

Effective: March 15, 2007

**DISTRIBUTION AND ALLOCATION POLICY  
FOR DISPOSITIONS OF CAPITAL UNITS  
OF LAKE AREA CORN PROCESSORS, LLC**

Lake Area Corn Processors, LLC (“Lake Area Corn Processors”) is a South Dakota limited liability company which has elected to be taxed as a partnership under the provisions on the Internal Revenue Code of 1986, as amended from time to time. The Operating Agreement dated July 25, 2001, (“Operating Agreement”), provides for the allocation to Members and other beneficial holders of Capital Units of income, gains, losses, deductions and credits during the entirety of the fiscal year. When a Disposition of Capital Units occurs, allocations are made in accordance with Section 6.6 of the Operating Agreement. The precise manner in which such allocations are made is determined by the Board of Managers in its sole discretions and in any manner of allocation permitted to be used for federal income tax purposes. Under Section 4.1 of the Operating Agreement, Dispositions of Capital Units are effective as of the first day of the Quarter immediately following the Quarter in which such Dispositions are approved by the Board of Managers. The Board of Managers hereby adopts the following distribution and allocation method for all Dispositions of Capital Units:

Distributions

1. Distributions of Net Cash from Operations, as defined in Section 1.21 of the Operating Agreement, during any Quarter shall be made to Members and beneficial holders of Capital Units of record of the first day of the current Quarter.
2. Net Cash from Operations may be distributed any time during any Quarter, but during the first Quarter of a fiscal year the Company will endeavor to complete a distribution of Net Cash from Operations, if any is to be made during the first Quarter, within 31 days following the close of the Company’s fiscal year in order to facilitate the issuance to the Members and beneficial holders of Capital Units of Schedules K-1.

Allocations

1. If there are Distribution of Net Cash from Operations related to Lake Area Corn Processors’ fiscal year, income and gains shall be allocated to Members

and beneficial holders of Capital Units in direct proportion to the Distributions of Net Cash from Operations received by each Member and beneficial holder of Capital Units related to said fiscal year. (See Examples 1, 2 and 3.)

2. If there are Distributions of Net Cash from Operations related to Lake Area Corn Processors' fiscal year, and if there are net losses or deductions for said fiscal year, all items of losses and deductions shall be allocated to the Members and beneficial holders of Capital Units based on the number of Quarters each Member and beneficial holder of Capital Units owned the Capital Units. (See Example 4.)
3. If there are no Distributions of Net Cash from Operations related to Lake Area Corn Processors' fiscal year, all items of income, gains, losses and deductions shall be allocated to the Members and beneficial holders of Capital Units in proportion to the number of Capital Units held by each Member and beneficial holder of Capital Units based on the number of Quarters during said fiscal year each Member and beneficial holder of Capital Units owned the Capital Units. (See Example 5.)
4. All tax credits shall be allocated to the Members and beneficial holders of Capital Units based on the number of Quarters each Member and beneficial holder of Capital Units owned the Capital Units.