

## CAPITAL UNITS TRANSFER SYSTEM

### SOUTH DAKOTA SOYBEAN PROCESSORS, LLC

This Capital Units Transfer System has been adopted by the Board of Managers of South Dakota Soybean Processors, LLC ("SDSP") to regulate the orderly transfer of the capital units of SDSP.

**1. IRS Rules.** This Capital Units Transfer System shall be operated so as to prevent SDSP from being classified as a publicly traded partnership under Section 7704 of the Internal Revenue Code of 1986 and the corresponding regulations promulgated thereunder (collectively "the Code"). Any interpretation of the provisions of this Capital Units Transfer System shall be conducted in accordance with this requirement.

**2. Controlling Documents.** Any transfers of a person's capital units must comply with SDSP's Operating Agreement, as amended from time to time (the "Operating Agreement"). All transfers of capital units must be completed in accordance with this Capital Units Transfer System, as amended from time to time by SDSP's Board of Managers.

**3. Permitted Transfers.** Capital units may only be transferred as follows:

- a. **Related Parties.** Transfers will be allowed among related parties if the transfer qualifies as a "private transfer" under the Treasury Regulations set forth at 26 CFR § 1.7704-1(e) and the Related Party Transfer Instructions attached as Exhibit A, as it may be amended from time to time.
- b. **Trading Service.** Transfers will be allowed through our third-party trading service, which will be owned, operated, and maintained by a broker-dealer registered with the NASD and in the state of South Dakota (the "Trading Service").

The Trading Service will be accessible through and by telephone, Internet or in person and will permit buyers and sellers to buy and sell capital units of SDSP on a periodic basis pursuant to specific rules and procedures mutually agreed upon between SDSP and the broker-dealer operating the Trading Service. The specific rules and procedures for buyers and sellers for posting or listing capital units for sale or purchase, matching offers to sell and offers to buy, and the timing, payment and delivery of funds and sale documents shall be as set forth in the Trading Service Operations Manual attached as Exhibit B hereto, as it may be amended from time to time.

Buying and selling capital units on the Trading Service will be subject to the approval of SDSP's Board of Managers. The Board of Managers will endeavor to comply with the requirements set forth in 26 CFR §1.7704-1(g), that, among other things, restricts the sum of the capital units traded on or through the Trading Service during any calendar year to not more than 10% of SDSP's total issued and outstanding capital units. If the aggregate capital units to be transferred on the Trading Service submitted for approval in any year would exceed this 10% limit, then the Board of Managers will only approve transfers up to the amount of such limit.

Buyers and Sellers of capital units may trade on or through the Trading Service only for their own account, and brokers and dealers are not allowed to trade capital units of SDSP for the accounts of others.

**4. Ownership Requirements.** A person must transfer or acquire a sufficient number of capital units so that upon completion of the transfer, each transferee, and the transferor, if the transferor continues to own capital units, have at least 2,500 capital units, but no person may own more than 2% of the total issued and outstanding capital units.

**5. Minimum Increments.** All transfers must meet or exceed a minimum of 1,000 capital units and be completed in increments of 250 capital units, except for private transfers or transfers at death, including transfers from an estate or testamentary trust, in which case transfers of capital units may be made below the minimum of 1,000 capital units and completed in odd lot increments.

**6. Board Approval.** The Board of Managers will review all proposed transfers of capital units submitted for approval. The Board of Managers will have the right to approve or reject any such proposed transfer at its discretion; provided, however, that the Board of Managers will not approve any proposed transfer that would result in either (i) the transfer of more than 10% of the total issued and outstanding capital units during the year, or (ii) SDSP being treated as a publicly traded partnership under the Code.

**7. Transfer Agent.** The Board of Managers may designate a transfer agent to keep SDSP's records of capital units ownership, to complete the issuance and cancellation of capital unit certificates and to maintain and update other necessary membership records. All relevant information required to complete the transfer of capital units on SDSP's books and records must be provided to the transfer agent. The transfer agent shall be responsible for verifying that all information and authorizations necessary under the Operating Agreement to complete a sale or transfer of capital units have been received, including the Board of Manager's approval, and a determination has been made that the capital units are eligible for sale or transfer. If no transfer agent is designated by the Board of Managers, then SDSP shall serve as its own transfer agent, and the Board of Managers shall carry out or delegate the duties of the transfer agent set forth herein.

**8. Effective Date.** All sales and transfers shall be made effective upon the first day of the quarter following the later of (i) the date the transaction is approved by the Board of Managers, or (ii) the forty fifth day following the posting of Seller's ask price. SDSP's quarters shall begin on January 1, April 1, July 1 and October 1 of each calendar year.