

GRANITE FALLS ENERGY, LLC
TRADING SERVICE OPERATIONAL MANUAL
EFFECTIVE: APRIL __, 2006

I. Purpose and Overview

Pursuant to the Trading Service Agreement dated April __, 2006, incorporated by reference to this Operational Manual, Granite Falls Energy, LLC (“Granite Falls” or the “Company”) and FNC Agstock (“FNC”), hereby agree to the following rules and procedures for the trading of membership units, and delivery of all necessary agreements and documents for the effective trading and transfer of membership units.

Granite Falls must limit trading to preserve its favorable pass-through tax status. As a result, members will generally only be allowed to sell their membership units through the Trading Service. Transfers that are not made through the Trading Service will be null and void, unless they are transferred between family members, bequests upon death, or otherwise exempt from transfer restrictions and are approved by the Board of Governors. Members should review the provisions of the Trading Service on Granite Falls’ website for further guidance.

Brokers and dealers may not use the Trading Service to purchase or sell membership units for the accounts of others.

There is no charge to buyers or sellers to register or post membership units on the Trading Service; however, sellers will be charged a commission for completed transactions which is described below. Interested buyers and sellers should carefully read and follow the instructions provided below.

II. Terms and Conditions of Use

1. Granite Falls is not listed on a national securities exchange or other regulated securities market.
2. The information set forth on the Trading Service does not consist of firm quotes, but rather merely lists the names, addresses and telephone numbers of interested sellers and buyers, the number of units offered or desired to be purchased, and the price at which the proposed transaction would occur. Granite Falls will not assure that any particular transaction will occur as to any particular number of units or at any particular price. All the transactions must be executed independent of Granite Falls or any of its affiliates.

This Trading Service Manual may be revised from time to time in the discretion of Granite Falls and in coordination with FNC Agstock. The most current version will always be available on Granite Falls’ website, upon request to Granite Falls or by link on fncagstock.com. Buyers and sellers should confirm that they are referring to the most current version of this Operating Manual when using the Trading Service.

3. All applicable state and federal securities laws, including registration requirements, apply to any offer made or transaction consummated using the Trading Service.
4. “Two-sided quotes” in which a person indicates a bid to buy at one price and an offer to sell at another price are prohibited.
5. Granite Falls will act as Transfer Agent and can be contacted at:

Telephone:	(320) 564-3100
Fax:	(320) 564-3190
E-mail:	sschuler@granitefallsenergy.com
Main Contact:	Stacie Schuler

6. Any person that is a broker-dealer or an associated person of a broker-dealer or who has a state securities license is responsible for identifying that fact.
7. By accessing the service, the buyer and seller of the units agree to fully indemnify, defend and hold harmless Granite Falls and its directors, employees, agents and members from any and all claims arising out of participation with units appearing on the Trading Service.
8. The securities appearing on the Trading Service are illiquid and inherently risky. Therefore, a prospective investor must understand that he/she/it must be able to withstand the total loss of their investment.
9. The securities listed on the Trading Service are not endorsed by any regulatory authority. The fact that the securities may have been registered with a state regulatory agency and/or the SEC does not constitute an endorsement by any regulatory body. Any representation to the contrary is a criminal offense.
10. The appearance of securities on the Trading Service does not constitute an offer to sell nor solicitation of an offer to buy securities by Granite Falls.

III. Trading Periods

Sellers may post offers to sell membership units (also referred to as the “ask price”) and purchasers may post offers to purchase membership units (also referred to as the “bid price”) on the Trading Service during any business day of the year. Offers to sell will be matched with offers to purchase on a rolling, daily basis after the Offer to Sell has been posted for at least 15 days. Trades will be completed four times a year on the first day of each quarter beginning on January 1, April 1, July 1 and October 1. Trades will be coordinated upon final notification of acceptance from Granite Falls’ transfer agent (the “Transfer Agent”).

IV. General Rules and Procedures

1. Questions About the Trading Service. Questions regarding registration, buying and selling on the Trading Service should be directed to FNC Agstock as follows:

Telephone: (855) 827- 7391
Phone: (701) 780 – 2828
Fax: (701) 757 - 0889
E-mail: nwatson@fncagstock.com or
jmenke@fncagstock.com
Main Contact Jayson Menke

2. Questions About Granite Falls and Member Information. Questions regarding Granite Falls should be directed to Granite Falls as follows:

Telephone: (320) 564-3100
Fax: (320) 564-3190
E-mail: sschuler@granitefallsenergy.com
Main Contact: Stacie Schuler

3. Access to Offers to Sell or Purchase. Interested buyers and sellers may contact FNC Agstock for purposes of buying and selling membership units as follows:

Telephone: (855) 827-7391
Address: 4050 Garden View, Suite 103
PO Box 5088
Grand Forks ND 58206

Offers to sell or purchase shall be posted to the Trading Service only after the submission to FNC Agstock of a fully completed Listing Agreement (described more fully in Section IV).

FNC Agstock shall provide, orally or in writing, to persons that inquire all offers to sell or purchase posted to the Trading Service as of the day of the inquiry. FNC Agstock shall provide such information, either orally or in writing, within a reasonable period of time following such request.

4. Non-firm quotes. All offers to sell and purchase posted to the Trading Service shall be considered non-firm.
5. Communication of Offers to Purchase and Sell. Offers to purchase and sell must be communicated to a registered representative of FNC Agstock by telephone or in person no later than 3:30 p.m. (C.S.T.) of any business day. Communication to FNC Agstock of said offers by email, voice mail, or otherwise is prohibited.

6. Increments. Offers to sell and offers to purchase membership units must be made in whole unit increments and a purchase price per membership unit in whole dollars and cents. No offer to sell or purchase of partial or fractionalized membership units may be posted to the Trading Service.
7. Waiting period. An offer to purchase may not be accepted by the seller prior to the 15th calendar day after the offer to sell is posted to the Trading Service.
8. Modification of offers. An offer to sell may be modified by the seller at any time, subject however to the restriction that an offer to purchase cannot be accepted by a seller prior to the 15th calendar day after the modified offer to sell is posted to the Trading Service. Said modification shall not alter or extend the 120-day maximum period the membership units can be posted for sale by the Trading Service. If FNC Agstock communicates to a seller an offer to purchase and the offer to purchase is at a bid price equal to or in excess of the seller's ask price, and if the seller declines to accept the offer to purchase for the bid price, seller shall either set a new ask price (non-firm) or request cancellation of the offer to sell. If the seller sets a new ask price (non-firm), the seller's ask price shall not be eligible for acceptance until the 15th day after which the modified offer is communicated to FNC Agstock and posted to the Trading Service.
9. Cancellation of offers. Sellers may cancel an offer to sell at any time prior to his/her/its acceptance of an offer to purchase. All offers to purchase (bids) may be cancelled by contacting FNC Agstock by telephone or in writing at any time prior to an agreement for sale being reached by seller and purchaser (communication of an offer and acceptance).
10. Matching order rules. Matching of offers to sell and offers to purchase shall be governed according to the following rules:
 - a. An offer to sell shall not be eligible for matching and acceptance with an offer to purchase prior to the 15th calendar day of said offer to sell being posted to the Trading Service.
 - b. For multiple offers to purchase, the offer to purchase with the highest bid price shall have the first opportunity for matching.
 - c. For multiple offers to purchase which exceed an asking price eligible for matching and which are posted between the 1st and 15th calendar day after an offer to sell has been posted to the Trading Service, FNC Agstock shall make reasonable efforts to contact all such bidders at the end of the day of the 15th calendar day, and inform them of the multiple bids, at which time each bidder will be allowed to submit one final bid.
 - d. For multiple offers to sell, the offer to sell with the lowest asking price posted to the Trading Service shall have the first opportunity for matching.

- e. For multiple sellers at same asking price, the seller who posted the offer to sell membership units first in time has priority. For multiple purchasers at same bid price, a purchaser who posted an offer to purchase first in time has priority.
 - f. After price and time, precedence is given to the seller or purchaser with the largest order.
 - g. If priority cannot be established by price, timing or order quantity a prevailing seller or purchaser is selected at the discretion of FNC Agstock.
11. Closing date; Purchase Price. Closing of the sale, at which time the net proceeds will be forwarded to the seller, shall not take place prior to 45 days after the offer to sell is posted to the Trading Service. The purchase price for each sale shall be the bid price stated in the offer to purchase that is matched with the offer to sell.
 12. Removal. Offers to sell and offers to purchase may be posted to and listed on the Trading Service for a maximum of 120 days. Any offer to sell or purchase that has not been matched at the end of the 120 days shall be removed from the Trading Service.
 13. Eligibility for future posting. A seller whose offer to sell has not been matched within 120 days and consequently whose offer to sell has been removed from the Trading Service will not be eligible to post a new or subsequent offer to sell unless and until 60 calendar days have expired from the date of the previous offer to sell was removed from the Trading Service. Purchasers will be eligible to repost any offer to purchase immediately after it is removed.

V. Trading, Payment and Transfer Procedures

1. Listing Agreement. To be eligible to sell membership units, the seller and FNC Agstock must sign a Listing Agreement authorizing FNC Agstock to seek a purchaser for membership units. The Listing Agreement will specify and include the following:
 - Name, address, and telephone number of the interested seller;
 - Number of membership units offered for sale;
 - Price at which membership units are offered for sale;
 - Expiration date;
 - Listing date;
 - Responsibilities and obligations of seller and FNC Agstock;
 - Obligation of FNC Agstock to secure 100% of purchase price;
 - Sales commission rate and minimum commission.
2. Placing offers to purchase. Prospective purchasers who desire to place an offer to purchase may contact FNC Agstock in person or by telephone. An offer to purchase may be made at the lowest listed asking price or any other price. Two-sided quotes in which a person indicates a bid to buy at one price and sell at another are prohibited.

3. Communication offer to purchase to seller. Once an offer to purchase is made that equals or exceeds the asking price of one or more listed offers for sale, the eligible offer to purchase is communicated to the seller having the lowest asking price for readily available membership units in accordance with the matching order rules as described above. FNC Agstock will use reasonable efforts to contact eligible sellers; however, if FNC Agstock is unable to make contact with a seller within a reasonable time according to its best judgment, FNC Agstock will communicate said offer to next eligible seller. After communication of offer to purchase to seller, if offer to purchase is at or above the posted asking price, seller has option to accept or reject offer to purchase.
4. Transfer Application.
 - a. Upon verbal agreement for sale between a purchaser and seller, FNC Agstock will generate and send to purchaser a Transfer Application and a counterpart signature page to the Operating Agreement.
 - b. Purchaser shall be obligated to fully execute and return to FNC Agstock said Transfer Application, an earnest money deposit equal to 100% of the accepted purchase price (check made payable to "Bremer Bank, Escrow Agent") and an executed Operating Agreement signature page if a new member of Granite Falls, within ten (10) days of receipt of the Transfer Application.
 - c. Upon receipt of the purchaser's executed Transfer Application and earnest money, FNC Agstock will immediately deposit the earnest money into a non-interest bearing escrow account at Bremer Bank, N.A. ("Escrow Agent") and forward the Transfer Application to the seller for signature.
 - d. Seller shall execute and return to FNC Agstock said Transfer Application and membership unit certificate(s) (or a satisfactory lost certificate affidavit) within ten (10) days of the date of receipt of the Transfer Application.
 - e. In the event the Seller granted to a lender a security interest in the Membership Units, the Seller is required to provide proof of the lender's consent and any transfer instructions with the Transfer Application. At the time of closing the securities must be free and clear of any lien, encumbrance, pledge or security interest.
5. Notification. Upon receipt of the fully executed documents from the seller and funds from the purchaser, FNC Agstock shall forward to the Transfer Agent the Transfer Application, membership certificate, and Operating Agreement membership signature page. The Transfer Agent shall subsequently confirm with FNC Agstock the Board's approval of the completed transaction.
6. Completion of Sale. Upon receipt, FNC Agstock will forward to Granite Falls' Transfer Agent all Transfer Applications and other documents relating to each match of membership units together with proof of purchaser's 100% remittance. Upon FNC Agstocks' receipt of notice from the Transfer Agent that a membership unit certificate is being issued to the

purchaser FNC Agstock shall direct the Escrow Agent to transfer the sale proceeds (purchase price minus commission) to the seller on the effective date (see below). On or shortly following the effective date, the Transfer Agent will send the new certificate to the purchaser. If any liens or restrictions on the membership units prevent the transfer agent from processing the sale, FNC Agstock shall direct the Escrow Agent to refund the entire amount deposited to the purchaser within 10 business days of receipt of notification of such determination.

7. FNC Agstsocks' commission. Prior to the Escrow Agent's transfer of the sale proceeds to the seller, the Escrow Agent shall deduct an amount representing the sales' commission and transfer such commission to FNC Agstock. The commission will be Three Percent (3%) of the purchase price, but in no event less than Two Hundred Fifty Dollar (\$250.00).
8. Trade effective date. All sales and transfers shall be effective upon the first day of the quarter following a match if 45 days has expired since the offer to sell was posted. If the offer to sell is posted during the last 45 days of the quarter, the sale will be effective on the first day of the next following quarter. For example, if an offer to sell is submitted between January 1 and February 13, the trade will be effective on April 1 if buyer and seller meet the above delivery deadlines. On the other hand, if the offer to sell is posted after February 13, the trade will not be effective until July 1 even if all delivery deadlines are met.
9. Reporting Requirements. Sales by officers, directors, and certain beneficial owners must be reported to the SEC within two (2) days. Acquisition of ownership of ten percent (10%) must be reported to the SEC within ten (10) days.