

## SIouxLAND ENERGY & LIVESTOCK COOPERATIVE

### PARTNERSHIP INTERESTS TRANSFER SYSTEM SUMMARY

Effective as of August 25, 2013

*The following is a summary of the basic provisions of the partnership interests transfer system for members and non-members of Siouxland Energy & Livestock Cooperative ("SELCO") to buy and sell equity interests of SELCO. This is not a complete description of all the material aspects of the transfer system. You should carefully read the entire Partnership Interests Transfer System description and the Operational Manual of the trading service operated by FNC Ag Stock ("FNC") before trading or transferring SELCO's equity interests.*

- Trading Restrictions. Strict regulation of trading of SELCO's equity interests is necessary in order to remain exempt from IRS regulations that would result in double taxation of earnings. Accordingly, you may only trade or transfer partnership interests (equity and voting interests) in accordance with the Partnership Interests Transfer System and all trades and all transfers must be approved by the Board of Directors. All unauthorized trades or transfers will be void and could subject the seller to involuntary redemption of his or her partnership interests at a fraction of their original purchase price.
- Quarters. The Board will consider trades and transfers once per quarter. All trades and transfers that are approved will be effected on the first day of the following quarters; provided, however, in case of Transfers under the QMS in which an offer to sell is posted during the last 45 days of any quarter, and a match occurs prior to the end of that same quarter, the Transfer shall not be made effective until the first day of the quarter following the expiration of a full quarter period. SELCO's quarters begin on January 1, April 1, July 1 and October 1 of each calendar year.
- Transfer Requirements. All transfers must be made in increments of whole equity interests, except transfers upon death may be made in odd lots. In addition, there is a ten (10) equity interest and one (1) voting interest minimum ownership requirement. Accordingly, new members must acquire a minimum of ten (10) equity interests and one (1) voting interest, and members who are not transferring or selling of the equity interests must retain at least ten (10) equity interests and one (1) voting interest.
- New Members. All new members must sign a counterpart signature page to the applicable transfer form, a Dry Corn Agreement and/or High Moisture Corn Agreement and pay a \$500.00 purchase price for one voting interest.
- Voting Interests. A member's voting interest cannot be transferred to any person. This is true no matter what type of transfer is intended, whether it be a private transfer, block transfer or trading service transfer.
- Private Transfers. Private transfers include gifts to family members, trading among family members, some transfers upon death, and transfers to and from business entities controlled by the member. To make a private transfer, you must complete a Private Transfer Request Form and submit it to the Board for approval, pay the \$500.00 purchase price for one voting interest if the transferee is not already a member, and submit any other required documentation. Private transfers will be effective on the first day of the quarter following the quarter in which Board approval is received.
- Block Transfers. A "block" transfer is a transfer by a member and/or family member of such member in one or more transactions during any 30 day period, representing in the aggregate at least 44 equity interests of SELCO. To make a block transfer, you must complete a Block Transfer Request Form and submit it to the Board, pay the \$500.00 purchase price for one voting interest if the transferee is not already a member, pay an administrative fee of \$100.00 per transferee, and submit any other required documentation. Block transfers are subject to SELCO's right of first refusal described below. Block Transfers will be effective on the first day of the quarter following the quarter in which Board approval is received.
- Trading Service Transfers. SELCO has engaged FNC AgStock, LLC ("FNC") to operate a trading service for

SELC's equity interests. You may not sell or transfer SELC's equity interests to any unrelated party other than through this trading service. Sellers shall pay FNC a commission of 3% of the purchase price for each trade, with a \$250 minimum per transaction. Offers to buy or sell equity interests through the trading service are non-binding until a written contract for sale has been executed. All matched offers to buy and sell remain subject to authorization by the transfer agent and SELC's right of first refusal described below.

- Members interested in selling their equity interests should contact FNC at (701) 780-2828 or (855) 827-7391 to complete a listing agreement. You must indicate the price and number of capital units you desire to sell in increments of \$10 equity interests. You may submit your offer to sell at any time during the quarter; provided, however, if you list equity interests for sale during the last 45 days of any quarter, the transaction will not be submitted to the transfer agent until the end of the next quarter. Offers to sell equity interests will be made available by FNC upon request and the lowest asking price will be posted on FNC ' website at [www.FNCagstock.com](http://www.FNCagstock.com)
- Anyone interested in buying equity interests should contact FNC at (701) 780-2828 or (855) 827-7391 to place a bid. FNC will provide you with any and all offers to sell posted to the TS upon request. You may only bid on equity interests that have been posted for sale in increments of whole equity interests and bids must be submitted no later than 3:00 PM (CST or CT) of any business day.
- FNC will match bids with the listed offers for sale on a daily basis (with the exception of weekends and holidays), except that bids may not be matched with offers to sell until the equity interests have been listed for at least 15 days. In matching offers, preference is generally given first to the lowest priced offers to sell, then in the order received. The purchase price will be the buyer's bid price.
- When multiple bids are posted which equal or exceed a seller's asking price, an auction-like bidding process may develop among the buyers (bidders). Matching will then occur based on the highest bidding price. FNC will inform the applicable bidders when the auction-like bidding process is triggered and then guide the bidders on such process.
- When an offer to sell is matched with a bid, FNC will contact the buyer and seller by telephone to confirm the sale and then send buyer a written contract for sale. The buyer must return to FNC within ten (10) days the signed contract with 100% deposit of the purchase price, the \$500.00 fee for the voting interest if the buyer is not already a member, the applicable corn delivery agreement, and other documentation, if required. The purchase price funds will be held by an independent escrow agent until the sale is completed. The balance of the purchase price will be due within ten (10) days of demand by FNC .
- After FNC receives the buyer's contract and deposit, FNC will send the contract to the seller who must sign and return it to FNC within ten (10) days and also send with his or her equity interests certificate (or a lost certificate affidavit) and the voting interest certificate if the seller is selling all of his/her equity interests, and the seller's corn delivery agreement. In the listing agreement, the seller agrees to pay FNC ' commission if the seller fails to sign and return these documents as required.
- If you have pledged your equity interests to secure a loan, you must obtain a signed consent from your lender to sell your equity interests. The escrow agent will issue the check for the sale proceeds payable to both you and the lender upon the lender's written request.
- FNC will direct the buyer to send in any remaining balance of the purchase price within ten (10) days of demand made by FNC. After the buyer has deposited 100% of the purchase price, the contracts and related documentation will be submitted to the transfer agent to confirm compliance with all Bylaw restrictions, including Board approval.
- If the sale is approved by SELC's Board of Directors, and SELC does not exercise its right of first refusal as described below, the transfer agent will issue the equity interests to the buyer, send to the buyer a corn

delivery agreement and inform FNC to direct the escrow agent to disburse the net sale proceeds to the seller, less payment of FNC's commission. The seller's corn delivery agreement will be modified or cancelled as applicable, if the sale is not authorized, the purchase price will be returned to the buyer and no commission will be charged.

- Offers to sell and offers to buy may not be posted on the Trading Service any longer than 120 days. After an offer to sell or buy has been posted for 120 days it will be removed. A buyer may repost his or her offer to buy immediately; however, a seller will not be able to list any equity interests for sale for at least 60 days after the offer is removed.
- No more than 2,156 of SELC's outstanding equity interests may be traded through the trading service in any calendar year. If the 10% limit is reached, no further trading will be authorized until after the end of the year.
- Right of First Refusal Rights. Block transfers and transfers through the Trading Service are subject to SELC's right of first refusal rights set forth in the Bylaws. Under the Bylaws, before a block or Trading Service transfer is effective, SELC has the option to redeem all, but not less than all, of the seller's or transferor's equity interests for the same price and on the same terms and conditions as any offer received by the seller or transferor in the block transfer or Trading Service transfer. If SELC declines to exercise its right of first refusal, the sale and transfer between the seller and buyer may be made effective.

### **Siouxland Energy & Livestock Cooperative Trading System Schedule**

<b>Activity</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
First day of quarter	January 1	April 1	July 1	October 1
Deadline to submit offers to sell that can be approved during quarter if matched	February 13	May 16	August 16	November 15
Deadline to submit offers to purchase for match to be approved during quarter*	February 28	May 31	August 31	November 30
Deadline for purchaser to submit entire balance of purchase price to FNC *	March 17	June 16	September 15	December 15
Deadline for FNC to submit required documentation to transfer agent for authorization	March 17	June 16	September 15	December 15
Effective date of trades authorized by	April 1	July 1	October 1	January 1

transfer agent

\* May be waived in FNC ' discretion if other sale conditions met.

**CAUTION: This Summary is current only as of the date printed on the first page. It may be updated or revised from time in the discretion of SELC's Board of Directors and in coordination with FNC. The most current version will always be available on SELC's website, upon request to SELC or by link on FNC's website. Buyers and Sellers should confirm that they are referring to the most current version of the Partnership Interests Transfer System and FNC's Operational Manual when using the trading service or transferring equity interests.**