

**NORTHERN PARTNERS COOPERATIVE AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
February 29, 2016 and February 28, 2015

**ASSETS**

	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 718,131	\$ 843,359
Margin account equity	308,442	317,797
Receivables, net	2,647,918	2,980,352
Grain inventory	15,442,405	20,268,553
Merchandise inventory	12,777,907	13,965,840
Advance payments to vendors for inventory purchases	5,569,556	6,864,023
Prepaid expenses	111,901	279,196
Unrealized gain on forward contracts	37,153	126,177
Deferred taxes	187,952	203,369
Total current assets	37,801,365	45,848,666
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investments	4,740,051	2,345,212
Other assets	75,333	105,401
Total investments and other assets	4,815,384	2,450,613
<b>PROPERTY AND EQUIPMENT, NET</b>	17,324,101	14,712,322
<b>TOTAL ASSETS</b>	<b>\$ 59,940,850</b>	<b>\$ 63,011,601</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	2016	2015
<b>CURRENT LIABILITIES</b>		
Checks drawn in excess of available balances	\$ -	\$ 1,767,896
Seasonal note	3,137,493	2,869,317
Current maturities on long-term debt	1,076,804	53,699
Current maturities of capital leases	16,941	16,828
Accounts payable	1,281,840	2,180,407
Accounts payable - grain received, no price established	11,626,165	13,301,054
Patron prepayments and credit balances	10,804,665	13,112,998
Unrealized loss of forward contracts	61,513	234,711
Accrued expenses	770,993	1,022,302
Member distributions	99,324	160,521
Dividends payable	16,685	16,838
Patronage refunds payable in cash	150,843	335,150
Total current liabilities	29,043,246	35,071,721
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current maturities above	6,726,164	4,353,561
Long-term capital leases, less current maturities above	86,245	101,997
Uncertain tax position	-	1,857,794
Deferred income taxes	1,652,850	1,634,223
Total long-term liabilities	8,465,259	7,947,575
Total liabilities	37,508,505	43,019,296
<b>STOCKHOLDERS' EQUITY</b>		
Capital Stock	409,004	478,643
Partial credits in preferred stock	797,660	701,678
Noncontrolling interest in subsidiaries	469,812	602,657
Retained income	20,755,869	18,209,327
Total stockholders' equity	22,432,345	19,992,305
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 59,940,850</b>	<b>\$ 63,011,601</b>

The accompanying notes are an integral part of the financial statements.

**NORTHERN PARTNERS COOPERATIVE AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Years Ended February 29, 2016 and February 28, 2015**

	<b>2016</b>	<b>2015</b>
<b>GRAIN SALES</b>		
Grain sales	\$ 66,327,478	\$ 69,753,319
Grain cost of sales	63,523,050	66,472,192
Gross grain margin	2,804,428	3,281,127
<b>MERCHANDISE SALES</b>		
Merchandise sales	40,859,816	54,454,869
Merchandise cost of sales	34,471,794	47,261,149
Gross merchandise margin	6,388,022	7,193,720
<b>OTHER OPERATING INCOME</b>	4,054,144	4,766,092
Total gross income	13,246,594	15,240,939
<b>OPERATING EXPENSES</b>		
People	6,056,845	6,594,743
Facility	5,812,700	6,231,486
Administrative	632,929	1,002,970
Total operating expenses	12,502,474	13,829,199
Gain on dispositions of assets	119,214	315,388
Operating income	863,334	1,727,128
Other income	686,891	748,703
<b>TOTAL INCOME</b>	1,550,225	2,475,831
<b>INTEREST EXPENSE</b>		
Seasonal interest	41,851	107,049
Term interest	253,707	140,954
Total interest expense	295,558	248,003
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	1,254,667	2,227,828
<b>PROVISION (BENEFIT) FOR INCOME TAXES</b>	(1,789,801)	727,871
<b>CONSOLIDATED NET INCOME</b>	3,044,468	1,499,957
<b>LESS: INCOME TO NON CONTROLLING INTEREST</b>	134,912	167,251
<b>CONSOLIDATED NET INCOME TO CONTROLLING INTEREST</b>	\$ 2,909,556	\$ 1,332,706

The accompanying notes are an integral part of the financial statements.

**NORTHERN PARTNERS COOPERATIVE**  
**PATRONAGE PROPOSAL**  
**Fiscal Year Ended February 29, 2016**

**Member Business**                      **Rate**

SEE SEPARATE SCHEDULE

<b>Patronage Declaration</b>	<b>\$ 251,405</b>
<b>Cash Portion - 60%</b>	<b>\$ 150,843</b>
<b>Equity Portion - 40%</b>	<b>\$ 100,562</b>
	<b>\$ 251,405</b>
 <b>DMD Pass-through</b>	 <b>\$1,850,000</b>

	<b>Income Distribution:</b>	
Stock Dividends	\$ 16,665	1.6%
Patronage	251,405	24.5%
PY Patronage Under accrual	3,379	0.3%
Deferred Income Tax	220,855	21.5%
Cash Income Taxes	73,171	7.1%
Removal of Uncertain Tax Position	(1,857,794)	-180.7%
Add to Retained	2,320,507	225.6%
<b>Total Pre Tax Income</b>	<b>\$ 1,028,188</b>	<b>100.0%</b>
 Working Capital - 60% Cash	 <b>\$7,677,147</b>	

**SUBJECT TO FINAL REVIEW, PAGE 11**

	PRODUCT	PRODUCT	TOTAL	TOTAL	REFUND	% business
Rate	CODE	DESCRIPTION	QUANTITY	AMOUNT	AMOUNT	stockholders
\$0.00	BN	SOYBEANS - ELEV	<b>1,261,480.71</b>	\$11,077,610.47	\$0.00	87.1%
\$0.00	BN	SOYBEANS - DIRECT	<b>680,879.73</b>	\$6,428,539.17	\$0.00	86.8%
\$0.00	CN	YELLOW CORN - ELEV	<b>6,764,312.64</b>	\$22,149,648.93	\$0.00	89.3%
\$0.00	CN	YELLOW CORN - DIRECT	<b>2,836,192.22</b>	\$10,667,206.99	\$0.00	88.3%
\$0.00	WT	WINTER WHEAT - DIRECT	<b>31,635.49</b>	\$71,152.07	\$0.00	96.9%
0.75%	CM	CHEMICAL - DRY - OZ	14,230.36	<b>\$83,759.85</b>	\$628.20	74.0%
0.75%	CN	CHEMICAL - DRY - LBS	259,618.16	<b>\$772,703.08</b>	\$5,795.27	80.2%
0.75%	CO	CHEMICAL - LIQU	166,097.14	<b>\$3,994,334.12</b>	\$29,957.51	80.6%
0.75%	CP	CHEMICAL - EACH	18.00	<b>\$281.88</b>	\$2.11	20.6%
0.75%	CQ	CHEMICAL - LIQU	18,963.70	<b>\$169,171.51</b>	\$1,268.79	77.8%
\$3.50	FE	FERT - ANHYDROU	<b>5,040.40</b>	\$3,345,144.52	\$17,641.41	76.2%
\$6.00	FG	FERT - 28% / 32	<b>8,199.58</b>	\$2,870,764.42	\$49,197.46	77.1%
\$6.00	FS	FERT - PHOSPHATE	<b>4,995.00</b>	\$2,740,966.30	\$29,970.02	81.2%
\$6.00	FU	FERT - POTASH	<b>6,146.25</b>	\$2,574,818.64	\$36,877.48	80.4%
\$0.15	UB	SPREAD/SPRAY-AC	<b>264,085.10</b>	\$1,666,721.89	\$39,612.77	78.5%
1.50%	GC	FEED - RETAIL	21,113.11	<b>\$277,782.65</b>	\$4,166.74	45.8%
\$0.025	PN	FUEL - DIESEL	<b>1,451,493.50</b>	\$2,947,820.14	\$36,287.34	61.5%
\$0.00	PP	FUEL - PROPANE	<b>819,408.84</b>	\$863,195.01	\$0.00	58.6%
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					\$251,405.09	