

CHS announces equity management decisions

At its September meeting, the CHS Board of Directors made a number of decisions regarding equity management. The following letter from CHS Board Chairman Dan Schurr outlines these decisions:

Dear Cooperative Owner,

CHS was built on the shared values of managing our business with the highest integrity, building lasting and mutually rewarding relationships, and partnering for our collective success.

These values guide every decision your CHS Board of Directors makes on your behalf. Thanks to the dedication and hard work of those owners and employees that came before us, CHS is a cooperative that's been built for the long haul. Your Board of Directors will ensure that tradition continues. It's with this spirit that we share recent Board decisions around equity management.

Despite solid performance in our core businesses, a few large events have resulted in substantial fiscal 2017 financial losses in certain patronage-based businesses. These events included a loss attributed to a large producer loan and business unit asset impairments in the United States.

It has been the Board's practice to offset patronage-sourced operating losses against the income in patronage allocation units. This practice will continue for fiscal year 2017, with some modification due to the size of the operating losses. Specifically, some of these patronage-based business operating losses will be offset against patronage income from specific allocation units and some will be offset against the unallocated capital reserve. In addition, the CHS Board made the following patronage-related decisions at its September meeting:

- **The CHS Board will retain 10 percent of patronage-sourced earnings to the unallocated capital reserve, as in years past.**
- **CHS will issue non-qualified equity certificates for FY17 patronage-based earnings. No cash patronage will be issued in 2018 based on FY17 performance.** These non-qualified equity certificates will be included in the equity revolvment program and will be redeemed at the discretion of the CHS Board. Non-qualified equity certificates are generally not taxed until redeemed.
- **The CHS Board has designated a \$10 million cap for individual member redemption for estates and age 70 retirements, per the established redemption policy.** No member-cooperative equity will be redeemed in 2018. The Board will continue to review equity retirements on a quarterly basis.
- **Eligible CHS owners will share in the benefit of unused IRS Sec. 199/DPAD deductions.**

These decisions were not made lightly and came after much discussion and assessment about how best to serve CHS and all of our owners for the long term.

While CHS experienced a challenging year, we are taking necessary steps to restore financial flexibility and minimize operational risk to ensure a strong future for our owners.

Your CHS Board of Directors remains committed to serving you. Your continued business is vital to the strength and growth of CHS, and is greatly valued. If you have questions specific to your equity, please feel free to contact CHS Patron Equities at 800-328-6539, ext. 6124.

Sincerely,
Dan Schurr
Chairman, CHS Board of Directors