of a report that we call the Construction Variance Report. This report lists all of the construction cost categories (such as land development, organization costs and financing costs), where the original budget was at, how much have we spent to date and how much we expect to spend to complete the plant. This report is used by management, the GFE Board, and bank to make sure we are still on track based on our financial resources. As more construction activity occurs on the

site, the need to keep this report current becomes very obvious. As stated in the Form 10-KSB, we expect the total cost of the plant (including funds for start-up) will be around \$62,667,000 and we have total sources of funds (debt and equity) at \$63,700,000.

I hope to see many of you at the Annual Meeting on April 28!

#### The Faces of GFE, LLC Construction Fagen Inc. General Contractor



L to R: Erik Ramsey - Iron Superintendent, Tennessee, Dave Beneke, Project Manger, ND, Brad Bormann, Project Superintendent, Granite Falls, Noe Madred - Site Safety, TX, James "Limey" Smith - Expeditor originally from England, Scott May - Surveyor, Nebraska, Mahumed Kudic - Electrician, IA, Alice Rhea - Office Manger, Missouri, Cory Perrault - Rebar Foreman, Marshall MN. Not Pictured Jose Martniez - Civil Foreman, TX.

They come from all over the United States and some, Georgia, South Carolina, Texas, Tennessee, North Dakota, Iowa and England. I could go on and on but one thing they have in common is getting the job done. They transfer here from other job sites when that job is completed, and when finished here they will go wherever needed. Currently Fagen Inc. has 45+ employees on site they will reach 100-130 at peak building time.



### From the desk of the General Manager Tom Branhan CEO/General Manager

April 2005

I filled my truck with gasoline this morning at a cost of \$2.25 per gallon which is an all time high and wondered if you knew the fundamental reasons for the high pump price. Crude oil hit an all time high recently of \$57.27 per barrel even though OPEC is producing and shipping an additional million barrels of crude oil per day. Natural gas this morning was \$7.57 per Mmbtu

nearby which is also very expensive from a historical view point.

The major factor in high prices is fear. Traders and refiners are concerned that we are coming into the peak driving season and even though we have adequate inventories, one refinery outage or terrorist event could easily upset the balance and create shortages. Because these same traders and refineries are locking up future supplies in fear of shortages, prices continue to rise. As prices rise, buyers purchase more product which produces the snowball effect of rising prices that we are seeing now.

Natural gas as I said is trading at very high prices even though we have higher inventories than the five year averages. The reason for high natural gas prices is that this commodity is simply following the petroleum market since natural gas is recognized as an alternate energy source. There are no fundamental reasons to raise the price of natural gas other than hanging on to the shirttail of petroleum.

Contrary to the rising price of petroleum products, the selling price of ethanol is dropping because of excess supply in the market. There is over 750 million gallons of additional ethanol production coming on stream this year with no new demand for our product. Atlanta, Georgia is a 500 million gallon of ethanol per year market that our industry was counting on to convert to ethanol on January 1, 2005. Unfortunately Atlanta got a stay in the 11th Circuit Court to fight using ethanol. We expect to win this battle, but the best case scenario is for Atlanta to start using ethanol is late this year. As of today ethanol is not recognized as an alternate energy source and is subject to strictly supply and demand. We intend to change that way of thinking and have ethanol recognized as an alternative energy source by creating more supply, legislation, and public awareness.

On the positive side, there are many favorable factors for the continued use of ethanol to keep in mind. First there is the possibility of California taking an additional 300 million gallons by raising their concentration of ethanol from 5.7% to 7.7% in every gallon of gasoline they blend. Atlanta, Georgia will have a tough time convincing the EPA that they should receive a waiver. Every day the general public becomes more aware of the value of ethanol, especially in light of the very high gasoline prices at the pumps. A good example of this is in Watertown, SD the price for E-85 is \$1.55 and the price of regular unleaded gasoline is \$2.25 per gallon. The price difference alone is causing the general public to ask questions and consider blending ethanol. Sooner or later the retail stores and the blenders will start using more ethanol as they have the ability to discretionary blend ethanol with their unleaded gas to extend their fuel supply and to make more profit. It stands to reason that the more ethanol that is blended into gasoline, the less the final product should cost.

Have you ever wondered what we would be using for energy if Mother Earth had not provided fossil fuels like crude oil and coal. Every day we get closer to that position as we deplete the earth of those resources. There are many people working on alternative energy sources such as wind power, hydrogen fuel cells, solar, geo thermal, bio diesel and of course our own ethanol. I feel that we are doing our part to produce renewable fuels for the future and all of you should be proud for being a part of this renewable energy source.



**Paul Enstad**  
Chairman GFE

April 2005

We have had many great comments about our newsletter and those comments are much appreciated. We feel that it is important to keep you informed during construction as well as when production has begun. Our annual meeting will be held at the end of April, please watch for the formal notification by mail. We hope to see many of you there.

I am looking forward to the upcoming growing season. The construction schedule may be very similar to the growing season as far as a timeline is concerned. Our corn crop locally should mature about the same time as the GFE ethanol plant begins production. I am always amazed at how we farmers put the corn seed in the ground and then we provide the nutrients and crop protection to watch it grow and then if Mother Nature cooperates, we will produce good yields. This is a process in itself. Now as an owner/investor in GFE, I can be a part of the further processing to turn the corn into ethanol and feed. This completes the "from field to consumer" idea that makes sense to you and me. This is part of the reason why we made the decision to become involved with GFE. It is a business decision that we have made to hopefully enhance our profits. Both farmers and non farmers will benefit. The nice thing about ethanol production is that once the processing is completed, it is a final product. No further refining is necessary. The same holds true for the feed product. This area of the

country has been referred to as the "armpit of the Nation" when the discussion concerns exporting our farm commodities. We are a long ways from our export markets here. In the future, this area will have a home for the corn near by.

We are fortunate to have many different groups and organizations supporting the push to include ethanol in the fuel blends of the nation. Minnesota has always been a leader when we talk about the importance of ethanol production. Minnesota legislators continue to support legislation to increase its use. This is also true on the Federal Congressional level. Other State Legislators are also doing their part legislatively to increase demand. Our neighbor to the South, Iowa, has some interesting legislation pending. These items are too numerous for me to go into detail here, but I am sure many of you have heard or read about some of the articles of interest. With crude oil prices well over \$50.00 per barrel Americans have really started to embrace the use of ethanol in their vehicles. Millions of people in this country now choose to use E10 or E85 for their vehicles.

Many of you have probably heard or read some things about Brazil and what they do in that country as far as the use of ethanol is concerned. Ethanol is the fuel of choice in Brazil. Every gallon of fuel sold in Brazil is blended with ethanol at a minimum of 25% all the way up to 75%. The consumers seem to understand this and accept this very well. Every petroleum marketer in that country supplies ethanol and it is available everywhere. Many of their vehicles actually are purely ethanol powered. Where am I going with this? I am not saying that Brazil has a better handle on the matter than the United States does. I believe that we have a ways to go yet. And I personally believe that we will get there some day. The great people of this nation will demand it.

All of the construction workers on our site are doing a great job and we are moving forward. I commend them on their work ethics, knowledge and skills. The entire team is working very well together. Please read through the other articles in this newsletter for more updates.

Paul Enstad, Chairman, GFE



**Doug Reisdorfer**  
GLE Operations  
Manager

Hello, my name is Doug Reisdorfer. In September of 2004 I was hired by Glacial Lakes Energy to fill the position as the GLE Operations Manager. This position will eventually shift to the position of Plant Manager for Granite Falls Energy. I will be making this transition by being onsite within the first week of May 2005, helping Robin Spaude to oversee the construction of the Granite Falls Energy.

My wife Teresa and 4 year old son Derick moved to the Montevideo/Granite Falls area in November 2004. We have purchased a house and are slowly getting settled in. As I mentioned earlier, in the next few weeks I'll be transferring from Glacial Lakes Energy to Granite Falls Energy to be with my family and to be more involved with the ongoing construction.

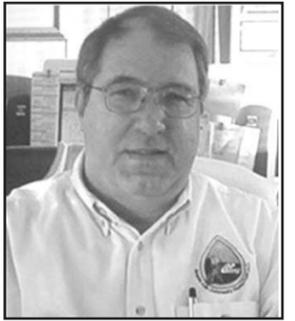
I am looking forward to our future endeavors and I hope to see you at the annual meeting on April 28, 2005.

Doug Reisdorfer

Check us out on the web at [WWW.granitefallsenergy.com](http://WWW.granitefallsenergy.com)



## Winter Construction Update From under the hard hat



**Robin Spaude**  
Project Coordinator  
GFE

Our skyline is rapidly changing and will continue as such until production start up this fall! Our highest feature, at the moment, is the DDG building elevator leg. Since pictures are worth a thousand words I'll take up less space writing and show more with the photos.

### Building Construction, Equipment, and Infrastructure Installation

- Our administration building is substantially complete. We expect to move into this building by the time our readers get this newsletter.

- Concrete work has focused on the floor slabs for the Energy Center, Process Building, and DDG building now that we are into the warmer weather. With the exception of the concrete grain silos we are approx. 70% complete with all concrete work for this project.

- Actual slip forming of the silos is scheduled to start in about one month.

- Fermentation tanks are being fabricated with two already rising from their bases and half done. Tank farm fabrication will commence in about a week.

- Most of the structural steel is standing tall in the process building area and the steel for the energy center is ready to set up.

- All of our evaporators (the heart of our ethanol production process and the longest lead time item for equipment) were installed in early March.

- Auger cast pilings were completed for our grain silos, on schedule, and work has now shifted to prepping the bases for the silos. In the meantime, the tunnels were completed and grain elevator legs and conveyor equipment put in place where possible.

- Minnesota Valley Cooperative Light and Power Assn (REC) has installed all of their transmission line poles and have strung most of the wire. Work is now focused on the on-site sub-station equipment and underground electrical wire network for our buildings.

- Engineering bid requests are being submitted for our rail siding with anticipated completion by Mid-June.

- Civil engineering work and subsequent bid requests for our well water lines is well underway.

As mentioned last month we have many heavy-lift cranes in action at the moment and numerous high lifts scurrying about the site. The highway sight seeing activity has also increased. Please be careful when driving by or stopping alongside the highways by our site as MN Highway 23 and U.S. Highway 212 are busy roads.

