CHIPPEWA VALLEY AGRAFUELS COOPERATIVE

YOU OWN SHARES... NOW WHAT?

FREQUENTLY ASKED QUESTIONS

1 What is CVAC?

CVAC is a Minnesota cooperative that owns the ethanol plant in Benson, Minnesota. As a cooperative, CVAC distributes its income on the basis of patronage rather than on the basis of shares owned. CVAC shareholders, however, patronize CVAC by delivering com (either directly or through a pool) in proportion to shares owned. At the discretion of the board of directors, CVAC's taxable income may be passed through to its shareholders on the basis of patronage, who in tum report their share of the taxable income on their individual tax returns.

2 Who owns CVAC?

There are over 900 shareholders of the Chippewa Valley Agrafuels Cooperative. They are made up of area producers, other cooperatives, and local investors who market com through CVAC.

3 Who governs CVAC?

CVAC is governed by a 9-member board of directors elected by shareholders from three different districts.

4 How do I purchase shares in the Cooperative?

CVAC shares can be purchased from any shareholder who is willing to sell their shares. CVAC will assist the buyer and seller with the transfer of shares but cannot become involved in negotiating a price. All share transfers must be approved by the CVAC board of directors and transferred through the CVAC office. A transfer of partnership units in CVEC will accompany the purchase of CVAC shares at the time of transfer.

5 How does the income from a partnership differ from the income of a cooperative?

• Partnership income is reported on a K-1 whereas Cooperative income is reported on a 1099DIV.
• Cooperative income is subject to self-employment tax whereas partnership income for partners who are not active in the business is not.
• The small producer ethanol tax credit can be passed through to the partners of a partnership.
• A partnership is not a taxable entity whereas a Cooperative can have taxable income.

6 When purchasing shares in CVAC, what are my rights and obligations in the partnership?

• When purchasing shares in CVAC, the buyer will receive the equity in the partnership represented by the partnership units transferred at the time of transfer.
• The buyer will receive all cash distributions made following the time of transfer with respect to the partnership units transferred (even those distribution relating to pre-transferred periods.)
• The buyer and seller will split the reported income with respect to the partnership units transferred on a pro-rata basis for the fiscal year (September 30 yearend) in which month the transfer occurred.

7 When is patronage dividends made to its' shareholders?

Patronage dividends allocating CVAC's income to its shareholders are made on a patronage basis, based on bushels delivered. At the discretion of the board of directors, up to l00% of the patronage dividend can be made in the form of cash (vs. a patron's credit or equity). The board of directors has determined that it will declare patronage dividends only in the months of April and November. A cash distribution may be declared in September before new Units become effective.

8 Can you forecast cash dividends on shares being transferred?

The CVAC office will report current YTD income per share to potential buyers or sellers, but will not make. projections on year-end income or the future decisions of the CVAC board of directors regarding cash dividends or CVAC. The reporting of current YTD income is not a guarantee of final year.end book or taxable income per share or the declaration of cash dividends by the CVAC board of directors.