

**CAPITAL UNITS TRANSFER SYSTEM
LAKE AREA CORN PROCESSORS, LLC**

All transfers of Lake Area Corn Processors, LLC's Class A Capital Units ("capital units") must be completed in accordance with this Capital Units Transfer System (the "System Rules"), as amended from time to time by the Board of Managers (the "Board of Managers") of Lake Area Corn Processors, LLC ("LACP").

I. General Requirements

A. Corn Delivery.

1. A person holding Class A capital units is required to deliver annually to LACP one quarter (1/4) bushel of corn for every Class A capital unit held and owned, unless the person is outside a certain mileage radius of the plant or is a non-producer. The transfer of Class A capital units shall jointly refer to the transfer of Class A capital units and the bushel commitment required under the corresponding corn delivery agreement.

B. No Default.

1. A person desiring to transfer the person's capital units must be current and not in default of any obligation owed LACP, including but not limited to, if applicable, the person's corn delivery agreement or otherwise.

C. IRS Rules.

1. The System Rules shall be operated so as to avoid LACP being classified as a publicly traded partnership under Section 7704 of the Internal Revenue Code of 1986 and the corresponding regulations promulgated thereunder (collectively "the Code"). Any interpretation of the provisions of the System Rules shall be conducted in accordance with this requirement.

D. Operating Agreement.

1. Any transfers of a person's capital units must comply with LACP's operating agreement (the "operating agreement"), in addition to the requirements of the System Rules.

E. Maximum Ownership.

1. A person, and a person's affiliates (as defined in the Operating Agreement), may not hold more than 10% of the outstanding and issued capital units.

II. Transfers of Capital Units

A. Permitted Transfers.

1. A person may transfer the person's capital units only if the transfer is a private transfer, a block transfer, or if the transfer is completed through the LACP Transfer Service.
2. A person must transfer a sufficient number of capital units so that the person, if the person continues to own capital units, and each transferee have at least 5,000 capital units. All transfers must be completed in multiples of 500 capital units.

B. Private Transfers.

1. A private transfer shall mean one of the following:
 - a. Transfers by gift (one in which the basis of the capital units in the hands of the transferee is determined in whole or in part by reference to its basis in the hands of the transferor);
 - b. Transfers at death, including transfers from an estate or testamentary trust;
 - c. Transfers between members of a family (as defined in Section 267 (c)(4) of the Code).

C. Block Transfers.

1. A block transfer means the transfer by a person and any related persons (within the meaning of Section 267(b) or 707(b)(1) of the Code) in one or more transactions during any 30 calendar day period of capital units representing in the aggregate more than 2% of LACP's issued and outstanding capital units.
2. A block transfer shall be completed in accordance with the following procedures:
 - a. The holder of the capital units, including the personal representative of an estate or trustee of a testamentary trust, must complete and submit to the Board of Managers:
 - i. Copies of all relevant documents that will assist the Board of Managers in determining if the transaction qualifies as a block transfer;
 - ii. The capital units certificate or an affidavit of lost certificate;
 - iii. The corn delivery agreement, if held; and
 - iv. A transfer fee of \$100.00, for each transferee that is not already a member.
 - b. The Board of Managers will determine whether the transfer qualifies as a block transfer.
 - c. If the transfer qualifies as a block transfer, the Board of Managers will do the following:
 - i. Cancel the capital units certificate;
 - ii. Issue a new capital units certificate or certificates; and
 - iii. Issue a new corn delivery agreement or agreements, if applicable.

- d. If the transfer does not qualify as a block transfer, the Board of Managers will notify the transferor that the transfer does not qualify and return to the transferor the documents identified in subsection (a) above, but not the transfer fee.
- D. Operation of a Trading Service under Qualified Matching Service (QMS) regulations of the IRS.
1. A person intending to transfer the persons Class A capital units, other than in a private transfer or block transfer, must do so through the Trading Service (“TS”), which will be owned, operated, and maintained by Variable Investment Advisors, Inc. (“VIA”), is a registered broker-dealer with the NASD and, among others, the state of South Dakota.
 2. Trading through the QMS will be conducted through a third –party trading service (“TS”) which will be owned, operated and maintained as an alternative trading service under Regulation ATS by registered broker-dealer (the “TS Operator”). The TS will be service accessible through and by Internet, telephone, e-mail, or in person that will permit buyers and Sellers to trade capital units of LACP on a periodic basis pursuant to the specific rules and procedures mutually agreed upon between LACP and the TS Operator. The specific rules and procedures relating to posting or listing capital units for sale or purchase on the TS, matching offers to buy and sell capital units, timing, payment and delivery shall be set forth under separate Trading Service Agreement and Operational manual to be adopted by LACP and the TS Operator.
 3. The responsibilities of the TS operator are set forth solely in the Trading Service Agreement, the Operational manual and Regulation ATS. The TS Operator is not responsible in any way for enforcing the provisions of this Capital Units Transfer System. In addition, nothing in the Trading Service Agreement or Operational Manual shall be governed and enforced by the Board pursuant to the authority vested in the Board by the members of LACP in the Operating Agreement.
 4. The Operating Agreement requirements and the IRS restrictions that do not relate to the procedures set forth in the Operational manual shall be governed and enforced by the board pursuant to the

authority vested in the Board by the members of LACP in the Operating Agreement.

5. The TS will be operated on a continuous basis beginning March 15, 2007, subject to the restrictions outlined in the trading Service Operations Manual as adopted February 13, 2007.
6. The sum of the capital units traded through the TS during any calendar year shall not exceed 10% of LACP's total issued and outstanding capital units.