



Glacial Lakes Corn Processors

301 20th Avenue SE • P.O. Box 1323 • Watertown, SD • 57201

PHONE: 605-882-8480 • FAX: 605-882-8982

December 18, 2009

NOTICE OF LOSS ALLOCATION AND CANCELLATION OF PATRON'S EQUITIES

John Doe
1503 S Campbell Trail
Anytown, SD 57106

Dear Glacial Lakes Corn Processors Member/Shareholder,

Certificate Name: John Doe

Total Shares Owned as of December 18, 2009: 2500
Total Amount of Loss Allocation: \$225.00

Glacial Lakes Corn Processors (the "cooperative") incurred a taxable loss of approximately \$90,839,000 (\$0.49 per share) from patronage operations for its fiscal year ended August 31, 2009. Our bylaws provide a number of methods for handling operating losses. After considering the various methods in terms of equitable treatment of our shareholders as well as income tax considerations, the Board of Directors has adopted a Plan of Loss Recoupment pursuant to Bylaw 7, Section 7.06 under which the following steps were taken on December 18, 2009:

1. \$16,699,783.68 of the operating loss incurred for our fiscal year ended August 31, 2009 was allocated among the patrons in proportion to their patronage during that fiscal year (\$0.09 per share owned in FY09). The loss allocation to each patron is evidenced by establishing an account payable by the patron to the cooperative that may be satisfied only out of future amounts that become payable to the patron with respect to their shares and their patronage entitlements. For example, this would not extend to payments due for delivery of corn. The unallocated portion of the FY09 tax loss will be carried forward to be offset against future patronage earnings, which will reduce the amount of patronage earnings available for allocation and distribution to our patrons in future years.
2. The cooperative then cancelled all qualified written notices of allocation within the meaning of Section 1388(c) of the Internal Revenue Code ("QWNA") that were issued and outstanding with respect to our fiscal year ended August 31, 2007 (\$16,903,319). Cancellation of the QWNAs is treated as a payment of the account payable established in Step 1 by each patron to the extent of the stated dollar amount of such patron's QWNAs that are cancelled (\$0.09 per share owned in FY07). Accordingly, the QWNA cancellation fully satisfies the accounts payable established in Step 1 for most patrons. However, a small number of FY09 patrons do not have sufficient QWNAs with which to satisfy the account payable, for example those with shares issued after FY07, and their account payable will remain payable out of future amounts that become payable to them.

Our tax advisors have indicated that the above steps are a commonly used method of dealing with cooperative losses that has evolved with the blessing of the Internal Revenue Service. The steps are treated for income tax purposes as if (1) the cooperative revolved the QWNAs for cash at their stated dollar amounts, and (2) the patron paid the same amount in cash to the cooperative to satisfy their account payable. Revolvement of a QWNA generally is not a taxable transaction for the patron since the stated dollar amount was reported as taxable income. The deemed payment of the patron's account payable results in an ordinary income tax deduction for the patron at the time of the cancellation equal to the stated dollar amount of the cancelled QWNAs. In other words, the FY07 QWNA of \$0.09 per share is now deemed paid and cancelled, and patron members holding shares that reported the FY07 QWNA of \$0.09 per share as income are entitled to

(over)

an ordinary income tax deduction in 2009 equal to \$0.09 per share. The ordinary income tax deduction should be claimed on the patron's Schedule F (or other schedule, if applicable) for 2009, assuming a calendar year taxpayer.

You will not receive an IRS Form 1099-PATR for 2009. Instead, this notice will support your loss deduction as explained above. We recommend that you consult with your personal tax advisor regarding the tax consequences of the transactions described above, particularly those shareholders who acquired their shares from another shareholder and therefore may have different tax consequences. You should retain this letter in your permanent records and should provide your tax advisor with a copy.

Sincerely,

GLACIAL LAKES CORN PROCESSORS

A handwritten signature in blue ink that reads "Kelley A. Dennison". The signature is written in a cursive style with a long, sweeping underline.

Kelley A. Dennison, Chief Financial Officer