

**GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2006
(unaudited)**

Excerpts from audited financial statements for August 31, 2005

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**GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED BALANCE SHEETS**

	<u>May 31,</u> <u>2006</u> (unaudited)	<u>August 31,</u> <u>2005</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$10,021,265	\$ 2,505,348
Receivables:		
Trade	6,983,240	4,816,593
Government programs	-	181,017
Other	505,111	257,996
Inventories	2,978,124	5,062,342
Hedge accounts	1,938,575	-
Prepaid expenses	<u>170,925</u>	<u>94,641</u>
TOTAL CURRENT ASSETS	22,597,240	12,917,937
PROPERTY AND EQUIPMENT:		
Land and land improvements	1,708,350	1,708,350
Railroad equipment	848,874	848,874
Buildings	2,411,016	2,335,487
Process and grain storage tanks	12,166,678	12,166,678
Process equipment	38,608,164	35,240,486
Office equipment	<u>363,327</u>	<u>301,619</u>
Total cost	56,106,410	52,601,494
Accumulated depreciation	<u>(18,699,447)</u>	<u>(14,786,447)</u>
PROPERTY AND EQUIPMENT, net	37,406,963	37,815,047
OTHER ASSETS:		
Goodwill invested in Glacial Lakes Energy, LLC	3,827,204	3,827,204
Other investments	12,888,574	6,634,578
Deferred offering costs and other assets	316,700	-
Financing costs, net of amortization of \$322,374 and \$253,981, respectively	<u>162,134</u>	<u>230,528</u>
TOTAL OTHER ASSETS	<u>17,194,612</u>	<u>10,692,310</u>
TOTAL ASSETS	<u>\$77,198,815</u>	<u>\$61,425,294</u>

See Notes to Financial Statements

**GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED BALANCE SHEETS**

	<u>May 31,</u> <u>2006</u>	<u>August 31,</u> <u>2005</u>
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 237,429	\$ 693,168
Corn payable	1,161,162	2,330,073
Accrued expenses	1,053,950	846,064
Hedge accounts	-	154,157
Revolving line of credit	-	-
Current maturities of long-term debt	<u>4,034,099</u>	<u>3,689,088</u>
TOTAL CURRENT LIABILITIES	6,486,640	7,712,550
LONG-TERM DEBT, net of current maturities:		
Notes payable to Bank	20,307,827	24,555,179
Other notes payable and capital lease	<u>5,138</u>	<u>8,802</u>
Total	20,312,965	24,563,981
Current maturities	<u>(4,034,099)</u>	<u>(3,689,088)</u>
TOTAL LONG-TERM DEBT, net of current maturities	16,278,866	20,874,893
STOCKHOLDERS' EQUITY:		
Common stock, \$0.00056 par value, 500,000,000 shares authorized, 139,402,152 and 139,289,652 shares issued and outstanding, respectively	77,445	77,383
Preferred stock, \$1.00 par value, 1,000,000 shares authorized with none issued	-	-
Additional paid-in capital	15,819,057	15,594,119
Accumulated other comprehensive income (loss)	129,473	(2,731,540)
Capital reserve	<u>38,407,334</u>	<u>19,897,889</u>
TOTAL STOCKHOLDERS' EQUITY	<u>54,433,309</u>	<u>32,837,851</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$77,198,815</u>	<u>\$61,425,294</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED STATEMENTS OF OPERATIONS
Nine Months Ended May 31, 2006 and 2005
(unaudited)

	<u>2006</u>	<u>2005</u>
SALES	\$70,663,758	\$58,526,056
COST OF SALES	<u>47,713,063</u>	<u>49,862,844</u>
GROSS PROFIT	22,950,695	8,663,212
GENERAL AND ADMINISTRATIVE EXPENSES	1,898,017	1,312,660
INTEREST EXPENSE	<u>1,173,527</u>	<u>1,513,790</u>
INCOME FROM OPERATIONS	19,879,151	5,836,762
OTHER INCOME (EXPENSE):		
CCC bio-energy program	1,759	228,935
State ethanol producer program	<u>525,208</u>	<u>452,613</u>
Total government programs	526,967	681,548
Interest income	198,000	7,672
Investment earnings (loss)	2,726,234	(63,000)
Development income	2,021,052	-
Management fee income	1,026,024	90,000
Other income	<u>52,088</u>	<u>3,807</u>
TOTAL OTHER INCOME (EXPENSE)	<u>6,550,365</u>	<u>720,027</u>
NET INCOME	<u>\$26,429,516</u>	<u>\$ 6,556,789</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>139,292,537</u>	<u>139,289,652</u>
NET INCOME PER SHARE	<u>\$ 0.190</u>	<u>\$ 0.047</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended May 31, 2006 and 2005
(unaudited)

	<u>2006</u>	<u>2005</u>
SALES	\$28,520,053	\$18,025,517
COST OF SALES	<u>16,317,805</u>	<u>16,016,735</u>
GROSS PROFIT	12,202,248	2,008,782
GENERAL AND ADMINISTRATIVE EXPENSES	752,517	443,418
INTEREST EXPENSE	<u>375,721</u>	<u>466,504</u>
INCOME FROM OPERATIONS	11,074,010	1,098,860
OTHER INCOME (EXPENSE):		
CCC bio-energy program	3,869	50,000
State ethanol producer program	<u>25,208</u>	<u>5,946</u>
Total government programs	29,077	55,946
Interest income	75,276	3,178
Investment earnings (loss)	2,154,360	(21,000)
Development income	2,021,052	-
Management fee income	518,384	30,000
Other income (expense)	<u>42,591</u>	<u>2,447</u>
TOTAL OTHER INCOME (EXPENSE)	<u>4,840,740</u>	<u>70,571</u>
NET INCOME	<u>\$15,914,750</u>	<u>\$ 1,169,431</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>139,298,212</u>	<u>139,289,652</u>
NET INCOME PER SHARE	<u>\$ 0.114</u>	<u>\$ 0.008</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended May 31, 2006 and 2005
(unaudited)

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES:		
Net income	\$26,429,516	\$ 6,567,318
Charges to net income not affecting cash:		
Depreciation and amortization	3,981,393	3,944,121
Net (income) expense recognized from hedging activities	3,128,281	8,128,717
Investment (earnings) loss	(2,726,234)	63,000
Development (income)	(2,021,052)	-
(Increase) decrease in current assets:		
Accounts receivable	(2,245,245)	201,349
Inventories	2,084,218	216,736
Hedge accounts	(2,360,000)	(7,609,966)
Prepaid expenses	(76,284)	9,002
Increase (decrease) in current liabilities:		
Accounts and corn payable	(1,612,150)	163,261
Accrued expenses	<u>207,885</u>	<u>(31,033)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>24,791,328</u>	<u>11,325,984</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,504,916)	(474,392)
Payment of other assets	(91,700)	(44,085)
Other investments	<u>(1,506,710)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,103,326)</u>	<u>(518,477)</u>
FINANCING ACTIVITIES:		
Net (payments) borrowings on revolving line of credit	-	-
Net (payments) borrowings on long-term revolving note	-	(3,825,000)
Regular principal payments on term loans	(2,747,352)	(2,401,879)
Additional principal payments on term loans	(1,500,000)	(1,672,000)
Principal payments on other long-term debt	(3,664)	(3,460)
Patronage earnings allocated and paid	(7,920,072)	(1,547,663)
Payment of financing costs	-	(2,244)
Membership fees received	<u>-</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(12,171,089)</u>	<u>(9,452,246)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,515,913	1,355,261
CASH AND CASH EQUIVALENTS – beginning of period	<u>2,505,348</u>	<u>641,681</u>
CASH AND CASH EQUIVALENTS – end of period	<u>\$10,021,265</u>	<u>\$ 1,996,942</u>

See Notes to Financial Statements.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended May 31, 2006
(unaudited)

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements of Glacial Lakes Corn Processors (the “Cooperative”) have been prepared pursuant to the rules and regulations of the Securities Division of the state of South Dakota.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been consolidated or omitted as permitted by such rules and regulations. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Cooperative’s audited financial statements for the year ended August 31, 2005, contained in this Offering Prospectus.

In the opinion of management, the interim consolidated financial statements reflect all adjustments considered necessary for fair presentation. The adjustments made to these financial statements consist only of normal recurring adjustments. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of the results that may be expected for the entire year.

NATURE OF BUSINESS – Glacial Lakes Corn Processors (a South Dakota cooperative located in Watertown, South Dakota) was organized to operate a 40,000,000 gallon ethanol plant for commercial sales throughout the United States. The Cooperative was formed on September 15, 2000 and was in the development stage until operations began on September 1, 2002.

PRINCIPLES OF CONSOLIDATION – The consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary, Glacial Lakes Energy, LLC (“GLE”).

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended May 31, 2006
(unaudited)

NOTE B: INVENTORIES

	May 31, 2006	August 31, 2005
	(unaudited)	
Corn	\$1,048,603	\$3,530,083
Ethanol and distiller's grains:		
Finished goods	483,326	383,702
In process	448,995	394,815
Chemicals and ingredients	294,712	299,535
Spare parts	702,488	454,207
	<u>\$2,978,124</u>	<u>\$5,062,342</u>

NOTE C: REVOLVING LINE OF CREDIT

The Cooperative has a revolving line of credit with a national bank (the "Bank") available at a maximum of \$3,500,000 and is secured by substantially all Cooperative assets. Interest is charged at one-month London Inter-Bank Offering Rate ("LIBOR") plus 2.75%. The rate at May 31, 2006 was 7.83063% and the rate at August 31, 2005 was 6.35938%. There was no balance outstanding on this revolving line of credit as of May 31, 2006 and August 31, 2005. Effective on September 20, 2004, the Cooperative pays an unused commitment fee of 3/8 of 1% per annum on the unused portion of the revolving line of credit. The revolving line of credit expires on March 20, 2007. The amount available under the revolving line of credit is determined by a borrowing base calculation and is reduced by any outstanding standby letters of credit.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended May 31, 2006
(unaudited)

NOTE D: LONG-TERM DEBT

	<u>May 31,</u> <u>2006</u>	<u>August 31,</u> <u>2005</u>
	(unaudited)	
Notes payable to Bank (see details below):		
Term Loan #2	\$ 8,156,263	\$ 9,264,454
Term Loan #4	-	-
Term Loan #5	7,024,480	7,520,762
Term Loan #7	5,127,084	7,769,963
Total	<u>20,307,827</u>	<u>24,555,179</u>
Capital lease	5,138	8,802
	<u>20,312,965</u>	<u>24,563,981</u>
Current maturities	<u>(4,034,099)</u>	<u>(3,689,088)</u>
	<u>\$16,278,866</u>	<u>\$20,874,893</u>

Interest rates were as follows:

Term Loan #2 – Fixed (using interest rate swap)	6.30000%	6.30000%
Term Loan #4 – Variable (1-month LIBOR + 2.75%)	7.83063%	6.35938%
Term Loan #5 – Fixed (using interest rate swap)	7.46000%	7.46000%
Term Loan #7 – Variable (3-month LIBOR + 2.75%)	7.68000%	6.18000%

Notes Payable to Bank – In July 2001, the Cooperative entered into a loan agreement (“Original Loan Agreement”) with the Bank for the construction and permanent financing of the plant. Under the Original Loan Agreement, the maximum amount available was \$32,600,000. On September 20, 2004, the Cooperative entered a loan agreement (“New Loan Agreement”) based on the new borrowings put in place in July 2004.

Substantially all assets and contract rights of the Cooperative are pledged as security under both Loan Agreements. Both Loan Agreements and the related mortgage documents contain reporting requirements and restrictive loan covenants, which require maintenance of various financial ratios, minimum working capital (increased to \$3,500,000 under the New Loan Agreement) and allow distributions to members of up to 70% of annual net income without Bank approval. The Cooperative was not in compliance with the annual capital expenditure limit of \$500,000 for the year ended August 31, 2005. The Cooperative has obtained a waiver from the Bank on this matter.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended May 31, 2006
(unaudited)

NOTE D: LONG-TERM DEBT (continued)

The Cooperative will need to obtain a waiver from the Bank for capital expenditures in excess of the \$500,000 annual limit for the year ending August 31, 2006, which the Cooperative expects to receive. The Cooperative has also obtained waivers from the Bank on the distributions made in April and July 2006.

In addition to regular principal and interest payments (as described below), the Cooperative is required to make an additional principal payment to the Bank of 15% of its "excess cash flow" on an annual basis. For the year ended August 31, 2005, the required "excess cash flow" payment of \$1,424,252 was made on December 20, 2005. For the year ending August 31, 2006, see Note I.

NOTE E: GOODWILL INVESTED IN GLE

On July 27, 2004, GLE entered into an agreement with Glacial Lakes Capital, LLC (the minority interest in GLE) to repurchase all of its 3,000,000 shares of GLE. Under the agreement, which was effective as of May 31, 2004, GLE repurchased the shares for \$13,513,500. The minority interest did not receive a distribution for the period from September 1, 2003 to May 31, 2004. This transaction was financed through additional borrowings from the Bank.

For GLE financial reporting purposes, this transaction is being treated as a retirement of shares as there is no provision for treasury stock under South Dakota law for limited liability companies. The amount of the repurchase in excess of the initial purchase price received from the minority interest is treated as a reduction of retained earnings. For the Cooperative's financial reporting purposes, this excess is reflected through the consolidation process as goodwill invested in GLE. This consolidation goodwill is not subject to amortization and will only be adjusted if a permanent impairment of the investment in GLE occurs.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended May 31, 2006
(unaudited)

NOTE F: OTHER INVESTMENTS

The Cooperative had the following investments in other renewable fuel businesses at May 31, 2006 and August 31, 2005, respectively:

	May 31, 2006	August 31, 2005
	(unaudited)	
Granite Falls Energy, LLC	\$ 9,113,780	\$6,387,546
Redfield Energy, LLC	3,731,219	225,000
Other	43,575	22,032
	<u>\$12,888,574</u>	<u>\$6,634,578</u>

Investment in Granite Falls Energy, LLC

In July 2004, the Cooperative signed a subscription agreement to purchase 6,500 units for \$6,500,000 in Granite Falls Community Ethanol Plant, LLC, which is doing business as Granite Falls Energy, LLC ("Granite Falls"). Granite Falls is raising equity funds for the construction of a 40 mgy fuel ethanol plant near Granite Falls, Minnesota. The units were purchased on August 31, 2004. The 6,500 units owned by the Cooperative represents 20.86% of the outstanding units as of May 31, 2006 and August 31, 2005.

Related to its investment in Granite Falls, the Cooperative entered into two agreements with Granite Falls related to the construction and operations of the plant. Under the Consulting Agreement, the Cooperative will manage the construction of the plant for Granite Falls and will be paid \$10,000 per month for this service. Under the Operating and Management Agreement, the Cooperative will manage the day-to-day operations of the plant for Granite Falls and will be paid (1) a monthly base fee of \$35,000 and (2) an annual incentive fee of 3% of net income of Granite Falls, with income from government programs excluded. For the three months and nine months ended May 31, 2006, the Cooperative recognized \$413,384 and \$711,024, respectively of base and incentive income under the Operating and Management Agreement. For the three months and nine months ended May 31, 2005, the Cooperative recognized \$30,000 and \$90,000, respectively, of income under the Consulting Agreement.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended May 31, 2006
(unaudited)

NOTE F: OTHER INVESTMENTS (continued)

Investment in Granite Falls Energy, LLC (continued)

As of May 31, 2006 and August 31, 2005, the Cooperative accounts for its investment in Granite Falls using the equity method of accounting which reflects the Cooperative's share of the invested company's earnings and distributions. For the nine months ended May 31, 2006, the Cooperative recognized income of \$2,726,234 compared to a loss of \$63,000 for the nine months ended May 31, 2005. For the three months ended May 31, 2006, the Cooperative recognized income of \$2,154,360 compared to a loss of \$21,000 for the three months ended May 31, 2005. Granite Falls commenced the start-up of operations in mid-November 2005.

Investment in Redfield Energy, LLC

In August 2005, the Cooperative signed a subscription agreement to purchase 225,000 Class B units for \$225,000 in Redfield Energy, LLC ("Redfield"). Redfield raised equity funds in September 2005 for the construction of a 50,000,000 gallon fuel ethanol plant near Redfield, South Dakota. The units were purchased in August 2005 and represented 50% of the outstanding units of Redfield as of August 31, 2005.

Also as part of the Consulting and Management agreement, the Cooperative will receive units in Redfield representing 5% of the outstanding equity after the close of the offering. Redfield completed its offering in September 2005, raising \$37,500,000 in addition to the \$450,000 of seed stock money originally raised. The amount of units under this agreement was 1,010,526 Class B units and the units were received in February 2006 after Redfield was able to break the escrow account. The Cooperative recorded development income of \$2,020,052 (based on the September offering price) upon receipt of the units. The Cooperative signed a Subscription Agreement to purchase 400,000 Class A units for \$800,000 in the offering. As of May 31, 2006, the Cooperative has 1,635,526 total units in Redfield and represents 8.09% of the outstanding units.

The Cooperative agreed to advance funds to Redfield in order that construction work could continue before Redfield was able to break the escrow account. The balance owed by Redfield to the Cooperative at May 31, 2006 was \$685,167, which was repaid to the Cooperative in June 2006.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended May 31, 2006
(unaudited)

NOTE F: OTHER INVESTMENTS (continued)

Investment in Redfield Energy, LLC (continued)

Related to its investment in Redfield, the Cooperative entered into a Consulting and Management agreement with Redfield related to the construction and operations of the plant. Under the agreement (effective July 1, 2005), the Cooperative will manage the construction of the plant, will manage the day-to-day operations of the plant for Redfield and will be paid (1) a monthly fee of \$35,000 and (2) an annual fee of 3% of net income of Redfield. For the three months and nine months ended May 31, 2006, the Cooperative recognized \$105,000 and \$315,000, respectively, under the Consulting and Management Agreement.

The Cooperative will account for its investment in Redfield using the equity method of accounting once material operations begin and has currently recorded its investment at cost.

NOTE G: GOVERNMENT PROGRAMS

The Cooperative has enrolled in the Bioenergy Program, operated by the Commodity Credit Corporation (“CCC”), a division of the United States Department of Agriculture (“USDA”). In accordance with the terms of this arrangement, the Cooperative receives payments based on quarterly increases in the production of undenatured ethanol compared to the same period in the prior year. The maximum amount that can be received in a program year was \$5,000,000 and payments are subject to pro rata reduction if the aggregate payments to eligible producers in a program year exceed the maximum annual funding of the Bioenergy Program. The program year for the Bioenergy Program is from October 1 to September 30. In January 2006, the Cooperative received notification from the USDA that funds for the current program year will be exhausted at the end of the third quarter and that USDA planned to terminate the Bioenergy Program during this program year. The Cooperative received notification in June 2006 that the Bioenergy Program was terminated effective on June 30, 2006. Amounts recognized under the CCC Bioenergy Program were as follows:

<u>Bioenergy Program Year</u>	<u>Nine Months Ended May 31,</u>	
	<u>2006</u>	<u>2005</u>
Oct. 1, 2003 to Sept. 30, 2004	\$ -	\$114,270
Oct. 1, 2004 to Sept. 30, 2005	(4,906)	114,665
Oct. 1, 2005 to Sept. 30, 2006	<u>6,664</u>	<u>-</u>
Total	<u>\$ 1,759</u>	<u>\$228,935</u>

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended May 31, 2006
(unaudited)

NOTE G: GOVERNMENT PROGRAMS (continued)

The Cooperative also participates in the Ethanol Production Incentive Payment Program operated by the state of South Dakota ("State Program"). In accordance with the terms of this agreement, the Cooperative receives payments based on ethanol sold. The maximum amount that can be received in a program year is \$1,000,000 and payments are subject to pro rata reduction if the aggregate payments to eligible producers in a program year exceed the maximum annual funding of the State Program. The program year for the State Program is from July 1 to June 30.

Amounts recognized under the State Program were as follows:

<u>State Program Year</u>	<u>Nine Months Ended May 31,</u>	
	<u>2006</u>	<u>2005</u>
July 1, 2004 to June 30, 2005	\$ -	\$452,613
July 1, 2005 to June 30, 2006	<u>525,208</u>	<u>-</u>
Total	<u>\$525,208</u>	<u>\$452,613</u>

NOTE H: STOCKHOLDERS' EQUITY

The Cooperative is an agricultural association whereby members must meet established membership criteria including being an agricultural producer, hold a minimum of 2,500 shares of common stock, pay the required membership fee and enter into a uniform delivery and marketing agreement.

The common stock of the Cooperative is the membership stock of the Cooperative and entitles each member to one vote in the affairs of the Cooperative regardless of the number of common stock shares owned. No ordinary dividends can be paid on the common stock. The preferred stock of the Cooperative is non-voting with allowable dividends paid on preferred stock not to exceed 8% annually of the par value of the preferred stock. Dividends on the preferred stock are not cumulative.

Net income of the Cooperative shall be distributed annually to the members on the basis of patronage in such acceptable forms as approved by the Board of Directors. During January 2006, the Board of Directors authorized patronage allocations of earnings in the amount of \$4,609,577 (\$0.0331 per share) to its members with \$3,869,157 (\$0.0278 per share) paid in cash and the remaining \$740,420 (\$0.0053 per share) included in the allocated capital reserve. Payments of allocated capital reserves are at the discretion of the Board of Directors and will remain in the reserve until payment is made.

GLACIAL LAKES CORN PROCESSORS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended May 31, 2006
(unaudited)

NOTE H: STOCKHOLDERS' EQUITY (continued)

On March 21, 2006, the Board of Directors of the Cooperative approved the payment of \$4,050,909 (\$0.0291 per share) of allocated capital reserves from the fiscal years ended August 31, 2003, 2004 and 2005. The payment was made on March 31, 2006 to shareholders of record on March 21, 2006.

In October 2004, the shareholders of the Cooperative approved a 2-for-1 stock split for shareholders of record as of August 31, 2004. On July 19, 2006, the Board of Directors of the Cooperative approved a 9-for-1 stock split for shareholders of record as of July 19, 2006. All share and per share amounts are stated based on the effect of the stock splits.

On May 24, 2006, the Cooperative signed an agreement with an investment banking firm to provide financial advice to the Cooperative on various matters, including information used to determine the stock split approved on July 19, 2006 and the proposed equity offering. Under the agreement, the Cooperative will pay (a) \$12,500 per month in cash as a retainer over a twelve month period, (b) issue 112,500 post-split shares of stock that are being valued by the Cooperative at \$2.00 per share, (c) \$75,000 in cash upon delivery of services related to the proposed equity offering and (d) fees for other potential services to be paid in either cash or stock.

NOTE I: SUBSEQUENT EVENTS

On June 25, 2006, the Board of Directors of the Cooperative authorized a distribution of \$15,476,628 (\$0.1111 per share) to its members as of June 25, 2006.

On June 20, 2006, the Cooperative made an additional principal payment on Term Loan #7 of \$3,300,000. This payment was designated as part of the "excess cash flow" payment that will be due for the year ending August 31, 2006.

On July 10, 2006, the Board of Governors of Granite Falls approved a distribution of \$320.96 per unit to unitholders of record on June 30, 2006. Based on its ownership in Granite Falls, the Cooperative received a distribution of \$2,086,240 on August 1, 2006.