

POLICY SUMMARY FOR THE RETIREMENT OF CAPITAL EQUITIES OF FOSSTON TRI-CO-OP

The board of directors of Fosston Tri-Co-op has established the following policy governing the redemption of capital equities, subject to the limitations noted herein and subject to all those limitations as set forth in the articles and by-laws of the cooperative:

I. General Information and Conditions The By-laws of Fosston Tri-Co-op provides that the retirement (also referred to as redemption) of any patron's capital equities, hereinafter called "equities," is solely within the discretion of the board of directors of Fosston Tri-Co-op. No one else has the right to acquire retirement of any equities or allocated reserve.

Retirement of equities is not automatic. It is done only after the patron requests, in writing, retirement of equities. This policy is not a call or demand and patrons who wish to hold their equities and help preserve the net worth of their cooperative as an ongoing business may continue to do so.

If, in the discretion of the board of directors, it is necessary to protect the capital structure of Fosston Tri-Co-op, the board has the authority at any time to set or revise a cap on the amount of dollars it will expend to retire equities in any given fiscal year. Once that cap has been reached, any requests for retirement of equities exceeding the cap shall be carried over for first consideration in the next fiscal year.

Whenever the words "he," "his," or "him" are used in this policy, they shall also mean "she," "hers," or "her."

II. Retirement of Equities

A. Individuals. Fosston Tri-Co-op will retire for cash equities issued to an individual pursuant to the payment schedule set forth hereafter if:

- (1) The individual is a deceased, natural person; or
- (2) The individual (natural person) has attained age 80 years. Upon attaining age 80, the co-op shall commence paying said equity balance the year said patron attains the age of 80, or after the patron requests in writing, the retirement of his equities, whichever is later. It shall be the responsibility of a patron attaining age 80 to so advise the co-op in writing.

B. Corporations.

- (1) In considering the retirement of capital equities for the capital equity accounts of closely held corporation, or the shareholders thereof, the board of directors, in its sole discretion may make such distributions to the shareholders of said closely held corporation in such shares/amounts as the individual shareholder's interest in said corporation bears to the total number of shares of said corporation upon said shareholder(s) dying, or otherwise attaining

the age of 80 years subject, however, to the same terms and conditions regarding distributions to individuals as set forth above. Before considering retirement of said equities the corporation shall provide the co-op with such documentation as the board shall request including, but not limited to, articles of incorporation, by-laws, stock ledger, minutes and certificate of dissolution.

(2) Business Corporations and Other Non-Member Entities Not Covered Elsewhere in this Policy. Equities held by business corporations and other non-member entities not covered elsewhere in this policy will only be retired for cash when the entity dissolves and if the board determines such a retirement is in the best interests of the co-op.

C. Estates and Trusts. If an estate is actively engaged in farming operations for the benefit of the heirs (in other words, operates as a business), equities earned by the estate will be retired for cash to the estate. Provided, however, if the estate is not closed by the end of Fosston Tri-Co-op's second fiscal year after the fiscal year in which the death occurred, then equities earned thereafter will be treated as equities earned by the heirs of the estate and subject to retirement for cash when the heir is eligible under this policy. If a trust is actively engaged in farming operations for the benefit of the beneficiaries, equities earned by the trust will be treated as equities earned by the beneficiaries and will be subject to retirement for cash when the beneficiary is eligible under this policy.

D. Partnerships. Equities held by a partnership will be deemed held by the partners as tenants in common. A partner is entitled to cash retirement of his share of the equities when he is eligible for cash retirement under this policy. For example, if a partner is an individual, he is eligible for cash retirement upon his death, or has attained age 80 years as set forth above.

III. Procedure for Administration or Executors of Deceased Holder of Equities. If the estate is being probated (estate open) this cooperative must be furnished a certified copy of a death certificate.

If probate proceedings have been concluded (estate closed) this cooperative must be furnished with a certified copy of the final decree.

In the event the holder's estate is not probated this cooperative must be furnished with a certified copy of the death certificate.

IV. Transfer of Equities. Equities may be transferred (including, but not limited to, assignments and encumbrances) only with the consent and approval of the board of directors and by such instrument of transfer as may be required or approved by the Board.

Transfers are only effective if recorded on the books and records of this cooperative and are subject to offset for debts of the transferor and transferee.

If equities are transferred, the equities will be retired for cash when the new holder is eligible under this policy, unless the transfer was done as a subterfuge used to get early cash retirement of equities.

V. First Lien. Prior to any retirement, as well as at all other times, this cooperative shall have a first lien on all patrons' equities and allocated capital reserve issued by it and on all earned but not allocated patrons' equities and capital reserve, for all indebtedness of the respective holders thereof to Fosston Tri-Co-op and at the option of the board of directors, shall have the right of offset for the face amount thereof against such indebtedness; but nothing herein contained shall give the holders of such patrons' equities and allocated capital reserve or the person entitled to the earned but not allocated patrons' equities and capital reserve any right to have such offset made. NOTE: The patron's equity shall be discounted to present value based on the number of years until the equities would be paid out using the current interest rate being paid by the c-op.

VI. Equities Held by Bankrupt or Insolvent Patron or Equity Holder. If a patron or equity holder files a petition in liquidating bankruptcy (not including Chapters 11, 12, or 13) or enters into a state court receivership or provides the board with adequate evidence of insolvency, then the board, after using its right of offset, shall on a case by case method, work out a plan of redemption with the representative of the insolvent patron or equity holder.

VII. Allocated Reserve. Fosston Tri-Co-op does not retire allocated reserve.

VIII. Rights on Liquidation. If Fosston Tri-Co-op is dissolved, the equities and allocated reserve will be paid to the holders in accordance with the articles of incorporation and by-laws of Fosston Tri-Co-op and the applicable Minnesota law, if funds are available, after all creditors and preferred holders of Fosston Tri-Co-op's paper.

Fosston Tri-Co-op

By: _____
Board Chairman