

Key Pre-Paid Grain Storage Summary

Key Cooperative is also considering a new Pre-paid Storage Program with the proceeds used to fund construction of new grain storage. Under this alternative members would pre-pay grain storage for up to 10 years, locking in a fixed rate per bushel over the life of the contract. Key Cooperative would retain continuous ownership of the facility during and after the contract expiration. The Member would receive any tax advantages associated with pre-paid storage expenses.

Pre-paid Storage Terms:

- Minimum pre-paid storage space – 5,000 bushels.
- \$1.00 per bushel of space prepaid for 5 years.
- Pre-paid space may be emptied and refilled an unlimited number of times at no additional charge.

All terms and conditions associated with Key Cooperative Grain Receiving, Pricing and Quality Discount policies to apply.

Act Now!

We are asking for a preliminary, non-binding indication of interest from the Key Cooperative membership in the development of a new 2017 condominium project and in Pre-paid Grain Storage.

To facilitate timely decision making and securing of equipment and contractors, please respond with your indication of interest no later than January 27, 2017. The Key Cooperative Board of Directors will meet on January 30 to consider the level of interest and authorization of a new project.

Your interest and questions should be directed to:

Greg Artz - Risk Management Specialist
515-215-0062

Scott Loudon- Risk Management Specialist
641-990-7816

* All indications of interest are strictly non-binding on the Key Cooperative member. Terms and conditions contained in this communication are subject to change by Key Cooperative.



www.keycoop.com



2017 Grain Storage Alternatives

Options:

Key GS6 2017 LLC,
Condominium Storage

Key Pre-Paid Storage



Condominium Grain Storage Summary



Key Cooperative is the leader in Condominium Grain Storage. Since our first project in 2000, over 2,300,000 million bushels of new Member owned grain storage has been built in five projects. Condominium Storage provides members with a powerful set of storage advantages including: Guaranteed, low cost storage space; elimination of grain storage quality risk; access to all marketing contract alternatives; multiple location delivery; tax benefits; and high value retention on re-sale. In the latest condo project we introduced a guaranteed buyback program and reduced out charge tariff. The Key Cooperative Condominium Grain Storage Program has truly been a winner for its owners.

2017 could be another year of intense pressure on both on-farm and commercial storage capacity. The Key Cooperative Board of Directors has authorized investigation of a sixth condo storage project to help address these anticipated needs. Included here is a Term Sheet outlining the formation of Key GS6 2017 LLC and the preliminary terms of an Operating Agreement.

2017 Grain Condominium Storage

Organization structure: LLC.
Organization name: Key GS6 2017 LLC.
Owner eligibility: Must be a Class A stockholder member of Key Cooperative and resident of Iowa.

Delivery, Merchandising and Storage Terms:

Delivery points: All Key Cooperative grain locations.
Guaranteed Storage: Availability of condominium storage is guaranteed to the owner.
Time limit on storage: Unlimited.
Fill and empty limits: None. Units may be filled and emptied an unlimited number of times annually with no additional charge.
Grain Pricing: Per Key Cooperative delivery location.
Marketing alternatives: All marketing contract alternatives available.
In / Out Tariff: Corn: \$.00 In / \$.12 Out. Soybeans \$.00 In / \$.12 Out.
The unit owner may load out grain from the receiving location for shipment to an alternative market for a nominal out charge.

Open Storage Roll: Open stored grain may be rolled to condo at time of condo purchase
Quality discounts: Per Key Cooperative policies at time of delivery. Grain must meet minimum merchantable standards at time of delivery.
Storage / PLC fees: None.
Annual service charge: 5.84 cents per bushel of space in 2016. Reset annually for actual Property Tax, Insurance, Utilities and administration expenses.

Project Specifications:

Project Site: To be Determined (Grinnell and/or Sully being evaluated)
Bushels available: To be Determined (400,000 to 900,000 bushels estimated)
Unit size: 5,000 bushels.
Cost per bushel: Estimated at \$1.65 per bushel or \$8,250 per unit. Charges will be the actual cost for site preparation, foundation, bin and bin erection, and aeration system. Key Cooperative is responsible for electrical, elevation and conveyance.
Purchase financing: Financing for two or three years available from Key Cooperative.
Duration: Life of bin (35 years +).

Resale of Units and Tax Considerations.

Resale: Units may be resold at any time to any eligible Key Cooperative member.
Guaranteed Buyback: Key Cooperative guarantees to purchase shares from owners not sooner than 36 months from original purchase according to a pre-established schedule.
Tax benefit: Tax benefit (depreciation) to owner.
Tax basis reset: Tax basis reset for future owners at the transfer purchase price.