

## **Unit Transfer Policy** **February 26, 2008**

***What is the Unit Transfer Policy?***

Under the Company's Second Amended and Restated Operating Agreement dated July 17, 2007, the Board of Directors is required to develop a policy to impose conditions and restrictions respecting transfers of Membership Units. With regard to the transfer of Membership Units, the policy is required to, among other things (1) preserve the tax status of the Company; (2) comply with securities laws; and (3) require information from the transferor and transferee and representations from the transferor and/or transferee regarding the transfer. Additionally, the Policy must also establish the method and conventions used to allocate profits, losses and all other items attributable between the transferor and the transferee with respect to transferred Membership Units.

***Where can I find the Policy?***

The Policy is included as Exhibit C to the Company's Operating Agreement, which can be found under the Company's filings made with the Securities and Exchange Commission, at [www.sec.gov](http://www.sec.gov). The Company filed a complete version of the Operating Agreement, along with the Policy, on February 26, 2008. If you would like a complete copy of the Policy, please email the Company at [contact@nedakethanol.com](mailto:contact@nedakethanol.com).

***What does the Policy require?***

- The transferring Member must provide the Company with certain information respecting the transferor and the proposed transferee.
- The transferring Member must provide the Company with an executed assignment agreement (the form of which is attached to the Policy, and which we can send by return email to [contact@nedakethanol.com](mailto:contact@nedakethanol.com)).
- The Board retains the discretion to approve any proposed transfer.
- The Board may require an opinion of counsel that the proposed transfer will not result in an adverse tax consequence for the Company or violate applicable securities laws.
- The transfer must not cause the Company to be treated as a "publicly traded partnership" under applicable Internal Revenue Code provisions and Treasury Regulations.

***What transfers are exempt from the publicly traded partnership limits?***

If the Company allows too many transfers, it could be treated as a publicly traded partnership and lose its partnership status for tax purposes. Generally speaking, most transfers will count toward the publicly traded partnership limits; however, there are some transfers that do not count toward these limits, and the Policy provides a list of them.

***When are transfers effective?***

- For purposes of determining the date ownership of a Unit transfers, the date of transfer is the date on which all conditions of the Policy have been fulfilled.
- For purposes of determining when allocations of profits and losses are effective, transfers approved by the Board during one fiscal quarter are effective on the first day of the next succeeding fiscal quarter.

***Example of effective dates.***

If a Member provided the Company all of the information required by the Policy in the second week of April, and the Board approved the transfer during the month of April, for ownership purposes, the transfer would be effective upon Board approval in April, but for allocation purposes, the transfer would not be effective until the

first day of the next fiscal quarter, July 1.

The above discussion is qualified in its entirety by reference to the terms of the Policy itself and the Operating Agreement. Members should review both prior to proposing a transfer of Membership Units.