

SUN BASIN



PATRONAGE



AN EXPLANATION AND HOW IT BENEFITS YOU

CHS Inc. is a cooperative. A cooperative is a business owned and controlled by the people using its services. Agriculture producers doing business with Sun Basin, a division of CHS Inc., can have an ownership interest in CHS Inc. proportionate to their purchases of products and services from the cooperative.

The purpose of a cooperative is to provide a service to its member-users at competitive prices and return its profits to its member owners in the form of patronage returns.

Each year the cooperative determines its patronage sourced income and the CHS Board of Directors (“Board”) determines how much to pay out to the members based upon the amount of business done with the cooperative. Separate patronage pools for different products may be established by the Board and earnings attributed to the patronage pool paid out to the patrons of the pool.

A Patronage refund should not be confused with a dividend on capital stock. A dividend is a distribution to a shareholder based on investment or ownership. **A patronage refund is a distribution based on use.**

CHS INC. PATRONAGE REFUND TRACK RECORD INDICATES A BRIGHT FUTURE FOR MEMBERS

PATRONAGE ISSUED BY CHS FOR THE LAST FIVE FISCAL YEARS:

<u>Fiscal Year Ending</u>	<u>Total Allocation</u>
8/31/2005	\$205,952,861.80
8/31/2006	\$378,323,890.99
8/31/2007	\$554,104,715.35
8/31/2008	\$642,889,840.40
8/31/2009	\$436,253,062.13

HOW TO ANALYZE YOUR FINANCIAL BENEFIT

At Sun Basin, our patronage returns have traditionally run between 3 and 6 percent of member purchases. We cannot guarantee patronage; however, we have demonstrated an excellent track record. Patronage is payable at the discretion of the Board. Recently, patronage has been paid 35% in cash and 65% in equity. The recipient is taxed on both the cash and equity certificates issued. Currently, equity can be redeemed at age 70 or paid to your estate upon the date a written request for redemption is received by CHS. So, you may think about the equity portion of patronage as being somewhat of an insurance paid to your estate, or as retirement savings to be enjoyed as you see fit. The equity retirement policy may be changed at the discretion of the Board. Depending upon the recipient’s tax bracket, the cash portion should more than pay any income tax liability due and the excess goes to benefit your operation immediately.

CHS Sun Basin offers many options for customers such as purchase contracts for commodities like fuel and fertilizer in an attempt to share rewards and risks. The patronage allocation is in addition to these benefits. So, if you’re contracting \$3.00/gallon fuel and patronage is 3% of purchases, you are essentially paying only \$2.91/gallon. If you are purchasing urea for \$450.00 per ton and patronage is 3%, your net cost is only \$436.50 per ton. When comparing any product price with our non-cooperative competitors, you should take into account your patronage benefits available from Sun Basin. **The patronage difference goes in your pocket!**