

HERON LAKE BIOENERGY, LLC
CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF GOVERNORS

PURPOSE

The purpose of the Compensation Committee (the “Committee”) of the Board of Governors (the “Board”) of Heron Lake BioEnergy, LLC (the “Company”) shall be to (a) oversee all significant aspects of the Company’s compensation policies, plans and programs; (b) prepare and review the report of the Compensation Committee included in the Company’s proxy statements in accordance with the applicable rules and regulations of the Securities and Exchange Commission (“SEC”); and (c) review any discussion and analysis of compensation matters included in the Company’s proxy statements in accordance with applicable rules and regulations of the SEC. The term “compensation” shall include salary, short-term incentives and long-term incentives, bonuses, perquisites, equity incentives, severance arrangements and other related benefits and benefit plans.

COMPOSITION

The Committee shall consist of at least two (2) members of the Board of Governors. A majority of members of the Committee shall satisfy the independence requirements set forth in (1) the listing standards of The Nasdaq Stock Market (“Nasdaq”), as adopted by the Company in paragraph 3 of the Company’s Governance Guidelines, (2) Section 16b-3 of the Exchange Act, if Section 16 is applicable to the Company, and (3) Section 162(m) of the Internal Revenue Code of 1986, all as amended from time to time.

The members of the Committee shall be recommended by the Governance Committee, and appointed by and serve at the discretion of the Board. Vacancies occurring on the Committee shall be filled by the Board. The Committee’s Chairperson is elected by majority vote of the Committee’s members.

MEETINGS AND MINUTES

The Committee shall hold such meetings as its members deem necessary or appropriate, but in any event not less than twice annually. Minutes of each meeting will be prepared and distributed to each member of the Board and the Secretary of the Company. The Chairman of the Committee will report to the Board from time to time, or whenever so requested by the Board.

RESPONSIBILITIES

The Committee shall be charged with the following duties and responsibilities:

1. Overall Compensation Strategy. The Committee shall review, modify as needed, and approve the overall compensation strategy and policies for the Company.

2. Compensation of the Chief Executive Officer. The Committee shall review and approve the compensation and other terms of employment of the Company's Chief Executive Officer and shall evaluate the Chief Executive Officer's performance in light of relevant corporate performance goals and objectives, and shall implement any Chief Executive Officer evaluation process established by the Governance Committee. In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee shall consider the Company's performance and relative member return, the value of similar incentive awards given to chief executive officers of comparable companies, the awards given to the Company's Chief Executive Officer in past years, and such other criteria as the Committee deems advisable. The Chief Executive Officer shall not be present during deliberations by the Committee on the Chief Executive Officer's compensation.

3. Compensation of Other Executive Officers. The Committee shall oversee the establishment of performance goals and objectives of the Company's executive officers other than the Chief Executive Officer. Additionally, the Committee shall determine, or recommend to the full Board for determination, the compensation and other terms of employment of all other executive officers. No executive officer shall be present during deliberations by the Committee on such executive officer's compensation. In this regard and in order to fulfill its duties under the preceding paragraph, the Committee shall review generally the cost and scope of the Company's employee benefits.

4. Governors Fees. The Committee shall make recommendations to the Board regarding the amount of governors' fees for Board members, including retainer, Board meeting, committee and committee chair fees and equity-based compensation or awards.

5. Incentive and Equity Based Compensation. The Committee will perform any duties it may be assigned by the Board under any of the Company's incentive- or equity- based compensation plans, or employee benefit plans. Such duties may include approval and administration of the plan, and review and approval of any grants or awards thereunder.

6. Succession Planning. The Committee shall annually review and approve the Company's organizational structure, succession plans for executive officers and programs to encourage the development of individuals to assume positions of higher responsibility.

7. Proxy Statement Report and CD&A. The Committee shall prepare and review any report of the Compensation Committee required to be included in the Company's annual proxy statements, and assist in the preparation of, and review any discussion and analysis of compensation matters, including any Compensation Discussion and Analysis under Item 402(b) of Regulation S-K of the SEC rules and regulation, required to be included in the Company's annual proxy statements.

8. Committee Self-Assessment. The Committee shall review, discuss and assess at least annually its own performance under this Charter. In addition, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. The Committee shall deliver to the Board the results of its evaluation, including any recommended amendments to this Charter.

OUTSIDE ADVISERS

The Committee may retain, at the Company's expense, such independent counsel, consultants or other advisers as it deems necessary to carry out its responsibilities. Any compensation consultant retained by the Committee shall be accountable to the Committee and the Committee shall review and approve all services to be provided by such consultant, as well as fees or other compensation of such consultant.