



GLACIAL LAKES CORN PROCESSORS

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Definition and Differences of GLCP "ORIGINAL" AND "NEW" SHARES

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What are "Original" Shares and "New" Shares?

- **Original Shares** refers to the original shares of common stock issued by GLCP in 2001 in connection with the construction of its original 40 mgy ethanol plant in Watertown, SD, and includes the additional shares issued to the holders thereof pursuant to GLCP's 2-for-1 stock split in October 2004 and GLCP's 9-for-1 stock split in July 2006.

Currently, after giving effect to these stock splits, GLCP has approximately 139,087,152 original shares issued and outstanding.

- **New Shares** refers to additional issuances of shares following 2001, primarily in connection with GLCP's expansion of its Watertown facility and construction of its Aberdeen facility, including issuances related to its August 2006 stock offering and GLE's employee stock plan.

Beginning in 2006, GLCP has issued approximately 50,000,000 "new" shares of common stock.

Currently, GLCP has approximately 189,000,000 shares of common stock outstanding (combined total for "original" shares & "new" shares).

What is the difference between "Original" Shares and "New" Shares?

- In terms of voting rights (one member, one vote), delivery obligations under the UMDA, and patronage entitlements for current patronage income, there is NO difference between Original shares and New shares.
- The most important difference between original shares and new shares relates to the equalization provision of Section 9.03 of GLCP's Bylaws, which equalizes the economic entitlements of original shares and new shares under the liquidation provisions of GLCP's Bylaws, notwithstanding the difference in issuance price.
- Under Section 9.03, original shares and any new shares issued for less than \$2.00 per share (employee shares) are entitled to a Share Revaluation Preference, which essentially assigns unrealized value to the original shares equal to the amount by which per-share value received for new shares exceeds per-share value received for original shares. In GLCP's case, original shares were issued for \$0.11 per share (after giving effect to stock splits)

and new shares in the 2006 stock offering were issued for \$2.00 per share. This means that the original shares will be assigned up to \$1.89 per share of value to equal out the liquidation entitlements of the original shares with the new shares.

- The effect of the Share Revaluation Preference is to equalize the liquidation entitlement of all shares. Consideration paid and Share Revaluation Preference is #2 in terms of liquidation priority (preferred stock is #1). This means that, unless all shares are paid out at \$2.00 per share.
- Employee shares are considered new shares since they were not part of the original issue. The employee shares are entitled to the Share Revaluation Preference to the extent their shares were issued at less than \$2.00 per share. For IRS purposes, employee shares issued under the stock program are valued at their current value (based on prior month's trades as determined by Board) at the time of issuance, both for purposes of the taxable income the employee must report as well as the Company's paid compensation deduction for that year. Their Share Revaluation Preference would be based on the price at which the shares were issued.
- All shares participate equally in current earnings, as all shares deliver corn on an equal basis.
- Beyond liquidation entitlement for consideration paid for shares and share revaluation preference all shares participate equally thereafter in liquidation proceeds because it is based on patronage, and all shares deliver corn on an equal basis.
- Taxable gain would be allocated as a share revaluation preference, meaning that taxable gain on the sale of the company will go to original shares and new shares issued at less than \$2.00 per share first to bring them up to \$2.00 per share issue price of the new shares issued in 2006.
- In other words, while original shares and new shares will share equally on a per share basis in a liquidation or sale of GLCP up to \$2.00 per share, original shares(employee shares) will be allocated the taxable gain on any such sale or liquidation to reflect their \$0.11 per share issuance (or other less than \$2.00 price) versus \$2.00 issue price of new shares issued in September 2006.
- Because of the different issue prices, original shares and new shares must be tracked in the GLCPstock register.

Stock Legends

- GLCP should identify original shares vs new shares in its stock legend placed on share certificates going forward. Employee shares will be identified as "New Employee" shares.

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