

LAKE AREA CORN PROCESSORS, LLC COMPENSATION COMMITTEE CHARTER

I. Purpose

The Compensation Committee (the "Committee") shall evaluate the compensation of the executive officers of Lake Area Corn Processors, LLC (the "Company") and assure that they are compensated effectively and in a manner consistent with the stated compensation strategy of the Company, internal equity considerations, competitive practice, and the requirements of the appropriate regulatory bodies. The Committee also shall communicate to members regarding the Company's compensation policies and the reasoning behind such policies as required by the Securities and Exchange Commission (the "SEC"). In addition, the Committee shall evaluate and make recommendations regarding the compensation of the directors, including their compensation for service on committees of the Board of Directors (the "Board").

II. Membership and Qualification

The Committee shall consist of three (3) or more independent directors as defined in and determined pursuant to the rules and regulations of Nasdaq. However, if the Committee is comprised of at least three members, one director is permitted not to be independent provided that the director is not a current officer or employee of the Company or a family member of such a person, and the Board determines, under exceptional and limited circumstances, that such individual's membership on the Committee is required by the best interests of the Company and its members. If the Board utilizes this exception, the Board will disclose the nature of the relationship and the reasons for the determination in the Company's next annual meeting proxy statement.

In addition to satisfying the requirements necessary to be independent directors under the rules and regulations of the Nasdaq, each member of the Committee also shall satisfy all requirements necessary from time to time to be "non-employee directors" under SEC Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and qualified "outside directors" under Section 162(m) of the Internal Revenue Code of 1986 and related regulations, all as amended from time to time ("Section 162(m)").

III. Meetings and Other Actions

The Committee will meet at least once a year and at such additional times as may be necessary to carry out its responsibilities. Meetings may be called by the Chairman of the Committee, the Chairman of the Board and/or the Chief Executive Officer of the Company. All meetings of and other actions by the Committee shall be held or otherwise taken pursuant to the Operating Agreement of the Company, including relevant provisions governing notices of meetings and waiver thereof, the number of Committee members required to take actions at meetings or by written consent, and other related matters.

- A. Unless otherwise authorized by the Board, the Committee shall not delegate any of its authority to any subcommittee.

- B. Reports of meetings of and actions taken at meetings or by consent by the Committee since the most recent Board meeting (except to the extent covered in an interim report circulated to the Board) shall be made by the Committee Chairman or his/her delegate to the Board at its next regularly scheduled meeting following the Committee meeting or action and shall be accompanied by any recommendations from the Committee to the Board. In addition, the Committee Chairman or his/her delegate shall be available to answer any questions the other Directors may have regarding the matters considered and actions taken by the Committee.

IV. Goals, Responsibilities and Authority

In carrying out its mission, the Committee shall have the following responsibilities and authority (it being understood that the Committee may condition its approval of any compensation on Board ratification to the extent so required to comply with applicable tax law such as Rule 162(m)):

- A. Periodically review, modify if necessary, and approve: (a) the Company's corporate goals and objectives relevant to executive compensation and (b) the Company's executive compensation structure to ensure that it is designed to achieve the objectives of rewarding the Company's executive officers appropriately for their contributions to corporate growth and profitability.
- B. Annually: (a) evaluate the performance of the Chief Executive Officer, the Chief Financial Officer and other executive officers in light of the Company's corporate goals and objectives, (b) approve the total compensation (composed of salary, bonus and long-term incentive awards), including each element of total compensation, of the Chief Executive Officer, Chief Financial Officer and other executive officers, (c) communicate to members the factors and criteria on which the Chief Executive Officer's, Chief Financial Officer's, and other executive officers' total compensation for the last year was based, including the relationship of the Company's performance to each individual's total compensation.
- C. Periodically evaluate the terms and administration of the Company's annual and long-term incentive plans to assure that they are structured and administered in a manner consistent with the Company's goals and objectives as to participation in such plans, target annual incentive awards, corporate financial goals, actual awards paid to the Company's executive officers, and total funds reserved for payment under the compensation plans.
- D. Periodically evaluate (and approve any proposed amendments to) existing equity-related plans and employee benefit plans and evaluate and approve the adoption of any new equity-related plans and determine when it is necessary (based on advice of counsel) or otherwise desirable: (a) to modify, discontinue or

supplement any such plans; or (b) to submit such amendment or adoption to a vote of the full Board and/or the Company's members.

- E. Periodically review director compensation levels and practices and recommend changes to such compensation levels and practices as deemed appropriate.
- F. Approve annual retainer and meeting fees for Board and committees of the Board and fix the terms and awards of any stock compensation for members of the Board.
- G. Annually review and reassess the Committee's performance and, if appropriate, propose to the Board, any desired changes in, the Committee's Charter.
- H. Perform such other duties and responsibilities as may be assigned to the Committee, from time to time, by the Board of the Company and/or the Chairman of the Board, or as designated in plan documents.

V. Additional Resources

Subject to the approval of the Board of Directors, the Committee shall have the right to use reasonable amounts of time of the Company's independent accountants, outside lawyers and other internal staff and also shall have the right to hire independent compensation experts, lawyers and other consultants to assist and advise the Committee in connection with its responsibilities. The Committee shall keep the Company's Chief Financial Officer advised as to the general range of anticipated expenses for outside consultants, and shall obtain the concurrence of the Board of Directors in advance of any expenditures.

VI. Disclosure of Charter

This charter will be made available on the Company's website at <http://www.dakotaethanol.com/lacp.html>.