

AUDIT COMMITTEE CHARTER
of
LAKE AREA CORN PROCESSORS, LLC
(the "Company")

1. Members.

The Company's Board of Managers (the "Board") shall appoint an Audit Committee of at least three members, consisting entirely of "independent" managers of the Board (the "Audit Committee"), with one exception. A member's sale of corn to the Company and the sale proceeds received from the Company in connection with these sales, while it may preclude a member from being deemed "independent," as defined below, it shall not disqualify a member from serving on the Audit Committee. The Audit Committee shall also designate one member as chairperson.

2. Independence.

For purposes hereof, "independent" shall be defined according to Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "Exchange Act") and the National Association of Securities Dealers ("NASD") Rule 4200(a)(14)(15), as amended, and as set forth in **Appendix A**. For purposes hereof, the terms "manager" and "director" shall be synonymous.

3. Financial Literacy.

Each member of the Audit Committee must be financially literate. For purposes of this requirement, 'financial literacy' means each member of the Audit Committee (i) shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement, or (ii) shall become able to do so within a reasonable period of time after his or her appointment to the Audit Committee.

4. Purposes, Duties, and Responsibilities.

The Audit Committee represents and advises the Board in performing some of its oversight responsibilities. The Audit Committee shall represent the Board in discharging its responsibilities relating to the accounting, reporting, and financial practices of the Company, and shall have general responsibility for surveillance of internal controls and accounting and audit activities of the Company. At its discretion, the Audit Committee may also conduct inquiries concerning the general risk profile of the Company and the Company's efforts at identifying and controlling key risks ("risk management") which may affect the quality of financial reporting and/or the vitality of the Company.

The Audit Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company's financial statements. This is the responsibility of management and the Independent Auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the Independent Auditor or to assure compliance with laws and regulations.

In carrying out its duties and responsibilities, the Audit Committee's policies and procedures should remain flexible, so that it may be in a position to best address or respond to changing circumstances or conditions. While there is no "blueprint" to be followed by the Audit Committee in carrying out its duties and responsibilities, the following should be considered within the authority of the Audit Committee:

- (i) To recommend to the Board, and to evaluate, the firm of independent certified public accountants to be appointed as outside auditor of the Company, which firm shall be ultimately accountable to the Board through the Audit Committee (the "Independent Auditor").

- (ii) To review and discuss with the Independent Auditor its audit procedures, including the scope, fees and timing of the audit, and the results of the annual audit examination and any accompanying management letters, and any reports of the Independent Auditor with respect to interim periods.
- (iii) To review and discuss with the Independent Auditor of the Company any relationships between the Independent Auditor and the Company or any other relationships that may adversely affect the independence of the auditor and, based on such review, assess the independence of the auditor.
- (iv) To review and discuss with management and the Independent Auditor the financial statements of the Company, including an analysis of the Independent Auditor's judgment as to the quality of the Company's accounting principles.
- (v) To resolve any disagreements between the Independent Auditor and the Company's management regarding financial reporting.
- (vi) To recommend to the Board, based on the review and discussions described in paragraphs (ii) through (v) above, the financial statements that should be included in the Annual Report on Form 10-KSB or Form 10-K.
- (vii) To review with management and the Independent Auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the Independent Auditors' reviews of the quarterly financial statements.
- (viii) To review and discuss with management and the Independent Auditor: (a) any material financial or non-financial arrangements of the Company which do not appear on the financial statements of the Company; and (b) any transactions or courses of dealing with parties related to the Company which transactions or arrangements (i) are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, (ii) and are relevant to an understanding of the Company's financial statements.
- (ix) To review and discuss with management and the Independent Auditor the adequacy of the Company's internal controls.
- (x) To review and discuss with management and the Independent Auditor, the accounting policies which may be viewed as critical, and review and discuss any significant changes in the accounting policies of the Company and accounting and financial reporting proposals that may have a significant impact on the Company's financial statements.
- (xi) To review with management and the Independent Auditor the Company's financial risk exposures and the steps management has taken to monitor and control such exposures.
- (xii) To establish policies and procedures for the engagement of the Independent Auditor for any auditing or any non-auditing service, as set forth in **Appendix B**, and consider whether the Independent Auditor's performance of non-audit service is compatible with the Independent Auditor's independence.
- (xiii) To review material pending legal proceedings involving the Company and contingent liabilities of the Company.
- (xiv) To periodically evaluate the performance of individual Audit Committee members and the Audit Committee chairperson, as well as the performance of the Audit Committee as a whole.
- (xv) To pursue continuing education at the expense of the Company to achieve and improve "financial literacy" and greater understanding of other business matters relevant to the Audit Committee's purpose.

(xvi) To establish procedure for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounts, internal accounting controls and auditing matters and (b) the confidential, anonymous submission by employees of the Company regarding questionable accounting or auditing matters.

(xvii) To review the appropriateness and usefulness of the Audit Committee Charter.

5. Meetings.

The Audit Committee shall meet as often as may be deemed necessary or appropriate in its judgment, generally four times each year, either in person or telephonically. The majority of the members of the Audit Committee shall constitute a quorum. The Audit Committee may create subcommittees which shall report to the Audit Committee.

The Audit Committee shall meet in executive session with the Independent Auditors at least annually. The Audit Committee shall report to the full Board with respect to its meetings.

6. Outside Advisors.

The Audit Committee shall have the authority to retain independent counsel, experts, and other advisors as it determines appropriate to assist in the full performance of its duties.

7. Investigations.

The Audit Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities and shall have the authority to retain outside advisors to assist it in the conduct of any investigation.

APPENDIX A

1. Section 10A(m)(3) of the Securities Exchange Act of 1934.

An *independent* manager means a person who has not, other than in his or her capacity as a member of the Audit Committee, the Board, or any other Board committee:

- (A) Accepted any consulting, advisory, or other compensatory fee from the Company; or
- (B) Been an affiliated¹ person of the Company or any subsidiary thereof.

2. National Association of Securities Dealers (“NASD”) Rule 4200 (a)(14)(15), as amended.

An *independent* manager means a person, other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship, which, in the opinion of the Company’s Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a manager. The following persons shall not be considered independent:

- (A) a manager who is, or during the past three years was, employed by the Company or by any parent or subsidiary of the Company;
- (B) a manager who accepts or who has a Family Member² who accepts any payments from the Company or any parent or subsidiary of the Company in excess of \$60,000 during the current fiscal year or any of the past three fiscal years, other than (i) compensation for Board service, (ii) payments arising solely from investments in the Company’s securities, (iii) compensation paid to a Family Member who is an employee of the Company or a parent or subsidiary of the Company (but not if such person is an executive officer of the company or any parent or subsidiary of the Company), (iv) benefits under a tax-qualified retirement plan, or (v) non-discretionary compensation (provided, however, that Audit Committee members are subject to heightened requirements under Rule 4350(d));
- (C) a manager who is a Family Member of an individual who is, or has been in any of the past three years, employed by the Company or by any parent or subsidiary of the Company as an executive officer.
- (D) a manager who is a partner in, or a controlling member or an executive officer of, any organization to which the Company made, or from which the Company received, payments (other than those arising solely from investments in the Company’s securities) that exceed 5% of the recipient’s consolidated gross revenues for that year, or \$200,000, whichever is more, in the current fiscal year or any of the past three fiscal years; or
- (E) a manager who is or was a partner or employee of the Company’s Independent Auditor, and worked on the Company’s audit, during the past three years.

¹ “Affiliate” means any person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company. The term “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the Company, whether through the ownership of voting securities, by contract, or otherwise. A person who owns securities in the Company will not be deemed an “affiliate” unless such person beneficially owns at least 10% of any class of voting securities and is also an officer of the Company.

² “Family Member” means any person who is a relative by blood, marriage or adoption or who has the same residence.

APPENDIX B

AUDIT AND NON-AUDIT SERVICES PRE-APPROVAL POLICY

The Audit Committee is responsible for the appointment, compensation and oversight of the Independent Auditor. The Audit Committee shall pre-approve all audit services and non-audit services to be provided to the Company by the Independent Auditor. The Audit Committee may delegate to one or more of its members the authority to grant pre-approvals required by this policy. The decision of any member to whom authority is delegated under this policy to grant such an activity shall be presented to the Audit Committee at the next scheduled meeting.

Each audit or non-audit service that is approved by the Audit Committee shall be reflected in a written engagement letter or writing indicating the services to be performed and the costs of such services, which shall be signed by either a member of the Audit Committee or by a person authorized by the Audit Committee to sign on behalf of the Company.

If the Audit Committee approves an audit service within the scope of the engagement letter or writing, then such audit service will be deemed to have been approved for purposes of this policy.

The Audit Committee will not approve any non-audit service that, individually or in the aggregate, may impair, in the Audit Committee's opinion, the independence of the Independent Auditor.

A. Prohibited Non-Audit Services.

The Independent Auditor may not provide to the Company any of the following non-audit services:

1. Bookkeeping or other services related to the Company's accounting records or financial statements;
2. Financial information systems design and implementation;
3. Appraisal or evaluation services, fairness opinions, or contribution-in-kind reports;
4. Actuarial services;
5. Internal audit outsourcing services;
6. Management functions or human resources;
7. Broker-dealer, investment advisor, or investment banking services;
8. Legal services and expert services unrelated to the audit; and
9. Any other service that the Public Company Accounting Oversight Board (PCAOB) determines, by regulation, is impermissible.

B. Permitted Non-Audit Services.

The Independent Auditor may provide to the Company any non-audit services, including tax services, other than the prohibited non-audit services described above, so long as the Audit Committee has approved such services in accordance with this policy.

C. Audit Services to be Pre-Approved.

1. Audit Services.

- i. Financial audits and reviews of the Company and subsidiary.
- ii. Services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g., comment letters, consents), and assistance in responding to SEC comment letters.
- iii. Consultations by the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard setting bodies.

2. Audit-Related Services.

- i. Review of financial statements of businesses considered for acquisition and due diligence services pertaining to potential business acquisitions/dispositions.
- ii. Financial statement audits of employee benefit plans.
- iii. Attestation services related to the Company's internal controls.
- iv. Assistance in dealing with and responding to the SEC and other domestic regulatory agencies on financial matters.
- v. Consultations by the Company's management as to the accounting or disclosure treatment of potential transactions or events and/or the potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard setting bodies.
- vi. Review of the effectiveness of the internal audit function at the request of the Company or third party.
- vii. Assistance with implementation of the requirements of SEC rules or listing standards promulgated pursuant to the Sarbanes-Oxley Act.

3. Tax Services.

- i. U.S. federal, state and local tax planning and advice regarding the tax consequences of proposed or actual transactions, provided such advice does not constitute an advocacy position.
- ii. Assistance with U.S. federal, state and local tax filings (such as preparation of returns and related matters and assistance with audits by taxing authorities).
- iii. Review of federal, state and local income, franchise and other tax returns.
- iv. Tax advice regarding new, statutory, regulatory or administrative developments.

4. All Other Services.

- i. Any service that is non-audit, non-audit related and non-tax, provided the service is not prohibited as a non-audit service referenced above.