

**PARTNERSHIP INTERESTS TRANSFER SYSTEM
SIOUXLAND ENERGY & LIVESTOCK COOPERATIVE**

All transfers of Equity Interests of Siouxland Energy & Livestock Cooperative (“SELC”) must be completed in accordance with this Partnership Interests Transfer System, as it may be amended from time to time by SELC’s Board of Directors. This Partnership Interests Transfer System is adopted pursuant to the authority vested in the Board by the Bylaws adopted and agreed to by the Members of SELC. It sets forth certain rights and obligations of the Members and the Board, but is not intended to, and does not, impose any requirements upon any other person that is not holding Interests, including, without limitation, any alternative trading service.

I. Definitions

- A. “Affiliate” means any Person which Controls or is Controlled by a Member or is under common Control with a Member.
- B. “Bankrupt Member” shall have the meaning set forth in Article XI of the Bylaws.
- C. “Board of Directors” or “Board” means the Board of Directors elected to manage the Cooperative.
- D. “Code” means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time.
- E. “Control” means the ownership of more than 50% of the outstanding voting securities of a Person.
- F. “Delivery Agreement” means a Member’s Dry Corn Agreement, High Moisture Corn Agreement or any other agreement or commitment to provide corn to the Cooperative.
- C. “Equity Interest” means equity interests as created and authorized by the Articles of Association, representing a Member’s ownership interest in the Cooperative and with respect to which the Member has corn delivery obligations.
- H. “Family Member” means grandparents, parents, children, grandchildren, spouses, brothers and/or sisters, individually, collectively or in one or more groups or combinations.
- I. “Interest” means Voting Interests and Equity Interests, either collectively or when the context does not require a distinction between Voting interests, and Equity Interests.

- J. “Involuntary Transfer” means any Transfer by a representative of a Member due to (1) a Member becoming a Bankrupt Member; (2) the death of a Member if the Transferee is not to a Permitted Transferee, (3) the dissolution of a Member; (4) the merger of a Member with a Third Party when the Member is not the surviving entity; (5) the sale or disposition of all or substantially all of the Member’s assets; or (6) the levy or execution of the Member’s Interests or the imposition of a charging order on the Member’s Interests by a creditor of the Member.
- K. “Permitted Transferee” means Affiliates, Family Members of a Member or a trust, the beneficiaries of which are a Member and/or Family Members of a Member.
- L. “Person” includes an individual, partnership, limited partnership, limited liability company, foreign limited liability company, trust, estate, corporation, foreign corporation, cooperative, custodian, trustee, executor, administrator, nominee, representative or any other individual or entity, however designated.
- M. “Third Person” means any Person that is not a Permitted Transferee.
- N. “Transfer” means a sale, assignment, transfer, gift, exchange or other transfer of all or any part of a Member’s Voting Interest and Equity Interests, including Voluntary Transfers and Involuntary Transfers. “Transfer” does not mean or include a mortgage, pledge, encumbrance or other security interest in a Member’s Voting Interest and Equity Interests.
- O. “Transferring Member” means any Member desiring to Transfer or who has Transferred Equity Interests, including a Member’s representative if the Transfer is an Involuntary Transfer or otherwise on account of the death, incapacity, bankruptcy or dissolution of the Member making the Transfer.
- P. “Voluntary Transfer” means any volitional Transfer, other than an Involuntary Transfer, by a Member of a Voting Interest or Equity Interests.
- Q. “Voting Interest” means the one voting interest held by each Member as created and authorized by SELC’s Articles of Association, representing the Member’s right to cast one vote on matters brought to a vote of the Members,

II. General Requirements

- A. Corn Delivery. A person holding Equity Interests is required to deliver annually to SELC two hundred fifty (250) bushels of corn for every Equity Interest held and owned. The Transfer of Equity Interests shall jointly refer to the Transfer of Equity Interests and the bushel commitment required under the corresponding Delivery Agreements, and each transferee shall enter into corresponding Delivery Agreements. Following any Permitted Transfer, the Transferring Member’s Delivery Agreements shall be modified and reissued, or cancelled, as applicable.

- B. No Default. A Person desiring to Transfer Equity Interests must be current and not in default of any obligation owed SELC including, but not limited to, if applicable, the person's Delivery Agreements or otherwise.
- C. IRS Rules. This Partnership Interests Transfer System shall be operated so as to prevent SELC from being classified as a publicly traded partnership under Section 7704 of the Internal Revenue Code of 1986 and the corresponding regulations promulgated thereunder (collectively "the Code"). Any interpretation of the provisions of this Partnership Interests Transfer System shall be conducted in accordance with this requirement.
- D. Bylaws. Any Transfers of Equity Interests must comply with SELC's Bylaws, in addition to the requirements set forth in this Partnership Interests Transfer System.
- E. Minimum Ownership Requirements. Each transferee must own at least one Voting Interest and ten Equity Interests, and if all of the Transferring Member's Equity Interests are not Transferred, then the Transferring Member must also continue to own at least one Voting Interest and ten Equity Interests.
- F. Minimum Transfer Requirements. All Transfers of Equity Interests must be completed in multiples of whole Equity Interests, except for Transfers at death, including Transfers from an estate or testamentary trust, in which case Transfers of Equity Interests may be made in and include partial Equity Interests.
- G. Maximum Ownership. No person shall at any time own more than 15% of SELC's outstanding Equity Interests.
- H. Voting Interests. Every Member must own one Voting Interest. Voting Interests may not be Transferred to any Person. When a Transferring Member Transfers all of the Transferring Member's Equity Interests, SELC shall redeem the Transferring Member's Voting Interest pursuant to the provisions of Chapter 501 of the Iowa Code.
- I. Board Approval. The Board of Directors shall review all Transfer requests. The Board of Directors has the right to approve or reject any proposed Transfers in its discretion; provided, however, that the Board of Directors is not authorized to approve any Transfer that would result in either the Transferring Member or transferee owning less than one Voting Interest and ten Equity Interests, or that would result in SELC being treated as a publicly traded partnership under the Code.
- J. Effective Date. All Transfers shall be made effective upon the first day of the quarter following the date the Transfer is approved by the Board of Directors; provided, however, in case of Transfers under the QMS in which an offer to sell is

posted during the last 45 days of any quarter, and a match occurs prior to the end of that same quarter, the Transfer shall not be made effective until the first day of the quarter following the expiration of a full quarter period. SELC's quarters begin on January 1, April 1, July 1 and October 1 of each calendar year.

- K. Transfer Agent. The Board of Directors may designate a transfer agent (the "Transfer Agent") to keep SELC's records of the ownership of Interests and to complete the cancellation and issuance of Interest certificates and other necessary membership documents. All relevant information required to complete the recordation of Interests on SELC's books and records must be provided to the Transfer Agent. The Transfer Agent shall be responsible for verifying that all information and authorizations necessary under the Bylaws have been received and that the Interests are eligible for Transfer. If no Transfer Agent is designated by the Board, then SELC shall serve as its own transfer agent and the Board shall carry out or delegate the duties of the Transfer Agent set forth herein.
- L. SELC's Redemption Rights. SELC has the right to redeem Interests under Sections 5.6 and 5.7 of the Bylaws when interests are subject to Voluntary Transfers to Third Parties and upon the occurrence of Involuntary Transfers.

III. Voluntary Transfers of Equity Interests

- A. Types of Transfers Allowed. A Person may Transfer the Person's Equity Interests only if the Transfer is a Private Transfer to a Permitted Transferee as described in Section B, a Block Transfer as described in Section C, or a Transfer completed through the qualified matching service described in Section D below.
- B. Private Transfers to Permitted Transferees.
 - 1. A "Private Transfer" means a Transfer to a Permitted Transferee.
 - 2. A Private Transfer to a Permitted Transferee is subject to the approval of the Board of Directors, but is not subject to SELC's redemption rights described in Sections 5.6 and 5.7 of the Bylaws.
 - 3. All Private Transfers to Permitted Transferees shall be completed in accordance with the following procedures:
 - a. The Transferring Member and each Permitted Transferee must complete and submit to the Transfer Agent the following:
 - i. A completed Private Transfer Request Form;
 - ii. The Voting interest certificate, or affidavit of lost certificate, if the Transferring Member is Transferring

all of the Transferring Member's Equity Interests.

- iii. The Transferring Member's Equity Interest certificate or an affidavit of lost certificate;
 - iv. The Transferring Member's Delivery Agreements;
 - v. The purchase price of \$500.00 for the Voting Interest for each Permitted Transferee that is not already a Member;
 - vi. The lender's consent to complete the Transfer if the Interests are subject to a security interest;
 - vii. Copies of all relevant documents that will assist the Board of Directors in determining whether the Transfer qualifies as a Private Transfer.
- b. The Board of Directors shall determine whether the Transfer qualifies as a Private Transfer.
- c. If the Transfer qualifies as a Private Transfer and is approved by the Board of Directors, the Board of Directors shall direct its Transfer Agent to do the following:
- i. Confirm whether or not the Interests are subject to a lender's security interest, and if so obtain lender's approval to complete the Transfer.
 - ii. Cancel the Transferring Member's Voting Interest certificate, if the Transferring Member is Transferring all of the Transferring Member's Equity Interests;
 - iii. Cancel the Transferring Member's Equity Interest certificate;
 - iv. Issue to each Permitted Transferee that has not previously been a Member a new Voting Interest certificate
 - v. Issue to each Permitted Transferee, and to the Transferring Member if the Transferring Member is retaining at least ten Equity Interests, new Equity Interest certificates;
 - vi. Issue to each Permitted Transferee, and to the Transferring Member if the Transferring Member is retaining at least ten Equity Interests, new Delivery Agreements; and

- vii. Pay the Transferring Member or lender, if applicable, the redemption price required by Chapter 501 of the Iowa Code for the Voting Interest, if the Transferring Member is not retaining at least ten Equity Interests.
- d. If the Transfer does not qualify as a Private Transfer to a Permitted Transferee, the Board of Directors shall notify the Transferring Member that the Transfer does not qualify and return to the Transferring Member the documents identified in subsection (a) above.

C. Block Transfers.

- 1. A “Block Transfer” means the Transfer by a Transferring Member and any Family Members in one or more transactions during any 30 calendar day period, of Equity Interests, representing in the aggregate more than two percent of the total Equity Interests of SELC outstanding.
- 2. A Block Transfer is subject to the approval of the Board of Directors, and is subject to SELC’s redemption rights described in Sections 5.6 and 5.7 of the Bylaws if the Transferee is a Third Party and not a Permitted Transferee.
- 3. All Block Transfers shall be completed in accordance with the following procedures:
 - a. The Transferring Member and each transferee must complete and submit to the Board of Directors the following:
 - i. A completed Block Transfer Request Form;
 - ii. The Voting Interest certificate, or affidavit of lost certificate, if the Transferring Member is Transferring all of the Transferring Member’s Equity Interests.
 - iii. The Transferring Member’s Equity interest certificate or an affidavit of lost certificate;
 - iv. The Transferring Member’s Delivery Agreements;
 - v. The purchase price of \$500.00 for the Voting Interest for each transferee that is not already a Member;
 - vi. The administrative fee of \$100.00 for each transferee.
 - vii. A Purchase Agreement evidencing the sale of the Equity

Interests; and

- viii. The lender's consent to complete the Transfer if the Interests are subject to a security interest.
 - ix. Copies of all relevant documents that will assist the Board of Directors in determining whether the Transfer qualifies as a Block Transfer.
- b. The Board of Directors shall determine whether the Transfer qualifies as a Block Transfer.
- c. If the Transfer qualifies as a Block Transfer, the Board of Directors shall determine whether SELC's redemption rights apply, and if the redemption rights apply whether SELC shall exercise its redemption rights pursuant to Section 5.6 of the Bylaws.
- d. If the Transfer qualifies as a Block Transfer and is approved by the Board of Directors, the Board of Directors shall direct its Transfer Agent to do the following:
- i. Confirm whether or not the Interests are subject to a lender's security interest, and if so obtain lender approval to complete the transfer.
 - ii. Cancel the Transferring Member's Voting Interest certificate, if the Transferring Member is Transferring all of the Transferring Member's Equity Interests;
 - iii. Cancel the Transferring Member's Equity Interest certificate;
 - iv. Issue to each transferee that has not previously been a Member a new Voting Interest certificate;
 - v. Issue to each transferee, and to the Transferring Member if the Transferring Member is retaining at least ten Equity Interests, new Equity Interest certificates;
 - vi. Issue to each transferee, and to the Transferring Member if the Transferring Member is retaining at least ten Equity Interests; new Delivery Agreements; and
 - vii. Pay the Transferring Member or lender, if applicable, the redemption price required by Chapter 501 of the Iowa Code

for the Voting Interest, if the Transferring Member is not retaining at least ten Equity Interests.

- e. If the Transfer does not qualify as a Block Transfer, and if the Board of Directors does not exercise SELC's rights of redemption, then the Board of Directors shall notify the Transferring Member that the Transfer does not qualify and return to the Transferring Member the documents identified in Subsection a above, but not the administrative fee.
- f. If the Transfer qualifies as a Block Transfer, but the Board of Directors exercises SELC's redemption rights, then the Board of Directors shall notify the Transferring Member that SELC has exercised its redemption rights, and the Board of Directors shall direct the Transfer Agent to proceed as follows:
 - i. Confirm whether or not the Interests are subject to a lender's security interest, and if so obtain lender approval to complete the transfer.
 - ii. Execute on behalf of SELC a purchase agreement for the redemption of the Transferring Member's Equity Interests, and obtain the Transferring Member's signature thereon;
 - iii. Cancel the Transferring Member's Voting Interest certificate, if the Transferring Member is Transferring all of the Transferring Member's Equity Interests;
 - iv. Cancel the Transferring Member's Equity Interests certificate;
 - v. Issue to the Transferring Member a new Equity Interests certificate for any Equity Interests retained by the Transferring Member;
 - vi. Issue to the Transferring Member new Delivery Agreements, if the Transferring Member is retaining any Equity Interests; and
 - vii. Pay the Transferring Member or lender, if applicable, the redemption price required by Chapter 501 of the Iowa Code for the Voting Interest, if the Transferring Member is not retaining at least ten Equity Interests, and pay the Transferring Member the redemption price for the Equity Interests.

D. Transfers Through the Qualified Matching Service (QMS).

1. A person intending to Transfer Equity Interests, other than in a Private or Block Transfer, must do so through a qualified matching service (the “QMS”) established by the Board of Directors.
2. Trading through the QMS will be conducted through a third-party trading service (the “TS”) which will be owned, operated, and maintained by a registered broker-dealer (the “TS Operator”) as an alternative trading service under Regulation ATS. The TS will be a service accessible through and by telephone, email, or in person that will permit buyers and sellers to buy and sell Equity Interests on a periodic basis pursuant to specific rules and procedures mutually agreed upon between SELC and the TS Operator. The specific rules and procedures relating to posting or listing Equity Interests for sale or purchase on the TS, matching offers to buy and sell Equity Interests, timing, payment, and delivery are to be set forth under a separate Trading Service Agreement and Operational Manual adopted by SELC and the TS Operator.
3. The responsibilities of the TS Operator are set forth solely in the Trading Service Agreement, the Operational Manual, and Regulation ATS. The TS Operator is not responsible in any way for enforcing the provisions of this Partnership Interests Transfer System. In addition, nothing in the Trading Service Agreement or Operational Manual shall be construed to prevent a subscriber (as that term is defined in SEC Regulation ATS) from trading outside the TS, but this Partnership Interest Transfer System does prevent trades outside of the TS, except for Private Transfers and Block Transfers.
4. Bylaw requirements and IRS restrictions that do not relate to procedures set forth in the Operational Manual shall be governed and enforced by the Board of Directors pursuant to the authority vested in the Board of Directors by the Members in the Bylaws.
5. SELC has the right to redeem Equity Interests under Sections 5.6 and 5.7 of the Bylaws when Equity Interests are matched through the TS.

IV. Involuntary Transfers of Interests

- A. SELC’s Rights. Upon the occurrence of an Involuntary Transfer, SELC shall be entitled to redeem the Interests under Section 5.7 of the Bylaws. SELC shall provide the Transferring Member with written notice of its election to redeem within 90 days following the event triggering the Involuntary Transfer or the date that SELC becomes aware of the event triggering the Involuntary Transfer, whichever is the latest to occur.

B. Election to Redeem.

1. If the Board of Directors exercises SELC's right to redeem a Transferring Member's Interests, then the Board of Directors shall direct the Transfer Agent to proceed as described below:
 - a. Confirm whether or not the Interests are subject to a lender's security interest, and if so obtain lender approval to complete the transfer.
 - b. Execute on behalf of SELC a purchase agreement for the redemption of the Transferring Member's Equity Interests, and obtain the Transferring Member's signature thereon.
 - c. The Transfer Agent shall obtain from the Transferring Member the following:
 - i. The signed Purchase Agreement;
 - ii. The Voting Interest certificate, or affidavit of lost certificate;
 - iii. The Equity Interest certificate, or an affidavit of lost certificate;
 - iv. The Transferring Member's Delivery Agreements; and
 - v. Copies of all relevant documents that will assist the Board of Directors in completing the redemption of the Interests.
2. Upon the receipt of the items identified in Subparagraph b above, the Board of Directors shall direct its Transfer Agent to do the following:
 - a. Cancel the Transferring Member's Voting Interest certificate;
 - b. Cancel the Transferring Member's Equity Interest certificate;
 - c. Cancel the Transferring Member's Delivery Agreements; and
 - d. Pay the Transferring Member or lender, if applicable, the redemption price required by Chapter 501 of the Iowa Code for the Voting Interest, and the redemption price for the Equity Interests.

3. If the Board of Directors determines that SELC will not exercise its right of redemption upon the occurrence of an Involuntary Transfer, then the Board of Directors shall proceed as follows:
 - a. The Board of Directors shall notify the Transferring Member that SELC will not exercise its right of redemption.
 - b. The Board of Directors shall request that the Third Parties receiving the Equity Interests as part of the Involuntary Transfer either apply to the Board of Directors for approval of Membership or offer for sale the Equity Interests through the TS or as a Block Transfer.