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Granite Falls Energy LLC

Energy for the 21st Century



**Stacie
Schuler**
Chief Financial
Officer

Spring Greetings from the Administrative Staff here at GFE...

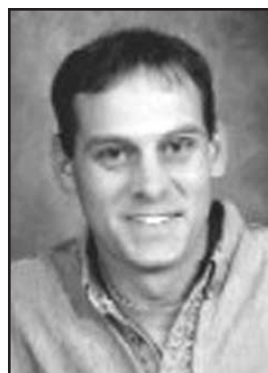
The SEC reporting has been completed for the first fiscal quarter that ended January 31, 2006, and is available for viewing via the SEC link on our website. The earnings for the first quarter came in at \$1,431,000, which is representative of only 2-1/2 months of actual production. In early March we converted our \$34 million construction loan into permanent financing in the form of three term loans.

The Annual Meeting has been scheduled for June 13, 2006. This meeting is open to investors only. All investors will be mailed the Notice of Annual Meeting, Proxy Statement and Form 10-KSB for the fiscal year ending October 31, 2005. If you are an investor and do not receive this packet by May 15th, please notify us at the GFE office. As Paul explained in his article, we had to wait for full SEC approval of our Proxy Statement before we could send out the notice to our investors. We apologize for any inconvenience this may have caused.

At this time, GFE is not trading shares. We are currently finalizing the program with the Board of Governors and a third party, and will present it at the Annual Meeting in June. Once the program is finalized, we will be able to do the family transfers and name changes that many of you have been asking for as well.

Have a safe spring, and I hope to see you at the annual meeting.

This newsletter contains forward-looking statements which discuss the future of the ethanol industry and our future operating and financial performance. These statements involve numerous assumptions, risks and uncertainties. Our actual results or actions may differ materially from these forward-looking statements for many reasons, including the factors identified in our periodic reports filed with the SEC. Please access our reports at www.sec.gov for more information.



It's that time already...how the time goes by! First it was the construction phase; then the intense training of the new employees; next was the plant start-up; and now we are going into re-permitting.

Over the past few months, GFE has been consistently running at a monthly average of 45 million gallons per year. This is very good, but to get more "bang for the buck" we have to get re-permitted by the MPCA (Minnesota Pollution Control Agency) which will enable us to go above that 45mmgy rate. The re-permitting will allow us to maximize production while pushing forward, giving us the opportunity to "de-bottleneck" (to make bigger, faster, stronger) the areas that we see that are going to be inhibitive of producing greater quantities of ethanol.

**Doug
Reisdorfer**
GFE Plant Manager

I cannot illustrate enough the attentiveness that went into building this great plant. Along with that I'd like to take a moment to thank Fagen Inc., ICM, McCormick and numerous other contractors who worked meticulously on this project ensuring the investors and employees would be able to reap the benefits of being an owner of, or an employee in, this state-of-the-art, high quality ethanol production facility. Through diligence they succeeded!

I hope to see everyone at the annual meeting and at the open house that follows on June 13, 2006.



From the desk of the Tom Branhan CEO/General Manager

The nation's growing thirst for ethanol is leading to a building craze for plant construction — even far from the Corn Belt such as states like California and Texas. Currently there are thirty-three ethanol plants under construction, and eight of the 95 plants in operation are being expanded not to mention those that are in early developmental stages.

We saw the construction boom start to explode after President Bush signed the Energy Bill that encourages greater use of ethanol as an ecologically sound fuel. President Bush then went on to mention the importance of ethanol in his State of the Union Address earlier this year.

The United States currently imports about 37 million gallons of gasoline each day. Since 1970, Americans increased gasoline consumption from 12 billion gallons of fuel per year to more than 160 billion gallons of fuel per year. Ethanol is helping address the need for renewable fuel options — so that as we build capacity, we lessen the need for import-

ing gasoline from countries that do not like us. Believe it or not, one bag of seed corn produces around 1,200 gallons of ethanol fuel, which in turn produces 12,000 gallons of 10 percent ethanol-enriched fuel. That means Americans drive 230,000 miles on one little bag of seed corn — which translates into less crude oil imports. And that's good for our economy.

The Ethanol Promotion and Information Council (EPIC) is an alliance of ethanol producers and industry leaders who have come together to create a consistent, positive message and identity for ethanol. Our goal is to reach consumers and key influencers across the country and educate them on the performance and environmental benefits of using an ethanol-enriched fuel in their automobiles. GFE is a proud member and supporter of EPIC and I am honored to serve as the first President of this organization.

One of EPIC's major success stories is the Indy Racing League (IRL). It's big news: ethanol is fueling the legendary IndyCar® Series! Like the cars themselves, the transition will be quick: this season, race cars are fueled by 10 percent ethanol-enriched fuel. Then in 2007, it's 100 percent fuel-grade ethanol for all of the race cars! Don't blink or you'll miss the most exciting proof of ethanol's exceptional performance: race cars screaming past you at 220 mph. That's almost fast enough to travel the length of a football field in one second.

Rahal Letterman Racing (RLR) has teamed up with EPIC's Team Ethanol as the sponsor for this year's IndyCar Series season. Drivers include Buddy Rice, Danica Patrick, and Paul Dana. On a sad note, IRL IndyCar Series driver Paul Dana, who drove No. 17 Team Ethanol Honda Panoz Firestone car for Rahal Letterman Racing, suffered fatal injuries March 26 in a practice lap crash prior to the 300-mile IndyCar Series event on the Homestead-Miami Speedway's 1.5-mile oval track. As President of EPIC, I would like to say that our thoughts go out to Paul's family. He was a tremendous person who had a strong belief in ethanol and the benefits that ethanol provides for racing and for our nation. He was instrumental in getting ethanol into the IndyCar series and will be sadly missed.

The GFE Annual Meeting will be June 13, 2006 at Prairie's Edge Casino from 10:00 am to 12:00 pm. We are tentatively planning the GFE Grand Opening that same day with tours beginning at 1:00 pm. We are still finalizing details and are confirming the list of featured speakers. We will send you formal invitations once we have finalized the details of both events.

In closing, I'd like to congratulate the staff of GFE for their outstanding leadership and dedication to making GFE one of the best plants in the industry. I am proud to have such a great group of people to work with and be part of Granite Falls Energy!

EXPANSION CLARIFICATION

There have been some confusing news stories and rumors circulating that GFE is going to expand its production capacity after being in production for only three months. This misinformation was a result of the Minnesota Pollution Control Agency (MPCA) sending out a required 30 day public notice as a result of our asking for an amendment to our operating permit.

When Glacial Lakes Energy became involved in the GFE project, the actual design of the plant changed to allow the facility to run over 50 million gallons per year instead of the original 40 million gallon per year design. The operating permit was originally issued to GFE for a 40 million gallon per year plant and we are simply amending the original permit to allow us to fully utilize the capacity of GFE. This is nothing more than a paperwork change to reflect the actual capacity of the plant in order to allow us to produce more gallons of ethanol from the existing plant. There will be no physical changes to the plant itself.

I hope this clarifies the issue for all of our investors.

Tom Branhan
Chief Executive Officer



**Check us out on the web at
www.granitefallsenergy.com**



Paul Enstad
Chairman GFE

Hello from GFE, LLC,

As expected the GFE ethanol plant has gotten off to a great start. With over four months of operations behind us, we feel that we have met or exceeded expectations as far as production numbers are concerned. We are producing ethanol at the maximum level that our permit will allow at this time. We plan to increase production even further as soon as our amended permit is received. The Fagen/ICM designed and built ethanol plant has met all of the objectives. This is good news for our investor/owners.

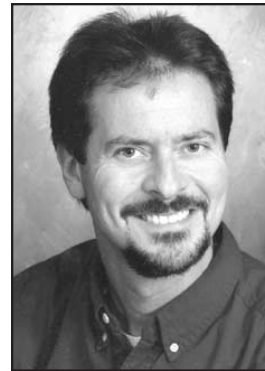
The people who work for GFE continue to do a fantastic job. I have visited with several of these hard working individuals and the attitude is superb. This is a great team and they seem to be on a mission. Their mission is to produce ethanol and DDG's efficiently and profitably. Thanks to their hard work and training at Glacial Lakes Energy and on site at Granite Falls prior to start-up, they hit the ground running and made the plant run very well.

These are exciting times for the ethanol industry. Politically the industry is gaining momentum and Minnesota continues to be a leader. On a National level the demand for ethanol is currently using all of the supply as the petroleum industry discontinues the use of another oxygenate used in gasoline blends called MTBE. This product has been determined to be unfriendly to the environment. Bob Dinneen, president of the Renewable Fuels Association put it best when he stated recently at the RFA conference that "ethanol has arrived". Bob is a great leader with this industry and he continues to work very hard to refute any misinformed attacks upon the ethanol business. He spoke at our ground breaking ceremony, and if any of you get a chance to meet him, listen to what he has to say. Many things are happening behind the scenes with this industry and Bob has been a great supporter for us. He, along with other industry representatives, has been invited to our grand opening and I hope he can attend.

I cannot stress to you how important it is to the GFE Board and Management to have a sound risk management program in place. This includes corn, natural gas, ethanol, DDGs and denaturant. I feel that we have some very sharp minds working with GFE to help make sure we have everything bought and sold correctly and to have the protection needed against these ever changing markets.

As mentioned, we plan to have a grand opening for those who wish to tour the GFE facilities. The event is scheduled for June 13th. We will also have our annual meeting earlier that day. You will get an official notice of the annual meeting along with a proxy statement. You can vote by mail but we would certainly like to see you attend the annual meeting if possible. We had hoped to have the annual meeting much earlier than this but due to unforeseen circumstances we have had some delays. As you know, the proxy statement, as well as our quarterly and annual reports, and any other significant items concerning GFE, LLC needs to be reviewed by the United States Securities and Exchange Commission as we are a SEC registered company. When we submitted our draft of the proxy statement to the SEC, there were some questions and comments that we had to answer, and then resubmit the entire proxy. This process is what caused the delay of holding the annual meeting.

Our thanks go out to all who made the start up for GFE a success. The Board of Governors along with Management and all employees are very proud to be a part of GFE. And you as owners and investors should be proud too - You made it happen!



Bert Magstadt
Energy
Commodities
Manager

April contracts are in place for a significant portion of our ethanol production in the \$2.00 per gallon range for this summer's driving season. These contracts are through Aventine, our ethanol marketer. We are also starting to get contracts in place for 2007. The current spot market for ethanol is also very strong, with prices in the \$2.40 per gallon range. One reason for high spot prices is the phasing out of MTBE in May.

Natural gas prices have taken a nose dive over the past four months, due largely on the very mild winter everyone experienced. A lot of traders and end-users were fearful that natural gas would be in short supply this past winter due to the hurricane damage in the Gulf of Mexico, driving up the price. Natural gas hit an all-time high of \$15.75 in December, but then started its free fall once it became clear that supply would be adequate. We currently have 25% of this summer and 50% of this winter natural gas requirements hedged. Natural gas prices are currently in the \$7.50 range for this summer and \$11.00 for the upcoming winter.



Tami Schaefer
Grains
Commodities
Manager

Spring is here and I bet everybody is looking forward to the warmer weather. With spring comes long hours in planting so please keep safety in mind at all times.

The plant has been running great. The Farmers Cooperative Elevator Co. has been keeping the corn rolling into the plant. We would like to remind all producers to check your bins before the busy planting season begins to make sure that the corn is in good condition, and to avoid issues that could arise later on this summer. The quality of the corn is very important for the yield that we get from each bushel that we grind.

The DDG (Dried Distiller Grain) local market has been remarkable in the Granite Falls area. It is promising to see that this feed is being used in the local region. If you have any questions on the availability of DDG's please give Chris a call at Granite Falls Energy at 1-320-564-3100.

Have a safe and prosperous spring!



Maintenance Activities From Under The Hard Hat



Robin Spaude
Maintenance
Manager

This is my first update as maintenance manager for GFE since our mid-November production start up and my previous role as Project Coordinator. It has been a very busy time for maintenance personnel and me with pre-production training on all pieces of equipment from the production process itself to pumps, valves, and electronic instrumentation. We have also learned several things since start up and the affects of winter weather:

- Plants of similar design such as ours have typically gone through a 1 -2 week debug process during water trials to get all equipment, valves, and instrumentation working properly prior to actual production. Ours was ready for production in 3 days which says a lot about the quality of construction by our contractors in all areas of the facility.

- The GFE maintenance crew worked over a two, 12 hour shift period, for about 3 weeks after startup and we then throttled the hours back to one 9 hour shift and set up a rotating, on-call schedule. Call-ins for maintenance have slowed down considerably in the past two months. We don't need to baby-sit this plant!

- This winter's Minnesota weather and its unique freeze and thaw cycles brought out a few "quirks" with equipment to which we promptly applied permanent fixes. I was personally concerned about water freezing in piping and the cooling tower. My fears, though justified, went unfounded this past winter season. The cooling tower, for example, was one of the most comfortable places to be next to, or work on, in -20° F weather. This plant and its piping network are very well insulated.

- We have received the majority of our spare parts inventory for major equipment on this site. We've also established relationships with component parts suppliers and service centers to get large parts or services in a few hours. Glacial Lakes Energy has also been extremely helpful in the "watch for this and that" scenarios that could have played out.

- Our contractors and equipment vendors have been available at a moments notice to deal with the few warranty issues that have come up. I commend them for their responsiveness and making our job easier!

- Our maintenance crew, though small in numbers, have all proven to be multi-talented individuals in all maintenance functions. They have worked well together as a team and I appreciate the quality workmanship and spirit they've given to this facility.

We are also engaged in building a thorough, Preventive Maintenance data base program which will provide "predictive" maintenance capabilities on not only production equipment but rolling stock, buildings, and grounds maintenance as well.

In addition, we are preparing for our first scheduled shut down in early May and we do not foresee any major issues to resolve at that time.

We are now looking forward to spring to finish the site grading around our buildings and get some paving done. It has been very rewarding to have a project of this size come together and perform as well as it has.



David Culver
Director of
Operations

The plant at Granite Falls continues to run well. The operations and management staff have done a wonderful job of keeping things going through the roughness of startup. This is where their past experience shines through. We still have several long term start-up issues to work our way through including emission requirements and some continued shake-down issues, but we hope to have the plant running at full strength by summer.

The next most immediate challenge is the semi annual shutdown that is coming up for the plant on May 2nd. Planning and equipment acquisition is actively occurring in order to be properly prepared. We will be bringing over some extra operations and maintenance staff from GLE in order to help out with the shutdown and decrease the downtime as much as possible. Shutdowns are always a learning experience but again

the previous experience of the staff and the experience we have over at GLE should allow us to minimize any learning curves.

Doug Reisdorfer and I are also starting to discuss the issues that may be roadblocks to our faster production in the future. We both see potential for a very productive plant and are hoping to find the bottlenecks that might occur before we find them in the plant as a roadblock. We are also trying to think through, again based on passed experience at GLE, what areas we will need to be looking at for keeping a high level of efficiency. The work of these plants is never done and there is always room for improvement.



Pete Bullene
EHS Manager

Greetings! On average, statistics show that a high percentage of incidents occur during an employee's first six months on the job. In order to change this trend, we have developed an extensive Safety Training Program for Granite Falls Energy. These training sessions will further the employees' knowledge in personal safety and reduces the potential exposure for accidents and injuries while on the job.

GFE will continue to move forward with the required OSHA safety training sessions. Safety and compliance has been a priority of Management and GFE Board of Governors. We need to give a special "Thank You" to these groups for taking a very aggressive approach in regards to being proactive in protecting the environment and our natural resources.

I am pleased to say that GFE is on track with the permit submittals and revisions. We are reviewing our Air Quality, Storm Water and Wastewater permits to ensure that they are current and reflect our facilities operation. A sampling and documentation schedule has been established for all permits to ensure continued compliance.

In closing, it is great to see a state of the art facility come together and I'm proud to be part of the team. Safety is always a huge matter in any environment and I'm pleased to see that it is a top priority at GFE!