

Possible Question and Answers on Condominium Storage.

Q. What is Condominium Storage?

A. Condominium Storage has been used for a number of years in the rice and wheat industry in various forms and variations. Each investor becomes a member and owns shares in a Limited Liability Company. The LLC owns the bin. The LLC has no income and records a loss equal to the depreciation on the bin. The LLC members receive a K1 for their portion of the LLC loss. The LLC member enjoys the tax benefits of ownership and reduced storage costs. The storage unit is built at a location selected by MaxYield management. Investors may purchase any number of membership units (usually sold in 5,000 bushel increments) and deliver grain to any MaxYield location (expect MYC end-users)

Q. Is voting on LLC matters one member, one vote or are voting rights based on number of shares owned?

A. Voting rights are based on the number of membership units owned by each investor.

Q. What do you anticipate the cost to be?

A. The final cost will be determined by type of storage built and the actual cost of construction. We estimate the 2015 cost to be around \$2.35 per bushel.

Q. How does ownership of units in this partnership provide a tax advantage to the producer?

A. The storage bin is depreciated over a 7 year life. Depreciation taken on the bin will result in a tax loss for the LLC. This loss is passed back to the investors who may deduct this loss on their tax returns. The tax basis on your owned space is reduced by this amount until it reaches zero.

Q. If I purchase units in this condo storage, what are the costs to store grain?

A. In addition to your original investment, there is an annual service fee to cover items such as insurance, taxes, utilities, etc. The current service fee is 5.75 cents per bushel and is billed each August.

Q. If I purchase condo storage and deliver my grain to a MaxYield facility, do I have to sell the grain to MaxYield?

A. NO – you may request your grain to be loaded out and delivered to any other destination if **you have it stored on a warehouse receipt**. There will be a load out fee (\$.08 per bushel), to cover the cost to MaxYield for this load out. Freight costs will be for your account.

Q. Will the service fee and load out fee be guaranteed or will it be changed once I deliver my grain?

A. The service fee and load out fee will be determined prior to the actual offering of units and will be guaranteed for 3 years. After that time, they will be subject to change annually depending on actual costs.

Q. Are there limitations on who can purchase these units?

A. YES – you must be a Class “A” member of MaxYield Cooperative and you must be a resident of the State of Iowa.

Q. Can I use this storage space more than once during the year?

A. Yes – you can bring in grain, sell that grain and bring in more grain. The only limitation is that the Coop may require you to wait up to 20 days after selling grain before delivering more grain to an elevator that is otherwise closed to normal deliveries. With this limitation, you may use your storage rights any way you want.

Q. Are there limitations to the type or quality of grain that I can deliver?

A. Grain must be of the type normally delivered to the location to which you deliver your grain and must be in storable condition.

Q. When I have grain stored under my storage rights, what are my options?

A. You have all the options currently available to you on any terminal stored grain. You may sell on forward contract, price later, warehouse receipt for loan, or request the grain to be loaded out at a set fee. When you request us to apply grain to a contract or warehouse receipt, you will need to designate if you are applying grain from the condo space or regular storage.

Q. Who determines what moisture level will be received into the condo storage space?

A. The grain you deliver for storage under your condo storage rights will be subject to MaxYield's normal moisture requirements at the time of delivery. You will be charged for drying down to the requirement of whatever program you choose for the disposition of grain, currently on corn 14.0 if warehouse receipt, 15.0 if price later.

Q. I normally deliver my grain to MaxYield location A. If the condo storage space is built in location B, can I still deliver to my normal delivery location and have this delivery apply to my space?

A. Yes, you can deliver to any MaxYield location. The Coop will accept grain delivered under your storage rights even if the Coop is not otherwise accepting grain at that elevator, except that the Coop will not be obligated to accept grain delivered to an elevator that the Coop has closed to deliveries for the remainder of the crop year.

Q. If I own space and sell my grain to MaxYield, do I get the bid for the location where I delivered the grain or where the bin is located?

A. Your bid will be based on the location where you delivered the grain.

Q. If I own condo storage space am I guaranteed storage space?

A. YES – you are guaranteed space for the bushels of condo storage you own.

Q. If I deliver my grain to location A, can I request it be loaded out of location B?

A. Yes, but there may be an additional charge applied for freight differential or market differential.

Q. If I no longer need condo space, what are my options?

A. You may sell your space to any other qualified MaxYield member at any price you negotiate. The coop may also purchase this space back from you.

Q. I don't need the space this year but don't want to sell. May I rent it out to another producer?

A. No – no rental or subleasing of space will be allowed.

Q. The depreciation on the bin is spread over 7 years and I get to take that as a loss on my tax return. What happens after 7 years?

A. Your investment is fully depreciated but it still has value and useful life. You will continue to be able to use your storage rights or you can sell your space. If you sell you will have taxable gains to consider.

Q. I sell my space in year 5 of the 7 year depreciable life. Who gets the remaining 2 years depreciation?

A. You must notify the LLC management of any sale of space and the sale price. The new buyer will be able to depreciate the amount he pays you over a new 7 year depreciation schedule.

Q. What happens if the bin is destroyed by wind or collapses or just wears out?

A. The bin will be insured against fire and windstorm damage for its replacement cost. When the bin eventually wears out, the investors will collectively decide the course of action.

Q. Is there a limit to the number of membership units I can purchase?

A. No, there is no limit. You may purchase whatever amount of storage you feel you can utilize.

Q. I cash rent a large amount of ground. Is this a good program for me?

A. Yes, we believe this program will work especially well for you. It gives you the advantages of owning storage space that allows for reduced storage costs and the tax advantage of ownership, plus you have the flexibility of selling your space should you not have access to the rented ground in the future.

Q. What are the benefits to me as a producer as you see them?

- Guaranteed access to grain storage.
- Less expensive storage space after making the original investment.
- Shifts the grain storage quality risk to the coop. We monitor the condition of your grain and you do not have to go out in the dead of winter to check your grain bins.
- One time handling of grain at harvest. NO second shrink and speed up harvest
- Ownership units may be sold if no longer needed, and they should be easier to sell at a better price compared to on farm storage bins.
- Provides tax advantage of bin ownership without building other grain handling infrastructure (in & out augers, legs, loadout bins)
- Allows leased land operators the ability to own storage space with reduced risk.
- Delivery can be made to any MaxYield location regardless of where bin is built.
- Warehouse receipted Condo grain qualifies for all FSA commodity loans.
- Puts grain in an immediate market location but retains the flexibility to be loaded out to end user at reasonable cost.
- You do not need to take the time out of your busy spring schedule or go out in inclement weather to deliver grain stored in your bin.
- Space can be used for corn or soybeans or any combination thereof.
- No limit to the amount of times you can empty and refill your space within any crop year.

Q. Why does MaxYield want to give up storage revenue and offer a program like this to its members?

A. There are a number of answers to this question:

- As crop yield increase, we see Condo as an opportunity to meet our member's needs for additional storage space.
- Condo storage offers clients all the benefits of storage ownership plus lower construction cost, and additional flexibility to sell the Condo unit if farming operation changes. (retirement or starting out the next generation)
- MaxYield has the opportunity to handle and store more fall grain.
- It is a financing alternative to allow your Coop the ability to build more storage space without increasing its term debt.