

Judge Rules in Favor of GLE on Action Against Granite Falls Energy, LLC

The judge did rule in our favor on February 18, 2009 on the action against Granite Falls.

The following is a portion of the filing we made with the SEC about the legal action:

On January 13, 2009, without any request for approval of the transaction by either Glacial Lakes or Fagen or submission of any other transfer request documents, the Board of Governors of Granite Falls Energy adopted a Resolution unilaterally approving the “transfer” of 2,000 Membership Units from Glacial Lakes to Fagen, and deeming the transfer to have closed on and be effective as of January 13, 2009. In subsequent correspondence to Glacial Lakes, Granite Falls Energy refused to reverse its Board action and indicated that, as a result of the “transfer”, Glacial Lakes’ appointed governors to the Granite Falls Board were deemed to have resigned and Glacial Lakes no longer had the right to appoint governors to the Granite Falls Energy’s Board.

Glacial Lakes sent written correspondence to Granite Falls’ legal counsel on January 13, 2009 and again on January 27, 2009 demanding that such Board action be reversed and indicating that the Board action was unwarranted, unsupported, interfered with Glacial Lakes’ purchase agreement with Fagen, and diminished the value of Glacial Lakes’ investment in Granite Falls. Granite Falls Energy refused to reverse its action.

Complaint against Granite Falls and certain members of its Board of Governors

On February 4, 2009, Glacial Lakes Energy filed a Complaint in Yellow Medicine County against Granite Falls Energy and seven individual board members of Granite Falls Energy, seeking declaratory judgment reversing the Granite Falls’ Board action, reinstating the right of Glacial Lakes to appoint two board members to the Granite Falls’ Board, and restoring the right of Glacial Lakes to sell the entire 6,500-unit block to a third party together with the right to appoint two board members. Glacial Lakes also asserted claims against Granite Falls and the individual board members for breach of contract, conversion, breach of fiduciary duty, and violation of the Minnesota Limited Liability Company Act (sections 322B.833 and 322B.38). In addition to injunctive relief, Glacial Lakes is seeking damages, and an award of attorneys’ fees for violation of the Minnesota LLC Act.

Order on Glacial Lakes Energy’s Request for Temporary Restraining Order and Temporary Injunctive Relief

On February 18, 2009, the District Court of Yellow Medicine County, Minnesota entered an order for injunctive relief in favor of Glacial Lakes Energy. The order enjoins Granite Falls and its Board: (1) from entering in the books and records of the

Granite Falls any record or sale or transfer of 2000 Membership Units from Glacial Lakes Energy to Fagen based upon the December 4, 2008 Membership Unit Purchase Agreement; (2) Granite Falls and its Board shall rescind and reverse any entries made in the books and records of Granite Falls that record or direct sale or transfer of 2000 Membership Units from Glacial Lakes Energy to Fagen based upon the December 4, 2008 Membership Unit Purchase Agreement; (3) Granite Falls shall ensure that its records reflect that Glacial Lakes Energy's ownership of 6500 Membership Units until such time as Glacial Lakes Energy provides an executed request for transfer along with appropriate support documentation; and (4) Glacial Lakes Energy's appointees to the Granite Falls Board are restored to the Granite Falls Board and Granite Falls' Board is enjoined from interfering with the attendance by these Board members at Granite Falls board meetings.

Here is a portion of an SEC filing made by Granite Falls on the same issue:

On February 19, 2009 and subsequent to our January 13, 2009 8-K filing, Granite Falls Energy, LLC (the "Company") was notified that a Minnesota district court judge had granted an injunction preventing the Company from recognizing the sale of 2,000 membership units from Glacial Lakes Energy, LLC ("Glacial Lakes") to Fagen, Inc. ("Fagen"). The injunction states that no sale has occurred and nullifies the resolution adopted by the Company's Board of Governors on January 13, 2009, whereby the Company concluded that Glacial Lakes had transferred a portion of its membership units to Fagen, Inc. and therefore fallen below its required ownership threshold for appointment rights as set forth in the Company's Fifth Amended and Restated Operating and Member Control Agreement. Accordingly, the Company has restored the two Glacial Lakes representatives, Mr. Mark Schmidt and Mr. Terry Mudgett, to the Company's Board of Governors. Mr. Mudgett is also a member of the Company's risk management committee.