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EMPLOYEE INCENTIVE PLANS

Case Studies of Five Farmer Cooperatives

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U. S. DEPARTMENT OF AGRICULTURE

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The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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BUSINESS ADMINISTRATION BRANCH

MANAGEMENT SERVICES DIVISION

Part I

General Background

Brought together in this report are detailed employee incentive payment systems of five midwestern farmer cooperatives. The incentive plans of these five associations cover samples of most major types of employee incentives provided by farmer cooperatives today.

Numerous requests to Farmer Cooperative Service for information on employee incentive plans prompted the study. Farmer cooperatives in increasing numbers are finding it necessary to think in terms of some form of incentive plan because of definite trends in this direction. Before reaching a decision, any association exploring the field can benefit by studying the numerous plans in use by other associations.

Note: The preparation of case reports such as those presented here would never be possible without the active cooperation of the cooperatives that were willing to spend their time and provide materials for our use. We are deeply grateful to them.

The main purpose of any incentive plan is to help get and maintain a competent force of employees. Since many welfare and benefit programs affect conditions of employment and influence an employee's morale and attitude toward his job and the business, they also should be considered as vital parts of any incentive system.

These programs include retirement annuities, group insurance plans, paid vacations and holidays, sick leave, relaxation periods or coffee breaks, credit unions, recreational facilities, educational opportunities, and all other employee benefits provided in whole or in part at the expense of the cooperative.

Incentive plans provide methods through which farmer cooperatives may share operating results with their employees. Although cooperatives do not make profits for themselves as such, they do strive to increase the returns of their members from farming. Thus, when employees receive incentive payments they are sharing in savings which otherwise would have been available for distribution to members as patronage refunds. However, many cooperative officials believe that when properly conceived and operated, an incentive plan increases net savings and margins, reduces costs, and furnishes better and cheaper products and services to members and patrons.

Incentive payment plans should never be used to support an inadequate level of basic pay, or as a substitute for fair regional wages for the industry. Cooperatives are beginning to recognize the need for a sound and adequate salary and wage rate. It is of utmost importance to any incentive program that the salary portion of total compensation be competitive.

While economic considerations are of utmost importance in developing an incentive program, the many intangible human factors should not be overlooked. The job itself is important, and also the job climate.

While executives often differ in their opinions on the value of incentive payments, practically everyone is in favor of high employee morale. Efforts are always being made to increase job enthusiasm and improve morale. However, in this respect morale should always be thought of as the "drive to work well," not just a state of "contentment."

The cases included in this report provide a realistic basis for study and application of concrete examples of plans in use by various types and sizes of farmer cooperatives. A detailed analysis of each plan should prove useful to managers and directors interested in installing an incentive program in their own cooperative or in improving plans already in operation.

Scope of Study

As the first step in its study of employee incentive plans, Farmer Cooperative Service made a comprehensive review of literature covering the use of such plans in various kinds of businesses outside the cooperative field. We made an effort to determine what contributed to the success or failure of plans. Information covered such points as methods, results, management and employee attitudes, special requirements, conditions for success, and pitfalls.

A summary of this information was published in 1955 as a general guide to farmer cooperatives interested in adopting some form of incentive payment plan.[1/]

The second phase of the study was completed with the publication of another report in 1959.[2/] Information for this report was obtained by mail survey from about 5,000 associations. The report provided basic information on the use, general extent, and types of incentive compensation plans reported by farmer cooperatives in 1957. It also provided more complete identification of the various employee incentive payment plans in use, the specific types of cooperatives using them, and associations which have tried and discontinued plans.

In selecting the sample associations for this case study report, a limited number of the associations responding to our mail questionnaire were requested to submit copies of their plans for thorough review. Representative plans from this group were then selected for detailed study, including personal interviews with management and other personnel of the cooperatives involved. This report covers detailed plans of five selected associations.

Many other farmer cooperatives have employee incentive payment plans which are just as effective as the ones described in this report. These particular plans are provided exclusively for illustrative purposes. It is hoped that they will provide concrete ideas for cooperatives interested in starting or adding to their present employee incentive system rather than with the idea that any one or all plans of any of the sample cooperatives be adopted by other cooperatives exactly as they are. One cannot overemphasize the importance of tailoring incentive programs to fit particular situations.

1/ Griffin, Nelda. Employee Incentive Plans in Industry, Farmer Cooperative Service, U. S. Dept. of Agr. Gen. Rpt. 12, 1955.

2/ Griffin, Nelda. Employee Incentive Plans in Farmer Cooperatives, 1959. Farmer Cooperative Service, U. S. Dept. of Agr. Gen. Rpt. 62.

The cases provide material for reflecting on use and developments in the field of employee incentives as an approach to human relations and other broad corporate problems. For instance, on the strictly operating side incentive payment planning is a matter of funds and cash flow; beyond this are broader implications of board policy in responsibilities toward the working force, hired management, and farmer members and patrons, with an eye on resulting net savings and services to members and patrons.

Detailed information covering the complete incentive system of the selected cooperatives is presented in the following sections of this report for each association. Before discussing the individual plans, however, a few general comments regarding method of presentation, the associations, and their incentive programs should be helpful.

Each case is presented separately. A general comment preceding the incentive plans of each association provides basic information on the cooperatives themselves. This was considered necessary to give perspective and a setting to make the plans more meaningful.

The associations are not referred to by name, but are designated as Cooperative I, Cooperative II, and so on. Identity of the cooperatives is withheld in order that full attention may be focused on the plans themselves. Otherwise, it is felt that the plans might possibly be blurred with feelings and opinions of the personalities of the management group or special circumstances of the associations.

Designing a Good Incentive Plan

Every incentive plan should be designed with specific objectives in mind. Actually, each plan is a type of motivating tool. The objectives must never be forgotten and the motivation tools must always fit the objectives. Also, the various motivation tools or incentive plans must fit together into one well-rounded incentive program.

This need for an integrated approach calls for tailormade incentive plans to begin with, and a periodic review to keep the whole program in balance. Managers and directors owe it to the cooperative and to employees to ask themselves several basic questions regarding their employee incentive program.

What are the objectives of the program? Are we getting the desired results? Can any segment of the plan be made more effective? Do we need to add additional features? Can we eliminate certain features without harm to the program?

Competent Legal and Tax Advice Needed

Development of good employee incentive plans, especially pension and profit-sharing plans, involves technical skill of a high order. Approval of such plans from Internal Revenue Service of the U. S. Department of the Treasury is required, if full tax benefits are to be obtained. It is almost imperative to seek and follow legal and tax advice as to conditions and procedures necessary for such approval before any plan is adopted.

By far, the biggest growth in employee incentives in recent years has come in profit-sharing plans that provide deferred benefits to employees. Most often these plans are used to finance employee pension funds. Tax advantages make deferred payment type plans more attractive to employees, especially those in top-paying jobs, than "cash" plans which distribute benefits annually in a lump sum taxable at ordinary income tax rates.

If taken in installments after retirement, deferred benefits are also taxable as regular income. But after retirement most employees fall in a lower income bracket, which will mean a lower tax rate on any deferred benefits paid them as retirement income on their share of the profits. If employees elect, or the plan provides, that they take their profit-sharing benefits in a single payment upon retirement, they are taxable as capital gains at a maximum rate of 25 percent. These tax regulations apply to deferred-payment plans financed entirely by the cooperative; if employees contribute, they are entitled to recover their own contributions tax-free.

Special Cooperative Aspects of Plans

The cooperative form of organization should not present any problem in the establishment of an employee incentive program, particularly a savings-sharing type plan. The idea of setting up a sharing formula is a familiar one to cooperatives. They are already accustomed to allocating patronage refunds to farmer members. The theory and basis used for allocation of patronage refunds to members needs only to be extended to employees.

For instance, a dairy marketing cooperative which distributes annual operating savings to producer members on the basis of the value of milk shipped to the cooperative by each member might apply the same percentage to wages and salaries of each employee. And a farm supply cooperative distributing annual net margins to patrons on the basis of supplies purchased likewise can extend coverage to employees using the same percentage. For example, patron members of a farm supply cooperative receive a 6 percent refund on their supply volume, using the same percentage each employee would receive a bonus of 6 percent on his salary for the year.

Small cooperatives must be especially careful in planning their employee incentive payment plans. They have a particular need for financial conservatism, as most employee compensation contracts affect the future. They would do well to keep fixed commitments at a minimum and to protect contingent payments by tying them to net savings or margins or insuring against them. In the final anslysis, this means using some type of savings-sharing plan to at least partially meet the expenses of retirement, health, accident, and death benefits. Contributions by cooperatives to such benefits would not become a fixed cost, which can be burdensome in times of financial trouble, but would vary with the prosperity of the cooperative from year to year. This way employee benefits would fluctuate with farmer-member benefits.

A rather significant advantage of profit-sharing type incentive payment plans is that the added income accruing to employees by this means is not counted as part of the expenses of production and thus does not exert a direct influence upon prices charged. As in the case of dividends to stockholders, the amount of net margins disbursed as wages is determined after accounting for receipts and disbursements has occurred.

Types of Plans Used by Cooperatives

Farmer cooperatives use most of the types of employee incentive payment plans in use by other types of businesses. Stock options are an exception, as they are not allowed by the bylaws of most cooperatives.

The types of incentive plans which 2,636 marketing and farm supply cooperatives were using in 1957, and the percentage of the group using each plan, were as follows:[3]

Type of plan	Percent of cooperatives using plan
Insurance, accident, or health benefits in addition to base salary	60
Pensions or retirement annuities in addition to base salary	41
Percentage of net savings in addition to base salary	36
Commission on sales in addition to base salary	30
Flat annual bonus in addition to base salary	17
Straight commission without base salary	10

3/ Griffin, Nelda. Employee Incentive Plans in Farmer Cooperatives. Farmer Cooperative Service, U. S. Dept. of Agr. Gen. Rpt. 62, 1959.

From the foregoing it is obvious some associations employ more than one plan. Reference to the table of contents preceding each association report will show that all five of these associations selected for special study provide all or most of these types of plans, but the associations and plans all differ in many respects.

General Findings

The Case studies illustrate two primary results which must be forthcoming if an incentive program is to be worthwhile; that the plans be the type to encourage optimum performance by employees, and that over the long term the plans be demonstrably in the farmer-members' interests as well as the employees'.

General findings from the studies follow:

Wages

The salaries and wages reported by the five associations included in this study were in every case equal to or above the community average for similar work. This means that the incentive payments in every case are truly extra pay for extra effort or accomplishments and not substitutes for low wages. More and more farmer cooperatives are waking up to the importance of competitive rates of compensation in getting and keeping competent employees, especially managerial and technical personnel.

Unions

Employees of two of the associations are not affiliated with any labor union. Two of the associations have regular union employees.

The employees of one association have their own independent union. This independent union was organized and is operated by the employees of this one association without ties of any kind with other labor unions or organizations.

Only in one of the associations, in which case special incentive plans are provided for specific groups of employees, is any distinction made in coverage of union employees by the incentive program. And in this case, while union members are not covered by any of the special plans, they are covered by retirement, group insurance, and other fringe benefits the same as non-union employees.

Management

A key problem in maximizing the efficiency of cooperative operations lies in increasing rewards to and development of managers. Even reasonably high wages do not have the same push for many men that the chance to make a profit does.

After all, cooperative managers must compete with and think like entrepreneurs who expect to earn more than just a wage.

Two of the associations covered by this report have special incentive plans for management personnel. In one case the plan excludes the general manager, assistant general manager, and secretary-treasurer, but covers all branch and departmental managers. Each receives an annual cash bonus based on net margins for the year and the percentage their branch operations contribute to total net margins.

The incentive plan for management employees in the other association covers the general manager, distribution manager, controller, director of research and education, research manager, educational director, advertising manager, service manager, purchasing agent, and production manager. In this association the incentive payment is based on gross margins and is paid in cash each quarter.

Stock or Other Equity Capital

In discussing incentive plans with employees of these cooperatives, and with several others, great enthusiasm was always encountered when opportunity to own stock or other equity capital was mentioned. Three of the associations provide opportunity for employees to acquire a proprietary interest in the associations, although stock ownership for employees is still the exception rather than the rule with most farmer cooperatives.

Employees own all the preferred stock of one sample association. Each employee is given the opportunity to purchase five shares of preferred stock after six months' employment, and after five years an additional share can be purchased for each year of service up to ten shares. The same rate of dividend is paid on this stock as that paid on common stock which is owned exclusively by farmer members. The stock is recalled whenever an employee severs his connection with the cooperative.

In another sample association one-half the annual employee bonus is paid in the form of preferred, non-voting stock. The stock, like that issued to farmer members, pays dividends and is handled on a revolving fund basis.

Employees of another of the five associations do not own either common or preferred stock, but when additional capital is needed they are given the opportunity to invest in the cooperative by purchasing special notes or bonds.

Opportunity for employees to buy into the company is very common in noncooperative types of businesses, primarily through stock options. Most farmer cooperatives are exclusively producer owned and voting stock is issued only to producer members. This is a means of maintaining ownership and control among farmer members.

Even when voting control is important it is still possible, however, to develop plans which give employees some equity interest and a share in net margins.

This can be done, as illustrated by these special case studies, by issuing a special non-voting class of stock to cooperative employees.

In most cases the interest of farmer members is not diluted by providing a special class of stock for employees, because net savings or margins in farmer cooperatives are not as a rule reflected in stock value but are distributed each year on a patronage basis. For this same reason stock ownership in a farmer cooperative perhaps does not provide the same incentive it would in a noncooperative business where net profits are reflected in stock value.

In noncooperative businesses, employees with a proprietary interest in the business tend to work with the same interest and enthusiasm they would in a business of their own. The interests of employees and owners become the same. Employees are anxious to build value into the equity if they know they will share in the increased value. Also, stock ownership tends to encourage a longer term company point of view, and if the organization is growing, selling stock or bonds to employees is an excellent way to acquire necessary capital.

Despite the differences inherent in the cooperative method of doing business, the few cooperatives providing employees an opportunity to own a limited interest in the business are well pleased with the results.

Group Insurance[4/]

As indicated earlier, in 1957 about 60 percent of all farmer marketing and purchasing cooperatives were providing group insurance coverage for at least some of their employees. Most group policies are designed to provide a maximum of protection for a minimum cost.

Several types of group insurance plans are provided all employees of the five associations included in this study. Most of the plans are contributory, but in a few cases the entire cost is borne by the cooperative.

Insurance coverage provides employees with a sense of security and thus aids the cooperative business in hiring and holding competent personnel. Security against the risks of illness, accidents, disability, and death can be provided on a group basis much more cheaply than is possible on an individual basis. Most modern group policies can be obtained at such a reasonable cost that few employees decline to participate even though they are called upon to pay a portion of the cost.

4/ Cooperatives considering adopting or expanding their group insurance programs will find helpful information in a report published by Farmer Cooperative Service in 1955, Developing a Group Insurance Plan for Employees of Cooperatives, by French M. Hyre. General Report 17, Farmer Cooperative Service, U. S. Dept. of Agr.

This report was based on a study of 40 selected group insurance plans being used by farmer cooperatives at that time. The report discusses different kinds of insurance available under group policies, characteristics of group insurance, underwriting practices, and factors affecting cost.

In some of these sample cases a minimum amount of group life, health, accident, and surgical insurance is provided to all employees without cost to employees, and additional amounts are offered on a contributory basis to those employees who desire more substantial coverage.

Retirement Plans 5/

Forty-one percent of the farmer marketing and purchasing cooperatives in the United States had pension or retirement plans in 1957. All five of the associations included in this special study provide retirement protection for their employees.

A cooperative need not be large to have a pension plan. Relatively small organizations can have soundly self-administered and funded plans. However, some very small associations may find it more feasible to provide pensions through insurance annuity plans even though the cost may be somewhat higher. Like group insurance plans, many pension plans are contributory. Even if employees are required to contribute to the cost of their pension plans the advantages are far better than could be had by private saving.

Developing a good pension plan involves both legal and technical skill. If full benefits are to be obtained the plan must be qualified under Internal Revenue Service regulations. Again, we would like to emphasize the importance of obtaining competent legal and tax advice before any plan is adopted.

Perhaps one of the reasons pension plans have spread so rapidly is the tax encouragement given to approved plans. Any business can help its employees build retirement protection at great savings. In the first place, all contributions to employee pension plans by business organizations are deductible as costs, the same as regular salaries and wages, and therefore, may be provided from "before-tax" funds. However, these contributions made by businesses to employee pension funds are not considered as income to employee members of the plan. This makes it possible for employees to build much larger retirement incomes than they could by a private savings plan. As a further advantage, interest earned on pension trust funds is tax exempt.

With all these advantages, pension plans can be made very attractive. They offer job security and serve as a strong incentive for employees to remain with the business.

Pension or retirement plans are often combined with "profit-sharing" or deferred compensation plans. Two of the associations covered by this special

5/ A report Farmer Cooperative Service published in 1957 discussed the many different kinds of retirement plans used by cooperatives. It was FCS Circular 21, Retirement Plans of Farmer Cooperatives, Farmer Cooperative Service, U. S. Dept. of Agr. While the report was intended primarily for cooperatives which had not yet adopted a plan, the information is also of interest and value to cooperatives with retirement plans already in effect.

study have retirement plans that are combined with "savings-sharing" plans. The other three all have separate contributory retirement plans, but one has an additional non-contributory retirement plan for employees who do not choose to participate in the contributory plan.

In order to get Internal Revenue Service approval, pension plans must not discriminate in favor of any particular employee or group of employees. Managerial personnel may participate, but they must be treated the same as other employees.

The pension plans of the five associations covered by this report cover all employees. All the plans have been approved by the Internal Revenue Service.

Savings-Sharing Plans and Employee Trust Funds

All five of the sample cooperatives base a large portion of their employee incentive payments on how well the business is doing. In four associations the contributions made by the cooperative to employees or to employee trust funds are tied to net margins or savings; in the other cooperative they are based on gross margins.

Three of the cooperatives apply the same ratio or percentage to employee wages and salaries each year as they do to member business to distribute patronage refunds.

The Internal Revenue Code specifies that no employer can deduct for tax purposes in any one year an amount in excess of 15 percent of the compensation otherwise paid or accrued during such taxable year to employees covered by profit sharing plans. Two of the cooperatives included in the study specified in their plans that a maximum of 15 percent of total base compensation of employees be distributed to the employees in any year. The plan of one of these associations provides that a flat 5 percent of net savings be distributed to employees each year provided the total amount does not exceed the 15 percent limitation referred to above. The plans of the other associations do not provide for any ceiling on sharing payments each year.

Three of the cooperatives have deferred-payment type savings-sharing plans for all employees. In two instances these plans are designed to provide pension benefits and separate retirement plans are not provided. The other association provides pension benefits under a separate plan--not tied to the trust plan.

The savings-sharing plan of one of the associations is designed so that employees contribute anywhere from 1 to 10 percent of their salary or wages to the fund. Employees do not contribute to the trust funds of the other two associations.

The two associations in the study which do not have deferred-payment plans as such both have contributory retirement plans. One also has a savings-sharing plan which is paid directly to employees each year--one-half cash and one-half stock. In the other association the incentive payments are distributed to employees in cash on a quarterly basis.

Commissions [6/]

Commissions are perhaps the most direct of all forms of incentive compensation. This type of compensation is well adapted to selling jobs. A substantial number of employees working for farmer cooperatives are salesmen. Very often a separate and distinct compensation policy is established for cooperative salesmen, usually based on a commission or commission plus salary.

Commissions differ somewhat from other types of incentive payments in that they are only indirectly related to the net margins or savings of the organization, and they are not always over and above acceptable and adequate rates of regular pay.

Salesmen of three of the associations selected for this study are paid on a salary plus commission basis. Each of the plans is described in detail later in this report.

Other Benefits

Other benefits reported by these five associations include the following:

1. Educational opportunities.
2. Paid vacations and holidays.
3. Sick leave.
4. Social and recreational activities.
5. Credit union.
6. Suggestion box.
7. Employee representation at meetings and on committees.
8. Job evaluations.

6/ Another Farmer Cooperative Service report, Pay Plans for Co-op Tank Truck Salesmen, by Warren J. Mather, highlighted information collected in a detailed study of compensation plans for petroleum deliverymen in effect in 1954. This study, General Report 46, Farmer Cooperative Service, U. S. Dept. of Agr., showed that cooperatives employed tank truck salesmen under three principal methods of compensation. Out of 1,327 cooperatives reporting, 41 percent, employing 29 percent of the salesmen, paid commissions only; 37 percent, employing 29 percent of the salesmen, paid straight salaries only; and 19 percent, employing 16 percent of the salesmen, paid salaries-plus-incentive payments only.

Part II

Individual Case Studies

Cooperative I

Contents

Cooperative I

This association was organized approximately 30 years ago with less than 200 members. In its early years it was primarily a farm supply association but over the years has expanded and diversified. Now it operates a hatchery, lumber yard, bulk and liquid fertilizer plants, a feed mill, and about a dozen grain elevators. Membership has increased to over 5,000.

Annual volume of business during the last few years has been around $7 million. Almost two-thirds of this was from marketing grain, predominantly corn and soybeans, but including some wheat, oats, and rye.

Supply business amounts to about $2.5 million annually. Major commodities handled are fertilizer, petroleum products, building supplies, and feed; but numerous other supplies are also handled.

This cooperative is a local association, operating primarily in one county in a midwestern State. It is a member of a large federated cooperative. The association employs 60 to 65 persons full time. In addition to the manager, assistant manager, and secretary-treasurer, there are 10 office employees, 9 branch managers, and 3 division managers. Eleven employees are mostly "on the road," as petroleum deliverymen and salesmen. All other employees may be classified as truck drivers or laborers.

None of the employees belong to a labor union.

The association has been notably successful. However, it should not be assumed that its incentive program is the entire answer, or even the most important reason for its success. The association has had excellent management from the time it was organized, and the high degree of acceptance among the farmers of the area is of primary importance.

It has been said many times that no employee incentive program can compensate for poor management, but good management has proved time and time again that a properly functioning incentive program can be a valuable tool.

This association has a well-planned diversified incentive program that is considered highly effective and worthy of study by other farmer cooperatives. The incentive system is comprised of several different plans, some covering all the employees and others limited to particular groups of employees.

All full-time employees participate in the annual bonus. The retirement and group insurance plans cover all full-time employees who wish to participate. A separate incentive program covers branch and departmental managers only. A salary plus commission contract is provided for petroleum deliverymen. Each of these plans will be described separately.

Before studying the details of these plans, however, a look at table 1 will provide an overview of the payroll of the association. Table 1 shows the total payment made by the cooperative directly to or for the benefit of each of the 11 branch and department managers, several other representative employees (from the highest paid to the lowest) and the total for all 54 full-time employees during a recent fiscal year. Top management and several employees, who were not employed for the full year, are not included in the totals.

As computed from this table, a little better than 77 cents of every payroll dollar was base pay. Overtime (one and one-half times base pay for time worked in excess of established hours) and commission accounted for nearly 11 cents of each dollar; bonus payments, 4 cents; and incentive payments to branch managers, a little over 1 cent. The other 7 cents of each payroll expense dollar was used to pay the cooperative's (employer's) portion of the retirement and group insurance programs, social security, unemployment taxes, and Federal excise taxes.

Employee Bonus Plan

In addition to base salaries, employees of this cooperative receive an annual bonus. All employees who are on the payroll on a full-time basis from January 2 of the year the bonus is declared until it is paid qualify for the bonus.

The bonus plan was started in 1948, and a bonus has been paid every year except one since that time. The plan has never been formally adopted as a permanent arrangement, however. The board of directors determines at the end of each year whether a bonus will be paid and if so what the amount will be.

The bonus plan is in a sense a "profit-sharing" plan since the bonus is always based on refunds made to patrons on supplies purchased. That is, each employee receives the same bonus on his salary as patrons receive refunds on their purchases. If the cooperative pays patrons a 5 percent refund on their supply volumes, each employee receives a 5 percent bonus on his salary for the year. A "good year" for patrons is a "good year" for employees.

The size of the bonus has ranged all the way from 11 percent of net margins in 1958 to "zero" in 1951. The employee bonus as a percentage of net margins is shown for seven years as follows:

Year	Percent
1959	4.50
1958	4.00
1957	7.00
1956	6.50
1955	7.00
1954	4.75
1953	4.75

Table 1. - Payroll detail of Cooperative I for a recent fiscal year

Employees 1/ by number	Base pay	Overtime and commission	Bonus	Incentive	Total direct pay	Employer's portion						Grand total
						Retire-ment	Group insurance	F.I.C.A. 2/ (2.375%)	State unemploy-ment	Federal excise tax (0.3%)	Total extra employer's cost	
1	$6,603.80	-	$369.59	$1,359.34	$8,332.73	$260.16	$97.68	$107.25	$3.00	$9.00	$477.09	$8,809.82
2	6,603.80	-	329.78	236.40	7,169.98	260.16	97.68	107.25	3.00	9.00	477.09	7,647.07
3	6,693.85	-	315.79	32.24	7,041.88	260.16	97.68	107.25	3.00	9.00	477.09	7,518.97
4	5,758.50	-	261.55	13.02	6,033.07	228.96	97.68	107.25	3.00	9.00	445.89	6,478.96
5	4,890.00	-	220.05	584.56	5,694.61	197.76	97.68	107.25	3.00	9.00	414.69	6,109.30
6	4,370.00	-	196.65	584.56	5,151.21	176.64	57.96	107.25	3.00	9.00	353.85	5,505.06
7	4,630.00	-	213.20	213.85	5,057.05	187.20	95.04	107.25	3.00	9.00	401.49	5,458.54
8	4,630.00	-	214.34	167.76	5,012.10	187.20	95.04	107.25	3.00	9.00	401.49	5,413.59
9	3,988.32	263.73	191.34	109.19	4,552.58	152.64	45.60	107.25	3.00	9.00	317.49	4,870.07
10	4,110.00	-	184.95	13.02	4,307.97	166.56	92.40	107.25	3.00	9.00	378.21	4,686.18
11 3/	1,200.00	-		81.02	1,281.02							1,281.02
No's. 1-11 total	53,478.27	263.73	2,497.24	3,394.96	59,634.20	2,077.44	874.44	1,072.50	30.00	90.00	4,144.38	63,778.58
12	8,258.50	-	371.63		8,630.13	332.64	97.68	107.25	3.00	9.00	549.57	9,179.70
13	2,470.00	5,418.50	362.25		8,250.75	284.64	97.68	107.25	3.00	9.00	501.57	8,752.32
14	2,470.00	3,244.90	239.54		5,954.44	214.56	60.60	107.25	3.00	9.00	394.41	6,348.85
15	5,123.10	-	252.37		5,375.47	207.84	97.68	107.25	3.00	9.00	424.77	5,800.24
16	3,860.85	399.00	191.65		4,451.50	170.88	92.40	107.25	3.00	9.00	382.53	4,834.03
17	3,484.50	450.45	177.07		4,112.02	146.88	52.68	97.66	3.00	9.00	309.22	4,421.24
18	3,763.20	140.80	172.22		4,076.22	-	16.20	96.81	3.00	9.00	125.01	4,201.23
19	2,975.58	396.24	151.73		3,523.55	-	-	83.68	3.00	9.00	95.68	3,619.23
20	2,172.68	86.53	101.66		2,360.87	109.92	49.56	56.07	3.00	9.00	227.55	2,588.42
21 3/	1,518.56	158.57	75.47		1,752.60	-	-	41.62	1.75	5.26	48.63	1,801.23
Total - 54 employees 1/	$211,405.98	$29,567.10	$10,922.89	$3,394.96	$255,290.93	$8,326.86	$3,603.56	$5,134.29	$157.12	$468.19	$17,690.02	$272,980.95

1/ Does not include 3 top management employees, or 7 persons employed only a fraction of the year. The first 11 employees listed are branch and department managers. Information for individual employees numbered 12 through 21 is representative of the other 43 employees. Employee No. 12 is the highest paid employee for the year and No. 21 is the lowest paid.
2/ Federal Insurance Contribution Act. (This percentage has increased to 3.125 since the year covered by this table.)
3/ Not employed for the full year.

Table 2. - Cost analysis of bonus plan for all employees of Cooperative I, 1955-1959

Year	Number of employees	Total annual bonus payment	Average annual bonus payment per employee
1959	59	$12,183	$206
1958	61	10,864	178
1957	54	17,113	317
1956	54	14,963	277
1955	58	16,313	281
5-year average	57	14,287	250

As shown by table 2, the average annual cost of the employee bonus plan over the 5 years, 1955-1959, was $14,287. The average number of employees covered during this period was 57. On this basis, the average annual bonus payment per employee was about $250.

The size of payments to individual employees is shown in table 1 with other payroll expenses. Bonus payments for all 54 employees (top management and employees not employed for the full year excluded) amounted to approximately $11,000 for the year. Payments to individual employees for the same year ranged from $75.47 to $371.63, with an average of $206. Bonus payments accounted for about 4 percent of the association's total employee expense for the year. The ratio of bonus payments to base pay was roughly 19 to 1.

The cooperative treats bonus payments, like regular salaries and wages, as an expense. It pays the bonus annually to each employee, one-half in cash and one-half in stock of the cooperative. The stock, like that issued to members and patrons, is handled on a revolving fund basis. It does not carry any definite dividend rate. The rate is established each year on the basis of the earnings of the association. So far, it has not been less than 4 percent.

Since employees receive one-half their bonus payments in stock each year, they thereby acquire a special interest in the cooperative. The association believes this interest is sufficiently significant to provide incentive and increase operating efficiency.

Incentive Program for Branch Managers

An incentive program for branch and departmental managers has been in operation since 1953. The plan covers all three division managers (grain, feed, and fertilizer) and all nine branch managers. Top hired management--the general manager, assistant general manager, and secretary-treasurer--are not included.

This is a continuing pre-arranged incentive plan which has been formally approved by the board of directors, hired management, and participating employees.

The managers' incentive bonus is paid annually. Participating employees share according to the amount their branch operations contribute to net margins of the association each year. The annual report is the basis for calculating the exact bonus of each person. Employees receive their payment in cash as soon as it can feasibly be calculated each year.

The branch managers' incentive program is based on local association margins as set forth by the auditor, the bookkeeping department, and top management after all necessary deductions and indirect expenses have been calculated and deducted. Refunds from the federated association to which this local cooperative belongs are excluded in figuring net margins for purposes of this incentive bonus.

Method of Calculating

Branch operating expenses are increased semiannually in arriving at the managers' incentive bonus by the following:

1. Two percent of the average of highest recorded inventory during 6-month period (July 1 - Dec. 31) and the closing inventory Dec. 31.

2. Two percent of the average of highest recorded accounts receivable (includes notes receivable and contracts) during 6 month period (July 1 - Dec. 31).

3. Repeat procedures (1) and (2) for period Jan. 1 to June 30.

The following two adjustments are also made in arriving at the managers' incentive bonus:

1. Grain inventory (except grain held for feed) is excluded from elevator inventories.

2. Interest received from patron notes is credited to the operations responsible for the note.

After these adjustments have been made, the branch managers' incentive bonus is calculated on the following net margins basis:

- Two percent of net margins for amounts under $5,000.00
- Three percent on total amount if net is between $5,000.00 and $15,000.00
- Four percent on total amount if net is between $15,000.00 and $30,000.00
- Five percent on total amount if net is over $30.000.00

In addition to the preceding procedure for calculating incentive payments a written agreement with participating employees includes the following provisions:

1. Top management shall have final jurisdiction regarding classification of expense, transfers, maintenance, repairs, equipment, etc.

2. Top management shall have final say on who shall receive incentive pay, breakdown at branches, when necessary, etc.

3. Employees receiving incentive pay will be eligible for regular employee bonus under the employee incentive bonus plan just described. However, incentive pay will not be included when calculating bonus.

4. Incentive pay will be subject to regular payroll deductions.

Cost and Payments

Total incentive payment for branch operations averaged approximately $5,200 a year over a recent consecutive 4-year period. Eleven employees were covered each year. The total annual payment for this same 4-year period ranged from a high of $8,028 to a low of $3,395.

Individual incentive payments for the 11 branch and department managers covered by the incentive plan during the 4 fiscal years are shown in table 3. Annual individual payments for the 4 years ranged from a low of $13 to a high of $1,609. Average annual individual total payment for the period ranged from $309 to $730.

The total incentive payment of $3,395 for 11 employees for the last fiscal year shown in table 3 compares with base pay for the same year for the same 11 persons of $53,478 as shown for the same year in table 1. This is a ratio of

Table 3. - Annual incentive payments to eleven branch and departmental managers for recent 4-year period

Individual employees	First year	Second year	Third year	Fourth year
1	$122	$537	$108	$214
2	42	1,075	54	585
3	358	1,588	324	13
4	1,239	93	724	13
5	37	959	133	32
6	1,023	1,609	485	236
7	135	627	1,609	585
8	1,609	216	102	168
9	179	537	238	109
10	135	537	108	1,359
11	179	250	500	81
Total -- 11 employees	5,058	8,028	4,385	3,395
Average annual payment per employee	460	730	399	309

almost 16 to 1. Comparing total incentive payments of $3,395 with total employee costs of $63,779, for these 11 employees for the year, gives a ratio of about 19 to 1.

Incentive payment costs accounted for roughly 1.2 percent of total employee costs ($272,981 for all employees) for the year reported in table 1.

Evaluation

The incentive program for branch managers has been in operation over 10 years and is apparently working well. All employees covered and top management are happy with the plan. Since each branch manager's incentive payment is based on branch operations, each one is highly conscious of efficiency in operations and of the importance of keeping expenses down. Top management reports that individual branch managers have become much more conscious of expenses since the plan was put in operation.

The incentive program helps to utilize employees to full advantage. Any employee who is not busy in one branch is transferred to another branch where he is needed. Managers are delighted to do this because expenses in their branch are thereby decreased. Full utilization of employees in this manner is an advantage of diversification -- different departments are generally busiest at different times.

As indicated earlier, the incentive program for branch managers does not cover top hired management -- general manager, assistant general manager, or secretary-treasurer. In setting up the incentive plan, top management felt it was needed more at the branch level as a stimulative factor. During the interview, top management commented that where the general manager is on a salary and also a commission or incentive of this type, the desire to increase net margins can conceivably overweigh the overall welfare of the organization. For these reasons, and at the request of top management, this incentive program was limited to branch and departmental managers.

On their own initiative, some of the branch managers share their incentive payments, according to plans worked out among themselves, with their top assistants or other key employees in their branches. Each employee so covered generally becomes more conscious of expenses and strives for increased efficiency of operation.

The fact that both inventory and accounts receivable are taken into consideration when figuring incentive payments is believed to be another key reason this plan has worked successfully.

The only problems in connection with this incentive program have been those caused by organizational changes. When a department which is losing money is added to a branch making money, the branch manager affected finds that he not only has new duties but his incentive is cut. Such problems have been handled on an individual basis to date and have been worked out to the satisfaction of all concerned.

Commission for Servicemen

This association has maintained a salary and commission contract with petroleum deliverymen since 1946. The original contract was revised in 1959. The agreement, as reproduced on the following pages, became effective on September 1, 1959

THIS AGREEMENT, made and entered into this _____ day of _________, 19___, by and between this Agricultural Cooperative Association (hereinafter referred to as the "Association") which is engaged in the distribution of petroleum products and other supplies to local farmers, has this day contracted with the Serviceman under terms, conditions, and for considerations as follows:

1. The Association agrees to employ the Serviceman, and the Serviceman agrees to work for the Association, in the territory allotted to the Serviceman by the Association, which territory may, from time to time, be changed or adjusted by the Association in supplying to the Association's patrons and others, in the allotted territory, their requirements of petroleum and other products handled by the Association. The Serviceman agrees to devote all of his time thereto, and not to sell or furnish any petroleum products or other supplies or services on his own behalf or for any other person, firm or corporation whatsoever, whether or not in the allotted territory during the life of this agreement.

2. The Serviceman, in supplying such petroleum and other products to the Association's patrons and others, shall sell same at the prices specified by the Association and shall make all sales for cash or in accordance with the credit policy of the Association. The Serviceman will be responsible for all credit extended by him unless specified approval has been granted in writing by the credit officials of the Association. The Association shall withhold from Serviceman's commission and retain as a reserve an amount equal to 5% of the gross commission on motor fuels due at the end of each six months until said reserve has become equal to one-third of Serviceman's accounts receivable that are over 90 days as aged by the accounting department, plus 1/3 of the notes and other indebtedness or $300.00 whichever is greater. At such time as this reserve reaches the above level, only sufficient amounts will be added or deducted to keep it at the proper level but it will at no time drop below $300.00, except on termination of employment. The Association also reserves the right at any time to charge an account to this reserve. All receivables charged to reserve become property of Serviceman. On December 31st and June 30th of each year, all accounts over one year and not authorized by the Association shall be charged to his (Serviceman's) reserve.

3. All goods handled by the Serviceman shall, at all times, remain the property of the Association until delivered to the patrons.

4. The Serviceman shall keep true and complete records and accounts of all of his transactions with and for the Association as prescribed by the Association. He shall make collections for all products sold by him on behalf of the Association, and remit the proceeds thereof to the Association the day on which

such collections are made, and in no event later than the following working day; and shall account to the Association, upon demand, for any and all products and equipment delivered and furnished him by the Association and pay the Association, upon demand, for all shortages in equipment at the fair market value thereof.

5. The Association may require the Serviceman to post bond for possible misappropriation of funds or property, the premium thereof to be borne by the Association.

6. As compensation for his services, the Serviceman shall be paid a salary of $60.00 per week, plus 5¢ per gallon on all oils delivered, 2¢ per pound on all greases delivered, 10¢ per gallon on all anti-freeze and fly spray delivered, and 10% on oil filters, payable monthly, on or before the 10th month prox. Commissions shall be paid on petroleum fuels at the rate of 1/2¢ per gallon on all fuels over a base gallonage for each six months period of 100,000 gallons, an additional 1/2¢ per gallon commission on all petroleum fuels over a base gallonage for each six month period of 140,000 gallonage, and an additional 1/2¢ per gallon commission on all petroleum fuels over a base gallonage for each six months period of 200,000 gallons sold and delivered by the Serviceman to patrons of the Association. Petroleum fuel commissions shall be payable on the 15th day of January of each year for the previous six month period beginning July 1st and ending December 31st, and on the 15th day of July of each year for the previous six months period beginning January 1st and ending June 30th. However, if the Serviceman shall have worked only a portion of any six-months period, the commissions on petroleum fuels shall be pro-rated by dividing the base gallonage for six months by twenty-six (26) and by multiplying the result of the number of weeks worked, the product of which shall be the base gallonage for the period worked, and over which the Serviceman shall be entitled to commissions at the rate of 1/2¢ per gallon on all petroleum fuels delivered. Such compensation shall be in gross and the Association shall deduct therefrom all deductions required by law.

6A. All goods sold on a discount basis are subject to adjusted commissions. When motor fuels carry a quantity discount of 1-1/2¢ per gallon to patrons, the Serviceman shall absorb 1/4¢ per gallon of said discount. Serviceman to absorb 1/2 of discount given on fuel oil. Other special discounts subject to agreement at time of sale.

7. The Association shall furnish to the Serviceman all delivery equipment deemed necessary by the Association, to permit the Serviceman to reasonably perform his duties.

8. The Serviceman shall, at all times, be subject to the control and supervision of the Association, and shall co-operate with the Association in every manner, promote its best interests to the fullest possible extent, and shall comply with any and all directions given him by the Association.

9. In the event of the termination of the Serviceman's employment, he shall be entitled to his salary for the pro rata portion of the month in which his services are terminated, and to the commissions, as above provided, only in the products supplied to patrons and others up to the date of the termination of employment. The Association shall be entitled to offset, as against any money due the Serviceman from it, any and all amounts due the Association from the Serviceman of which he is responsible, and for all products and equipment of the Association held by him, provided that such offset shall not relieve the Serviceman from personal liability for any such amounts. Upon termination of employment, the Serviceman's reserve shall be held in escrow by the Association until every possible effort has been made to collect the accounts or notes receivable after a period, not to exceed 90 days, uncollected accounts shall be charged against reserve. Said account shall then be assigned to ex-serviceman and balance of reserve, if any, refunded.

10. Neither this agreement nor any of the rights or benefits hereunder shall be assigned by the Serviceman without the prior written consent of the Association.

11. This agreement supersedes any agreement theretofore in effect between the parties and shall continue and remain in effect for an indefinite period, but may be terminated by either party on thirty (30) days written notice provided that the Association shall have the right to terminate same immediately and without notice, upon breach of any of the terms and conditions hereof by the Serviceman.

12. A bonus of $120.00 will be paid Serviceman at the end of each six months period (at same time commissions on fuel are paid as set forth in article 6) provided: total accounts receivable less 30 day accounts for said Serviceman do not exceed $1,000.00 and no account is over one year as aged by the bookkeeping department.

Cooperative Association

Manager

Witness:

Serviceman

Since the foregoing contract was made several minor revisions have been made in it, significant changes being as follows:

1. Establishment of a credit reserve as outlined in paragraph 2 of the agreement and also a semiannual bonus for keeping accounts receivable under control as provided in paragraph 12.

2. Weekly salary was increased and commission calculations, which were previously made on an annual basis, were changed to a 6-month basis.

3. Provision was made for termination of contract by either party by written notice.

An analysis of total annual pay of five petroleum deliverymen who were employed full-time under the commission agreement as revised indicates that their average individual pay for a recent year was roughly as shown on the following page.

These figures indicate that the average annual commission paid to petroleum deliverymen accounts for over 51 percent of their total expense to the association. Base pay accounts for approximately 35 percent and overtime and the annual employee bonus, about 4 percent each. The association's portion of retirement benefits, group insurance policies, F.I.C.A., and State and Federal taxes accounts for almost 6 percent.

Base pay	$2,470
Overtime	299
Commission	3,588
Bonus	279
Total	$6,636
Add employer's portion of:	
Retirement[1/]	$193
Group insurance	73
F.I.C.A.	107
State Unemployment and Federal Excise Tax	12
Total	385
Total average annual cost per employee	$7,021

1/ One employee elected not to participate in the retirement plan. Average annual individual cost for the four employees covered was $242.

Employee Retirement Plan

All employees are eligible for retirement insurance on the first day of January following the first 6 full months of employment. Benefits date back to the beginning date of employment, however.

As a condition of employment, each employee authorizes the association to deduct from his pay on a regular monthly basis 2.67 percent of each $100 earned. The cooperative pays the balance for the retirement program. On the average, the cooperative pays over $4 compared to each $2.67 paid by employees.

The plan was developed in 1940 by a joint committee representing several farm organizations, including the federated cooperative of which this local association is a member, to provide retirement benefits to their respective employees. This local cooperative adopted the plan in 1941.

The federated association has assumed the responsibility of general employer for the practical administration of the retirement plan. It entered into an agreement with a life insurance company whereby the life insurance company administers the plan in accordance with the master contract under supervision of the joint committee referred to above. The master group annuity contract is on file with the federated association.

The plan is designed on, and functions on, the cooperative principle and is classified as a contributory plan. Contributions of the employer and payroll deductions of employees ultimately provide retirement benefits for employees.

The plan is insured. Thus, employees are protected under the insurance laws of the State and are assured that the obligations of the agreement will be fulfilled.

The group annuity contract, as underwritten by a selected life insurance company, guarantees the benefits as set forth in the master annuity contract. The life insurance company issues to each participating member employee an individual certificate which specifies the benefits payable, the dates upon which retirement income benefits are available, and other pertinent information necessary for each member employee's understanding of the plan.

Detailed information about the plan is summarized below and on the following pages.

Employee Eligibility Requirements

All regularly employed persons of approved affiliated organizations of the federated cooperative may become participants in the retirement plan upon fulfillment of the following requirements:

(a) Length of Service--If the employee has been continuously employed for 6 consecutive months prior to the date the plan was made available by the organization of which he is an employee, or on any succeeding anniversary date thereafter, providing he has been employed for 6 consecutive months prior to such date.

(b) Age (nearest birthday)--If the employee is not over 60 years of age nearest birthday on January 1, following 6 months of continuous employment.

(c) Condition of Employment--The affiliated organization, upon acceptance for participation in the plan, agrees through formal action of its board of directors to certain conditions whereby its respective employees may become participating employee members of the plan.

(1) Employed Prior to Installation of the Plan--Individuals who were employees prior to the effective date of the plan by their organization may elect to accept or reject membership in the plan.

(2) If Employed After Installation of the Plan--It shall be a condition of employment, as established in the employment policy of the affiliated organization, that any individual employed after the effective date would become a participating member in the plan upon meeting the eligibility requirements, as set forth in (a) and (b) above, as a condition on which he obtained such employment.

Employee's Salary Classification

On the initial date of the employee member's participation in the plan and annually thereafter on each succeeding January 1, the employee's salary classification is established. Establishment of the salary classification is essential for calculating the deduction and the employer's contribution for each employee during each membership year. Ultimately it is the determining factor in computing the retirement annuity benefits payable to the employee at retirement age. The salary classification is determined as follows:

1. If the employee member's compensation is payable on a wage or salary basis, the base wage (the base wage being defined as the compensation payable monthly as of January 1 of each year of the employee member's participation in the plan, exclusive of any compensation or remuneration for overtime in excess of regular work-week, bonuses, premiums, gifts, etc.) as of January 1 each year is used as the salary classification (unless increased by past service adjustment--see paragraph below).

Where the regular work-week is in excess of forty (40) hours, entire compensation received monthly for such regular work-weeks is considered as base wage for establishing salary classification.

2. If the employee member's compensation is payable on a commission basis, the monthly average of the total amount paid the member employee for the previous twelve months, or for the period employed, if less, is used as the salary classification as of January 1 of each year.

The affiliated organizations recognize the years of past service which their respective employee members have rendered. This recognition is made in the retirement plan by means of an optional increase in salary classification, available at the time the affiliate enters the plan.

Employee's Deductions

Upon becoming a participant the employee authorizes his employer to make regular payroll deductions during each month of his employment. The amount of each monthly deduction is equal to 2.67 percent of the salary classification as established for the member employee as of January 1 of each year of membership in the plan. No changes in the salary classification or the amount of monthly deductions are made during the year. Thus, the salary classification established on January 1 of each year pre-determines the monthly deduction for the ensuing year.

Employer's Contributions

The federated association and the affiliated organizations participating in the retirement plan, including this cooperative, contribute their proportionate share of the premiums and cost as determined by the life insurance company. Such contributions are sufficient, together with the deductions of the employee, to accumulate a reserve fund which guarantees the retirement benefit of all employee members participating.

Retirement Date

The normal retirement date for each employee is the January 1 nearest his attainment of age 65, and retirement income begins at that time. An employee may arrange with his employer to continue working after that date, but this does not affect his retirement income and no further salary deductions or employer contributions are made.

Any employee member may retire on the anniversary nearest his attainment of age 55 or on any subsequent anniversary prior to his reaching age 65. In this case an adjusted income begins on the date chosen, for an amount based on the employee's age at the date selected and the accumulated credits then available. The employer must join in the request for early retirement.

Income at Normal Retirement Date

Each employee's monthly income begins on the January 1 nearest his 65th birthday and continues for the remainder of his lifetime. The amount of the monthly payment is equal to the accumulation of 1 percent of his monthly salary classification for each year he has been a member. This income is in addition to Social Security benefits and income which the employee may have from any other source.

The following table appears in a booklet explaining the retirement plan which is given to all participating employees. The booklet provides employees with an estimate of their monthly retirement income provided they retire at normal retirement dates.

How To Estimate Monthly Income at Normal Retirement Date

If average monthly wage classification is.........		$200	$300	$400
1% of wage classification for each year.............		$2	$3	$4
Age when entering the plan	Number of years to retirement age of 65	Normal retirement income		
20	45	$90	$135	$180
25	40	80	120	160
30	35	70	105	140
35	30	60	90	120
40	25	50	75	100
45	20	40	60	80
50	15	30	45	60
55	10	20	30	40
60	5	10	15	20

The monthly income is paid for life after retirement age, independently of, and in addition to, Social Security benefits.

Option To Provide Life Income to Wife or Husband

Each employee may choose to have the income paid as long as either he <u>or</u> his spouse may live. If he so chooses, the employee names a third person as beneficiary. The income still begins at the employee's retirement date but is for a reduced amount. This option must be requested at least 5 years before the retirement date.

Termination of Service

Upon termination of an employee member's service with his employer for any reason other than retirement, the employee automatically gets a paid-up monthly income beginning at the normal retirement date and continuing for life. The amount of monthly income is based on his earned credits up to the date of termination.

Instead of the paid-up monthly income the employee may elect to receive:

One: In cash, the full amount (100 percent) of all salary deductions plus compound interest on the deductions. The interest begins the second year of membership and the rate is 3 percent for deductions made prior to January 1, 1947, and 2-1/2 percent for deductions made January 1, 1947, and later; and

Two: In cash, credit from the employer's contributions, in accordance with the following tabulation:

Full years of service	Percent of employer's contributions credited for employee at termination
0--4	None
5--9	25
10-14	50
15-19	75
20 and over	100

Death Benefits

In the event of the death of an employee member before retirement, his beneficiary receives the full amount of his deductions, together with interest. Interest begins the second year at the rate of 3 percent compounded annually on all deductions made prior to January 1, 1947, and at the rate of 2-1/2 percent compounded annually on all deductions made after January 1, 1947. The death payment does not include any portion of the employer's contribution.

In the event of the death of an employee member after retirement, the beneficiary receives an amount equal to the death benefit immediately prior to retirement, less any income payments already made prior to death. In cases where the employee member has elected a life income for himself and his spouse, the payments cease at time of death of the last survivor and any death benefit then goes to the beneficiary.

General Provisions

Leave of Absence

In case of temporary absence, authorized by the employer, because of sickness, injury or requested leave of absence, deductions for the retirement plan continue if salary continues. If salary ceases, deductions are suspended until the employee returns to work. At that time deductions for the period of absence are made as arranged by the employer and employee and authorized by the life insurance company.

Transfer of Employees

In the event a participating member terminates employment with an affiliated organization, but is reemployed within 30 days by another affiliate of the federated cooperative that has the same retirement plan for its employees, such employee is not, for the purpose of this plan, considered as having terminated his employment record, provided his deductions are continuous and are included in the next regular monthly report of his new employer succeeding the date of employment. This provision makes it possible for employees to transfer from one local association to another without disturbing retirement benefits under this plan.

Limitation of Assignment

For the employee member's protection, the certificate and the retirement income, as well as other benefits and refunds under this plan are, to the extent permitted by law, not assignable.

Certificates

Each employee member receives a certificate from the life insurance company designating rights and privileges under the terms of the master group annuity contract issued by the life insurance company to the federated cooperative.

Change or Discontinuance of Plan

The federated cooperative, and affiliated organizations (including the local association) reserve the right to change or discontinue the retirement plan and group annuity contract at any time, but such change or discontinuance will not in any way affect the amount of retirement income previously purchased for any employee member.

Employees' Group Insurance Program

The employee group insurance program of this association provides (1) life insurance, (2) hospital and surgical insurance, and (3) accident and health insurance. The insurance program is available to all employees. Seventy-five percent of all employees were needed to make the group eligible when the plan was adopted.

As a condition of employment by the cooperative all new employees must agree to participate in this group insurance program. At the time of employment, each employee signs an application agreement, which is automatically placed into effect 3 months later when eligibility requirements are met.

The following is a copy of the employee benefit program agreement.

Date

EMPLOYEE BENEFIT PROGRAM AGREEMENT

I, ____, agree as a condition of my employment with ______________________________ to participate in the Insurance Benefit Program which is made available through the group plan of the Association as follows:

Retirement Annuity
Life Insurance
Hospitalization Insurance
Health & Accident Insurance

I hereby authorize the association to deduct from my pay on a regular monthly schedule the amounts as set forth below:

1) Retirement - 2.67 percent of each $100 earned.
2) Life Insurance - 60¢, flat premium rate regardless of face value of policy.
3) Hospitalization - One-half of premium for individual.
4) Health & Accident - One-half of premium, such premium based on salary classification.

I understand I will be eligible for retirement insurance on the first day of January following the first six full months of my employment, all benefits to date back to the beginning date of my employment. Other benefits, namely, life insurance, hospitalization, health and accident, will start on the first day of the fourth full month of my employment.

Provision: Life Insurance starts at $1,000, advances to $2,000 after two years and $5,000 after five years of continuous employment with the association. (Exception: On the January 1 nearest the 65th birthday of the insured, the life insurance will automatically reduce to $1,000 regardless of term of employment.)

The employee reaching 65 has the option of converting the amount of his life insurance in the group plan in excess of $1,000 to a straight life policy with regular premiums without a physical examination.

Other benefits will be subject to the provisions as set forth in the employee bulletin.

Signature

Group Life Insurance Plan

The group life insurance plan is designed to give the employee's family cash to meet the ever-increasing cost of "final expenses" and to provide some readjustment-period income when death takes an employee.

The plan is one that gives greatest benefits to employees who have served the association longest. It provides $1,000, $2,000, and $5,000 of protection, depending on how long the employee has been with the organization. The amount of insurance is determined in the following manner:

Employees with less than 2 years' service	$1,000
Employees with 2 to 5 years' service	2,000
Employees with 5 years and over	5,000

The amount of life insurance is automatically reduced to $1,000, regardless of length of service, for all employees after the January 1st nearest their 65th birthday.

The benefits of the group life plan are payable in cash, or may be paid as income. For example, monthly income may be paid for 5, 10, 15, or up to 20 years. Also, a portion of the amount may be taken in cash, and the remainder over a specified period as income. There are additional modes of settlement. The designated beneficiary makes the choice of settlement option when the benefits become payable.

A new employee must be performing the regular duties of his occupation (or be capable of performing his duties) on the effective date of his life insurance certificate. If not, coverage does not become effective until the day he returns to the job and assumes his regular duties.

Upon becoming a participant, the employee authorizes the cooperative to make a monthly deduction for his life insurance policy from his salary or wages in the amount of 60 cents a month. This amount is applicable whether the employee has been with the organization only 3 months or more than 5 years. The cooperative pays the remaining cost of the life insurance coverage for each employee.

If an employee terminates his employment with the cooperative, he continues to have protection for 31 days following the next premium due date under the life insurance certificate. During this period, he has the privilege of converting the life certificate to an individual life insurance policy issued to him by the same life insurance company without evidence of insurability. The individual plan selected can be any type of permanent life insurance at his then attained age.

Group Hospital and Surgical Plan

This plan provides employees benefits for loss from hospital and surgical expenses due to bodily injuries effected through accidental means and sickness.

The plan is not designed to provide benefits equal to 100 percent of the expenses incurred, but rather to pay the greater portion of such bills. Details of the plan are as follows:

Hospital room benefits range up to $8 a day. Other hospital benefits are 80 percent of the sum of the following items:

1. Operating or delivery room.

2. Laboratory fees.

3. Material for anesthetic.

4. Drugs and dressings.

5. X-ray examination. (When consistent with the conditions for which treatment is being administered.)

6. Oxygen.

When the preceding hospital charges total more than $200, the payment is 80 percent of the first $200 and 100 percent of the remaining cost.

Hospital benefits are limited to the first 180 days of hospital confinement for any one period of disability. An employee over 60 years of age is entitled to benefits for only 30 days during each period of disability, however, plus 1 day for every year or fraction thereof that the employee has been insured under this group plan.

In order to qualify for hospital benefits under this plan the patient must be an inpatient with a charge made for room and board for at least 1 full day.

The hospitalization plan does not provide benefits for the following conditions:

1. Hospital admissions for observation, physical checkup, diagnostic x-ray or laboratory examination.

2. Extraction of teeth (unless resulting from bodily injury) or plastic operation for beautifying purposes.

3. Hospital confinement or treatment for tuberculosis or nervous or mental disorders after the first 30 days of confinement or treatment.

Surgical benefits are paid 100 percent in accordance with a surgical schedule. The maximum payment for surgery is $250.

No hospital or surgical benefits are paid when the sickness or accident is covered by Workmen's Compensation law.

The wives, or husbands, or children of the employee may also be included under the hospitalization and surgical plan. Wives or husbands are eligible for room benefits up to $8 a day as outlined for employees. Dependents (children, unmarried, ten days to 18 years of age) are eligible for room benefits up to $6 a day plus the other benefits as outlined for employees.

In the event a child is born with certain congenital deformities, such as cleft palate, harelip, or club foot, the policy provides immediate benefits up to a maximum of $1,000 in accordance with the schedule, to help in correcting the deformity.

If an employee terminates his employment with the cooperative, he has 31 days following the next premium due date to exchange the hospitalization certificate issued under this plan for an individual hospitalization policy.

Upon becoming a participant of the group hospital and surgical plan, each employee authorizes the cooperative to make a deduction from his salary or wages each month equal to one-half the premium cost of his coverage. This amount is applicable whether the employee has been with the association 3 months or more than 5 years. The remaining cost of the employee's premium is paid by the cooperative. The employee pays 100 percent of the cost for his dependents, however.

Group Accident and Health Plan

This plan provides weekly payments to replace salary or wages lost by an employee who is off work because of sickness or an accident occurring while he is off the job. Details of the plan are as follows:

Weekly benefits and monthly employee cost depend on the following weekly salary classifications:

Weekly salary classification	Weekly benefits	Monthly employee cost
Less than $25.00	$10	$0.44
$25.00 to 32.49	15	0.67
32.50 to 39.99	20	0.89
40.00 to 47.49	25	1.11
47.50 to 54.99	30	1.33
55.00 to 62.49	35	1.56
62.50 to 69.99	40	1.78
70.00 to 77.49	45	2.00
77.50 to 84.99	50	2.22
85.00 to 92.49	55	2.45
92.50 and over	60	2.67

Weekly payments are made in accordance with the preceding schedule starting on the fourth day of confinement (off work) as a result of sickness or an accident occurring off the job, and continue for a period of up to 13 weeks.

The plan does not provide coverage for any accident, or illness, for which an employee is entitled to receive benefits under Workman's Compensation or Occupational Disease laws.

There is no limit to the number of times during the year an employee may receive accident or sickness benefits, with the exception of an employee aged 60 or over, who is entitled to the benefits for a maximum of 13 weeks during a 12-consecutive-month period.

The accident and sickness benefits of this program are not available to employees after age 70.

In case of disability caused by or resulting from pregnancy, benefits are paid beginning the fourth day of confinement (off work) and are paid for a maximum of 6 weeks.

A new employee must be performing the regular duties of his occupation (or be capable of performing his duties) on the effective date of his coverage. If not, his coverage does not become effective until the day he returns to the job and resumes his regular duties.

One half the premium cost of the accident and health program is deducted from salary or wages of participating employees. The balance is paid by the cooperative.

The health and accident coverage cannot be converted at the termination of employment. The employee has no coverage under this plan beyond his actual date of termination.

ANALYSIS OF COST OF EMPLOYEES' GROUP INSURANCE

The cost to the cooperative of the group insurance program -- including life insurance, hospitalization and surgical benefits, and sickness and accident coverage -- averages a little less than $4,000 annually.

Monthly cost of the program to the cooperative for each participating employee is shown in table 4. This tabulation does not include a few employees, who were not on the payroll at the time, or top management personnel, consisting of the general manager, assistant general manager, and the secretary-treasurer.

Table 4. - Expense of employees' group insurance program to the subject association for one month

Number of employees covered1/	Monthly cost to cooperative for each employee	Monthly cost to cooperative for all employees1/
2	$1.35	$2.70
1	2.80	2.80
1	3.10	3.10
4	3.36	13.44
1	3.80	3.80
1	4.02	4.02
2	4.13	8.26
1	4.16	4.16
4	4.39	17.56
2	4.61	9.22
2	4.83	9.66
3	5.05	15.15
1	5.61	5.61
1	7.44	7.44
6	7.48	44.88
4	7.70	30.80
2	7.92	15.84
13	8.14	105.82
51		304.26

1/ Excluding top management (general manager, assistant general manager, and secretary-treasurer).

As shown in table 4 the total monthly cost for 51 employees was \$304.26. The average monthly cost for these employees was \$5.96 per employee, with costs for individual employees ranging from \$1.35 to \$8.14.

The annual cost of the group insurance program is shown in table 1, along with all other payroll expenses for employees, for a sample fiscal year. As shown in this table, group insurance accounts for approximately 1.3 percent of total employee expense of the cooperative.

As indicated earlier, one half the premium cost of the hospital and surgical program and the accident and health program is deducted from salary or wages of each participating employee. A deduction of 60 cents a month for each participating employee is also made to help defray expenses of the group life insurance program.

Other Fringe Benefits

In addition to the incentive plans described on the preceding pages, employees of this association are provided numerous other benefits as follows:

Paid Vacations and Holidays - All regular salaried personnel get two weeks paid vacation each year. Hourly employees and those working for wages get a week with pay after 1 year, and 2 weeks after 5 years. All employees get six holidays with pay each year.

Policy of Promotion from Within - Present employees receive first consideration when there is any job to be filled.

Job Evaluations - A management consulting firm helped set up a job evaluation program. Since operations of this cooperative are highly diversified, many employees are expected to do more than one type work. Jobs are set up so that all employees understand this and know exactly what is expected of them. Since the various departments are busiest at different times, due to the seasonal character of the business, employees are frequently transferred from one branch to another so that each person is used to full advantage.

Educational Opportunities - The association has a thriving educational program. Training programs and schools for employees are given top management attention. A variety of such schools and training programs are held each year. These include special commodity-type meetings for discussing plans and problems of concern to certain groups of employees and such varied types of training as seminars on new equipment or specialized sales training programs.

Employee Meetings and Organizations - Regular meetings for all employees are usually held on a monthly basis, but at least four times each year. Anything of interest to employees is discussed. An educational program for each meeting is provided by the manager for the purpose of keeping employees informed. Items of general interest, as well as employee problems, are discussed at these meetings. Employees are also brought up to date on achievements, changes, proposed changes, or problems of the cooperative.

In addition to regular employee meetings, the cooperative issues an employee newsletter or directive every other month. The public relations director is responsible for preparing and mailing the letter. This newsletter is mailed to each employee at his home address rather than being distributed at the office or plant. In this way the cooperative reaches wives and other family members of each employee. Bits of news considered of interest to employees are included, especially such things as personnel changes, promotions, awards, and any personal achievements of employees.

In addition to regular employee meetings and the employee newsletter, all employees belong to a cooperative club. This employee organization is very active and well supported by all groups of employees. The club buys flowers and gifts for employees on special occasions and also sponsors parties for special events. This employee club owns all the candy and soft drink machines on the cooperative premises. These machines provide an easy method for the club to earn money for its activities.

In addition to special events sponsored by the employee club, the cooperative arranges for, and bears the expenses of, three or four employee parties each year. These always include a picnic in the summer, a chicken-barbecue in the fall, and a Thanksgiving-Christmas party with turkey and all the trimmings early in December. Families of employees are invited to attend all these events. Certificates and pins based on length of service are awarded at the annual Christmas party. Nearly 100 percent of employees turn out for these affairs.

Management of this cooperative has a sincere and genuine interest in the employees. The "human factor" is always given understanding consideration. An example of one of the unique methods used by this cooperative to recognize each employee as an individual is illustrated by the following letter which was mailed to the home of an employee. A similar letter was mailed at the proper time during the year to each employee's home.

October 27, ____

Mrs. John Doe
Street Address
City, State

Dear Mrs. Doe:

Our calendar shows that November 4th is a very important day in the life of a friend who I am sure is very near and dear to you. We, here at the ________ ________ do not want to miss out on this occasion, so will join with you in congratulating him on another birthday.

We are living at such a fast pace in this modern time, that too often we do not stop to give proper recognition to such things as birthdays. In order that we might have a part in this festivity, we have arranged for you to pick up a birthday cake at Patty's Bakery in ________ on Wednesday, November 4th. This is the least we can do on this most happy occasion.

We hope this will not inconvenience you, and should it be impossible for you to get this cake, let me know and I will make arrangements to get it to you.

Again, let us take this opportunity to extend to Ed a most Happy Birthday and best wishes from the gang.

Yours most sincerely,

____
Assistant General Manager

P.S. I don't want to do anything to take the joy out of life, but just a little reminder, Ed, that according to our records, your chauffeur's license expires November 30.

The "P. S." at the bottom of this letter is another indication of "little" things done for employees of this cooperative. The manager keeps a record of dates of interest to each employee and takes time to congratulate or notify each one.

However, a birthday cake is not sent each year. One year each employee received a letter with a tray. Another year it was a letter with a $2 bill. An effort is made to work out something new each year.

Cooperative II

Contents

Cooperative II

This cooperative is a federated regional farm supply association serving farmers in the Midwest. About 500 local associations are members, and several hundred more buy or sell through this association. From a modest start about 30 years ago, the association has steadily broadened the base of its business activities. Today it can be classified as a producer, refiner, manufacturer, wholesaler, and distributor of farm supplies. In terms of business volume and farmers served, it is one of the largest farmer cooperatives in the country. Major supplies handled include petroleum, fertilizer, farm equipment, feed, seed, and sprays.

Around 800 persons are employed by this regional association. Approximately one-half are management and office personnel; a fourth, fieldmen; and the other fourth, plant and warehouse employees.

The association adopted an employee incentive plan over 15 years ago. All full-time employees are covered, including union members.

The plan, described on the following pages, was adopted to enable employees to share in the savings of the association and to provide a retirement income and other benefits for them. Basically, the plan provides that an amount equal to 5 percent of the net savings be set aside each year in a trust fund to provide income for employees after they retire. The amount placed in the fund each year cannot exceed 5 percent of net savings, nor be more than 15 percent of the total base compensation of employees.

The association has not encountered serious problems with the incentive plan and only a few minor changes have been made in the plan over the years.

The attitude of management, supervisors, employees, and the union toward the plan has remained very good.

Although there has been no noticeable effect on net savings or expenses since the employee incentive plan was adopted, the plan is considered both effective and successful. Morale of employees is good and the rate of employee turnover is low.

In addition to the benefits provided employees of this association by the savings-sharing plan, they are also covered by several group insurance plans. These include life insurance, disability benefits, hospitalization and surgical insurance.

The savings-sharing plan is paid for in full by the cooperative, but employees are required to pay approximately one-fourth of the cost of their group insurance plans. Detail on the insurance plans is provided on later pages of this report.

In addition to the savings-sharing plan for its own employees, this federated association also administers a somewhat similar savings-sharing plan for local retail cooperatives affiliated with it. This plan for locals was started some 12 years ago. At present about two-thirds of the eligible retail cooperatives participate. All actions and decisions regarding this plan are taken at the local level; the only expense to the federation is the cost in time for administering. A description of the plan for locals is given beginning on page 65.

Savings-Sharing Trust Agreement

A savings-sharing trust agreement between this regional farm supply cooperative and its employees has been in operation since 1945. A few excerpts from the introductory message of the regional's savings-sharing plan contained in a small employee booklet explaining the plan indicate why it was adopted.

> "The local cooperative companies and the thousands of farmers who own these cooperatives think there is more to life than the mere making of money and building up a business. There is appreciation, for example, and loyalty and consideration for others. You have to count those in. They work both ways--towards employee and towards employer also.
>
> "Employees play no small part in the success of an organization. The stockholder patrons, directors and management are grateful for loyal and efficient service of employees.
>
> "Accordingly, a plan has been adopted whereby employees may share in the savings of this organization beyond the amounts which they receive as compensation for their employment.
>
> "This plan gives you a direct stake in the cooperative above and beyond any wages or salary you receive. It costs you nothing. There are no deductions from your pay check. It is paid for out of the savings of the organization."

The legal text of the employee's saving-sharing trust agreement appears in small type on the following pages. A simplified explanation of the text is also given for clarification purposes. Whenever the male gender is used it includes both male and female employees.

Cooperative II

Savings-Sharing
Trust Agreement

AGREEMENT, made this 7th day of December, 1945, between Cooperative II, a cooperative association organized and existing under the laws of this State, party of the first part, and a national banking association, of this City and State (hereinafter called "Trustee"), party of the second part, WITNESSETH:

THAT WHEREAS, Cooperative II desires to promote in its employees the strongest interest in the successful operation of the business, loyalty to the Cooperative, increased efficiency in their work, and the assurance that they will share in the prosperity of the enterprise; and

WHEREAS, to attain that end the Cooperative desires to enable its employees to participate in the savings of the business, and for that purpose has formulated the Plan embodied herein; and

WHEREAS, the form of this agreement was approved by the Board of Directors of the Cooperative at a meeting duly held on the tenth day of July, 1945, and said agreement was approved by the stockholders of the Cooperative on October 31, 1945:

NOW THEREFORE, in consideration of the premises and of the mutual covenants herein contained, IT IS AGREED BY AND BETWEEN THE COOPERATIVE AND THE TRUSTEE AS FOLLOWS:

This section states the particular bank which was chosen as trustee and the legal purpose of the fund.

The board of directors of the cooperative approved of the trust agreement in 1945, following a thorough study and consideration of various retirement plans. The agreement was approved the same year by the stockholders, consisting of about 450 local cooperatives at the time. The first payment on December 31, 1945, amounted to $81,713.29, which gave the fund a good start.

I. NAME OF TRUST

The Trust created in accordance with the terms hereof shall be known as "Cooperative II Savings-Sharing Trust."

II. DEFINITIONS

As used in this instrument, the following terms shall have respectively the following meanings:

A. "Cooperative" shall mean Cooperative II.

B. "Board" shall mean the Board of Directors of Cooperative II.

C. "Savings" shall mean the difference between the sum of the actual cost of goods sold, the expenses of operation, and all other expenses of the Cooperative and the sum of the amounts paid to or deposited with the Cooperative. Neither the State statutory permanent surplus reserve of ten percent (10%) nor the State statutory educational reserve of five percent (5%) shall be included as an expense in determining savings.

D. "Employee" shall mean any person regularly employed by Cooperative II.

E. "Permanent Employee" shall mean any Employee who has been employed by Cooperative II for twelve consecutive months.

F. "Participating Employee" shall mean any Employee of Cooperative II participating in the savings-sharing plan created in accordance with this agreement.

G. "Compensation" shall mean the amount paid by Cooperative II to an employee as salary, wages, or other regular remuneration, but shall not include any bonus, commission, overtime, or other irregular payment.

H. "Trustee" shall mean the person or corporation appointed and acting as Trustee of the Cooperative II Savings-Sharing Trust.

I. "Trust" shall mean Cooperative II Savings-Sharing Trust.

J. "Fund" shall mean the trust fund created in accordance herewith.

K. "Committee" shall mean the Advisory Committee appointed and acting in accordance with the terms hereof.

III. PURPOSE

This Trust is created for the sole purpose of enabling the employees of the Cooperative to share in the Savings of its business by providing them with such retirement and other benefits as those Savings will afford.

The Savings of the Cooperative being defined herein as including in effect that which would be the profits of a Corporation other than a cooperative association, the Cooperative intends that for tax purposes the Plan embodied herein (of which the Trust forms a part) shall be regarded as a Profit-Sharing Plan of an employer for the exclusive benefit of his employees or their beneficiaries, within the meaning of Section 165 of the Internal Revenue Code and of any similar provision of subsequent revenue laws, and that the Trust shall qualify as a trust forming part of such a plan, under said Section 165 of the Internal Revenue Code and any similar provision of subsequent revenue laws.

In no event shall any part of the principal or income of the Trust be paid to or revested in the Cooperative, or be used for any purpose whatsoever other than the exclusive benefit of its employees, their beneficiaries, and their families.

Section II defines the meaning of various terms used in the agreement, and Section III explains the purpose of the plan. The sole purpose is to enable employees to share in the savings of the cooperative and to provide a retirement income and other benefits for them. The cooperative cannot take this money or any part of it back once it is transferred to the trustee. It is kept in trust for eligible employees.

IV. CONTRIBUTIONS

Cooperative shall pay to the Trustee on the last day of December during each year (or within sixty (60) days thereof) of the duration of this Trust an amount equal to five percent (5%) of its savings realized during such year, after deducting therefrom all income taxes, if any (as calculated without regard to the effect upon the amount of such taxes of the contribution made hereunder), provided that such contribution shall not exceed fifteen percent (15%) of the total remuneration otherwise paid during said year to the Participating Employees of Cooperative II. The first such payment shall be made on or before December 31, 1945, and shall be the contribution of the Cooperative for the year 1945.

The Trustee shall be under no duty, express or implied, to ascertain the proper amount of any Contribution to be made by the Cooperative or to enforce or require the payment of any Contribution. The Trustee shall accept and be accountable for those Contributions actually paid to it by the Cooperative for the purposes of the Trust and received by it, and the Trustee shall administer and apply the same in accordance with the terms of this agreement.

At the end of each year, so long as the plan is in effect, there is transferred to the fund an amount equal to 5 percent of the net savings of the cooperative after deducting the specific amounts outlined. Federal law limits the amount which may be transferred in any year to 15 percent of the annual base wages or salaries paid to employees eligible to participate in the plan. The amounts transferred to the fund are turned over to the trustee named in the agreement.

V. PARTICIPATING EMPLOYEES

Every Permanent Employee of the Cooperative shall participate in the benefits of the Trust. Every person who is a Permanent Employee on December 31, 1945, whether he be then in the actual employment of the Cooperative or whether he be then a member of any of the Armed Services of the United States, shall be a Participating Employee from said date. Every person who will become a Permanent Employee thereafter shall be a Participating Employee from the last day of December of the year in which he will have become a Permanent Employee. No person who once qualifies as and becomes a Participating Employee shall cease to be such except by one of the methods hereinafter provided or by operation of law.

An employee whose employment has been terminated and later renewed shall be deemed a new employee as of the date of his re-employment.

Employment shall not be deemed to have been severed, nor shall its permanency be affected, by the fact that an employee:

A. Has been on leave of absence with the consent of the Cooperative for a period not exceeding six (6) months or,

B. Has been a member of the Armed Services of the United States.

Officers of the Cooperative who are also employees shall participate in this Trust on the same basis as the other employees.

All doubtful cases of eligibility to participate in this Trust shall be resolved by the Advisory Committee, whose determination in such cases shall be final.

Every employee of the cooperative who had already worked for the cooperative one full year, and was employed by it on December 31, 1945, became a participating employee. Thereafter every employee after 1 full year's service becomes a participating employee and shares in the benefits of the fund, beginning on December 31 of the year in which he becomes a participating employee.

Employees who are or were in the Armed Forces are included. If they worked for the cooperative a full year before entering the service, they are considered participating employees.

If an employee leaves the cooperative, and later is re-employed, he is classified as a new employee. Leave of absence with consent of the cooperative, if no longer than 6 months, however, does not affect the savings-sharing status of employees.

Officers of the cooperative who are also employees participate on the same basis as all other employees.

VI. ALLOCATION OF BENEFITS

This Trust shall commence, and the Plan embodied herein shall become effective, on the thirty-first day of December, 1945.

At the commencement of this Trust, the Advisory Committee shall deliver to the Trustee a list of all employees eligible to participate therein, including those in the Armed Services of the United States, together with a statement of the amount of compensation paid by the Cooperative to each during the year 1945, the date when each such employee was first employed by the Cooperative, and the date when each such employee was first placed upon a permanent basis. From time to time thereafter, as occasion shall arise, the said Committee shall promptly notify the Trustee in writing of all changes in the membership of the list of Participating Employees and in the annual compensation of such employees, inserting the dates upon which any new Participating Employees were first employed and the dates upon which they were first placed upon a permanent basis.

The Trustee shall open a separate bookkeeping account in the name of each Participating Employee and shall credit to each such account that portion of each Contribution of the Cooperative to this Trust to which the employee for whom such account is held shall be entitled, which amount shall be determined by the rules stated in the remaining paragraphs of this Article.

As of the last day of each calendar year during the existence of this Trust, each Participating Employee, as determined from the current list of such employees in the hands of the Trustee, shall be entitled to one unit of credit for each One Hundred Dollars ($100.00) of compensation paid to him by the Cooperative during such year; provided, that fractional portions of One Hundred Dollars ($100.00) of compensation shall be treated as the nearest One Hundred Dollar unit of compensation.

In computing the number of units of credit to which a Participating Employee in the Armed Services of the United States is entitled, the same rules shall apply except that service in the Armed Services of the United States shall be deemed to be employment by the Cooperative, provided that the employee was a Permanent Employee of the Cooperative at the time of entering such Armed Services, and the amount of compensation paid to him during the latest full year of his actual employment by the Cooperative shall be deemed to be the amount of compensation paid to him by the Cooperative during the year with respect to which the computation is being made.

Each Participating Employee shall then have credited to his account out of the Contribution of the Cooperative to this Trust for said calendar year that sum which bears the same ratio to the total amount of such Contribution (less expenses of administration hereinafter authorized) as the number of credit units of such Participating Employee for said year bears to the sum of credit units of all Participating Employees for said year.

As of the last day of each calendar year during the existence of this Trust, and before allocating the credits for the Contribution of the Cooperative for such year, the Trustee shall also apportion the net income earned by the Trust during such year among the accounts of the Participating Employees, crediting to each account an amount which bears the same ratio to the total amount of such net income as the total amount credited to such account bears to the total amount credited to all the accounts of the Participating Employees; provided, that any net losses suffered by the Trust during the said year shall be distributed among the accounts of the Participating Employees upon the same basis. As of the last day of each calendar year during the existence of this Trust, and before allocating the credits for the Contribution of the Cooperative for such year, the Trustee shall also revalue the account of each Participating Employee so as to reflect any increase or decrease in value of the investments of this Trust as of that day as compared with the total value of the Trust investments on the last preceding revaluation date. For the purpose of such revaluation, securities shall be valued at cost plus accrued interest and plus or minus the amortized premium or discount.

The preceding section explains how the bank (trustee) will know who is eligible to participate in the fund. An accurate schedule is given to the trustee showing names and addresses of employees, the amount of their base pay during the year, date of employment and other information. This information is kept up to date.

The trustee keeps a separate bookkeeping account for each employee. The amount credited to the account of each employee at the end of each year is determined by taking into consideration the amount of each employee's base wage or salary (no overtime pay included) and allowing one unit of credit for each $100 of base pay earned that year. The value of each unit of credit is then determined by dividing the total of all units into the amount transferred to the fund each year. The value of the unit of credit will vary each year. See Exhibit I, page 50, for a typical example of how the plan works.

Participating employees who are, or have been, in the Armed Services receive benefits just as if they were actually working for the cooperative, provided, of course, that they have returned or will return to work as outlined in the agreement.

Any interest or income earned by the trust fund is credited at the end of each year to all unit holders in conformity with the formula spelled out in the trust agreement. If there are any losses, these are likewise allocated among unit holders in proper proportion. The trustee brings each account up to date at the end of each year.

In no event shall the number of credit units allocable to those Participating Employees each of whom owns, directly or indirectly, more than ten percent (10%) of the voting stock of the Cooperative, exceed in the aggregate a number of units of credit equal to thirty percent (30%) of the total number of credit units allocable to all Participating Employees for such year. For the purpose of determining stock ownership a Participating Employee shall be deemed to own stock owned by his spouse and minor lineal descendants.

No capital stock of the cooperative is owned by any participating employee so this provision is of no importance. It is required by law to be included in the plan.

Exhibit I

Typical Example of How Cooperative II Employees' Savings-Sharing Plan Works

(For the first year, 1945)

John M. Co-op--Warehouseman

Base pay per hour...........................	$1
Base time per week..........................	40 hours
Base time per year..........................	2080 hours (52 weeks)
Base pay per year 2080 x $1.................	$2080

The Cooperative plan gives John M. Co-op credit for 1 unit for each $100 base pay or major fraction thereof. Therefore, for 1945 John M. Co-op receives (nearest whole number) 21 units. There is no provision for units of credit for past years of service. John M. Co-op's total unit credit for year 1945.. 21 units

1945 was a good year for the cooperative and the savings available for sharing with employees amounted to approximately $14 per unit. Therefore, John M. Co-op figures the value of his units by multiplying 21 units by $14. John M. Co-op's value in fund to December 31, 1945........... $294

Each year units are set up to the credit of John M. Co-op based upon his base wage or salary. Overtime is not included. The value of each unit is arrived at each year and is based upon the total units and amount of money transferred or deposited in the fund.

VII. DISTRIBUTION UPON RETIREMENT OF EMPLOYEE

For the purpose of this Trust any Participating Employee may retire without the consent of the Cooperative upon reaching the age of sixty-five (65) or upon suffering a disability which prevents his further employment by the Cooperative in a capacity satisfactory to it. With the consent of the Cooperative any such employee may postpone his retirement beyond the age of sixty-five (65).

Upon the retirement of any Participating Employee from the service of the Cooperative, the Advisory Committee shall notify the Trustee in writing of such retirement. Thereupon the Trustee shall purchase for and deliver to or for the benefit of such retiring employee a single-premium life annuity contract with refund in such amount as may then be purchased with the amount then standing to the credit of such employee on the books of the Trustee. The terms of such Life Annuity Contracts and the companies from which they may be purchased shall be designated from time to time by the Advisory

> Committee, and notice of such designation shall be given in writing to the Trustee. If for any reason it shall be impossible or impracticable to purchase such life annuity contract, then the amount then standing to the credit of the reitirng employee may be paid to him by such alternative methods as the Advisory Committee may designate.

Retirement age is 65. When an employee has reached that age, he may retire without the consent of the cooperative and begin drawing benefits. With the consent of the cooperative an employee may postpone his or her retirement beyond the age of 65.

When an employee retires, the trustee is notified. The trustee then purchases from a reliable life insurance company, with the amount set up to the credit of the retired employee, a single-premium life annuity contract. A life annuity contract pays the holder for the remainder of his life a specific amount each month, good times or bad. Upon death of the employee, after retirement, the unpaid portion of the annuity, if any, is paid to his beneficiary.

If for any reason it becomes impractical or impossible to purchase a life annuity contract, the advisory committee will designate whatever alternate method it deems best for paying the amount set up to the credit of the retiring employee.

VIII. DISTRIBUTION UPON DEATH OF EMPLOYEE

> At the time an employee becomes a Participating Employee, he shall designate a beneficiary or beneficiaries of the death benefit hereinafter provided, upon a form furnished by the Committee for that purpose, and which shall be filed with the Committee. The Participating Employee may change the beneficiary or beneficiaries from time to time by making or authorizing the appropriate entries on such form.
>
> In case of the death before retirement of any Participating Employee, the full amount credited to his account on the date of his death shall become payable to his surviving beneficiary or beneficiaries; but if there be no surviving beneficiary, then to his surviving spouse; but if there be none, then in equal shares to his surviving children; but if there be none, then to his personal representative. The death benefit may be paid either in a single sum in cash or in a series of periodic installments in cash.
>
> The Committee shall determine the identity of the person or persons entitled to the death benefit, and, after giving due consideration to the welfare of such person or persons and to any request received from him or them, the Committee shall determine the method by which the death benefit is to be paid, and thereupon the Committee shall give the Trustee written notice of its determination. The Trustee may rely upon such notice and shall pay the death benefit in accordance therewith.

In case of death before retirement, this plan provides for payment in cash of the full benefit accrued to the date of death to the designated beneficiary.

Each employee must designate by name a beneficiary or beneficiaries on a form furnished by the advisory committee.

IX. SEVERANCE OF EMPLOYMENT

Upon the severance of the employment with the Cooperative of any Participating Employee, whether voluntary or involuntary (other than upon retirement or because of death), such former employee shall be entitled to the payment of an amount equal to that part of the total amount then standing to the credit of such former employee on the books of the Trustee which will have vested in such former employee according to the following schedule:

Full Years Service as Participating Employee	Part of Total Credit Vested in Employee
0-2 full years	None
3 " "	50%
4 " "	75%
5 " " or more	100%

The amount then vested in such former employee shall be paid by either of the following methods:

A. A single payment of cash or securities or combination thereof;

B. A series of substantially equal periodic payments;

C. An annuity contract providing for periodic payments to the former employee beginning on his normal retirement date and ending with the last payment due before his death; and

D. Any other form of annuity contract obtainable from a life insurance company duly authorized to do business in the State of__________ or in the State in which the former employee resides.

The Advisory Committee shall notify the Trustee of such severance of employment and shall designate the method by which such payment is to be made, giving due regard in the choice of such method to the welfare of the former employee. Upon receiving such notification, the Trustee shall make payment promptly by the method designated.

A Participating Employee who will have been a member of the Armed Services of the United States, and who will have had an opportunity to be discharged or released from such service, and who will have failed to return to the actual employment of the Cooperative within ninety (90) days after such opportunity, shall be deemed to have severed his employment with the Cooperative on the date upon which he left such employment, unless such failure be due to disability or death.

Upon such payment or upon severance of employment before three (3) years of service as a Participating Employee, the interest of the former employee in the Trust shall terminate. The Trustee shall as of December 31st of each year allocate the then unvested part (if any) of the amounts then credited to the accounts of such former employees among the accounts of the remaining Participating Employees in the same manner as the Contributions of the Cooperative hereunder are allocated.

This plan is designed to reward employees who give long and faithful service to the cooperative. If an employee leaves the cooperative before completing a full 5 years as a participating employee and before retirement, he loses some of the benefits. However after 5 years he receives full benefits.

If an employee leaves before 3 full years as a participant under the plan, he automatically loses all interest in the fund. At the end of 3 full years as a participant, the employee who leaves receives 50 percent of the amount credited to him; after 4 full years, 75 percent of such amount; and after 5 full years 100 percent of such amount.

If an employee leaves before retirement, he must abide by the schedule in Article IX, and the portion of credit remaining to him will be paid by the trustee in whatever manner is designated by the advisory committee. In any event, such employee cannot receive this portion any sooner than 5 years, in a series of five equal annual installments.

Any participating employee who has been or becomes a member of the Armed Forces and has not or does not return to work for the cooperative within 90 days after his discharge from the Armed Forces, is treated as though the employment had been severed on the day such employee left the employ of the cooperative to enter the Armed Forces.

If an employee leaves the cooperative before retirement and thereby sacrifices a portion of his credits, the portion thus sacrificed is distributed pro rata to the accounts of the remaining participating employees.

X. DEATH BEFORE PAYMENT

In the event that any Participating Employee or former employee should die after becoming entitled to the payment of any benefit hereunder and before such benefit will have been paid in full by the Trustee, the part of such benefit remaining unpaid in the hands of the Trustee shall be paid to the person or persons who would have been entitled to the payment of the death benefit provided in Article VIII hereof had such employee died before retirement.

XI. INALIENABILITY OF BENEFITS

The interest of a Participating Employee in the Trust shall not be transferable either by voluntary of involuntary act of such employee or by operation of law, nor shall such interest be subject to attachment, execution, garnishment, sequestration, or other seizure under any legal, equitable or other process. In the event of any attempt to assign or transfer, or of any attempted seizure by any legal or equitable process, of the interest of any Participating Employee in the Trust, such interest shall forthwith be divested and shall pass at once to such beneficiary or beneficiaries as such employee may have designated in accordance with the terms of Article VIII hereof, or, if no such beneficiary shall have been designated, or shall be then living, then to such of his relatives as the Advisory Committee may select; provided, that such divestment shall not operate to accelerate the time for the payment of any benefit hereunder.

Article X provides that the family of a participating employee will receive the remainder of his account if he dies before all of the amount credited to him is paid.

It is the intention of the cooperative to make the employee's individual share in the fund absolutely safe for the future. Article XI prevents transfer or garnishment of the funds for any reason.

XII. MEMBERSHIP OF ADVISORY COMMITTEE

The Board shall appoint a committee of five (5) members, to be known as the Advisory Committee. At least two (2) members of the Committee shall always be directors and at least two (2) members shall always be employees of the Cooperative. The first members of the Committee shall serve for a period of one, two, three, four, and five years respectively, plus such additional period of time as may be required to make the term of one office expire on the thirty-first day of December, 1946, and to make one additional office expire on the thirty-first day of December of each year thereafter to and including 1950. Each member shall continue to serve until his successor is appointed. As the term of office of a member of the Committee expires, a successor, to serve for three (3) years and until his successor is appointed, shall be appointed by the Board. In case of a vacancy in the membership of the Committee, caused by any reason other than the expiration of a term of office, a successor shall be appointed by the Board to serve for the unexpired term. The members of the Committee may be appointed to succeed themselves.

XIII. ORGANIZATION OF ADVISORY COMMITTEE

The Advisory Committee shall appoint a chairman and a secretary from among its members. It may appoint such agents, who need not be members of the Committee, as it may deem necessary for the effective performance of its duties, and it may delegate to such agents such powers and duties, whether ministerial or discretionary, as the Committee may deem expedient or appropriate. The compensation of such agents shall be fixed by the said Committee within limits set by the Board. The Advisory Committee shall act by majority vote of the whole Committee. Its members shall serve as such without compensation. The proper expenses of the Committee, including the compensation of its agents, shall be paid by the Trustee out of the Fund upon the written order of the Committee.

XIV. POWERS OF ADVISORY COMMITTEE

The Advisory Committee shall control the administration of the Savings-Sharing Plan herein embodied, and it shall have all powers necessary to enable it promptly to carry out its duties in that respect. Such powers shall include, but shall not be limited to, the power to construe the Plan, to decide all questions relating to the eligibility of employees who participate in the benefits of the Trust, and to decide all questions that may arise under the Plan. All disbursements by the Trustee, excepting the ordinary expenses of administration of the Trust, shall be made upon, and in accordance with, the written instructions of the Advisory Committee. The decisions of the Committee upon all matters within the scope of its authority shall be final.

XV. RECORDS OF ADVISORY COMMITTEE

All acts and proceedings of the Advisory Committee shall be duly recorded by the secretary thereof or under his supervision, and all such records, together with such other documents as may be necessary for the administration of the Savings-Sharing Plan herein contained, shall be preserved in the custody of the secretary.

XVI. EXEMPTION FROM LIABILITY OF ADVISORY COMMITTEE

The members of the Advisory Committee, and each of them, shall be free from all liability, joint or several, for their acts, omissions and conduct, and for the acts, omissions and conduct of their duly constituted agents, in the administration of the Plan herein contained, and the Cooperative shall indemnify and save them and each of them harmless from the effects and consequences of their acts, omissions and conduct in their official capacity, except to the extent that such effects and consequences shall result from their own willful misconduct.

The advisory committee is made up of five members, all of them selected by the board of directors of the cooperative. They serve for terms of from 1 to 5 years. This staggering of terms gives assurance that there will always be experienced members serving on the committee.

Power and responsibility for administration of this plan rests with the advisory committee. Decisions of the committee are final.

The committee must keep accurate records of all its acts and proceedings. It is given authority to hire any necessary outside consultants and to pay the costs from the fund. No disbursements can be made by the trustee from the fund without written instructions from the committee.

The advisory committee serves without compensation. It does so in the interest of employees. Its members are not left open to lawsuits or other trouble because of dissatisfaction or grievance of any employee.

XVII. COMPOSITION OF FUND

The Fund shall consist of all payments by the Cooperative to the Trustee, made in accordance with Article IV of this instrument, together with the net income which may be produced by the investment of the Fund and which shall be added to the principal annually by the Trustee. The Fund shall be held, administered, and invested in the manner hereinafter provided as a single fund.

XVIII. INVESTMENT OF FUND

Subject to the provisions of the next succeeding paragraph hereof, the Trustee shall invest and reinvest the principal and income of the Fund in the securities of the United States of America or of the State in which the Cooperative is located, or any municipality or other legal subdivision thereof or in securities the payment of which is guaranteed by the United States of America or the representative State.

The Trustee shall keep available for payment of the benefits hereinbefore provided such amounts of cash or securities capable of immediate liquidation as in its judgment may be necessary for the payment of such benefits.

The Trustee shall not be liable for any losses which may be incurred upon investment of the Fund, except to the extent that such losses shall have been caused by its bad faith or negligence.

The cooperative wants deposits made to the fund invested wisely by people or organizations which make a specialty of studying investments, and wants the fund to work for employees, increasing in value as time goes on. The trustee is empowered to invest the funds and must add the income thus earned to the fund which is credited pro rata to every participating employee.

Investment is limited strictly to securities of the United States of America or of the State in which the cooperative is located, or any municipality or other legal sub-division thereof, or in securities which are guaranteed by the United States of America or the respective State.

The trustee is responsible only for losses due to its bad faith or negligence.

XIX. POWERS OF TRUSTEE

In addition to the powers elsewhere in this instrument conferred upon it, the Trustee shall have power:

A. To transfer, sell, and convey any of the securities in the Fund without the approval of any court and without obligation upon any person dealing with the Trustee to see to the application of any money or other securities delivered to it;

B. To keep any or all of the securities in the Fund, other than bearer bonds, in its own name without disclosing its fudiciary capacity, or in the name of its nominee with power of attorney for their transfer attached thereto;

C. To collect the principal and income of the securities in the Fund as they become due and payable and to give binding receipt therefor, and if at any time there shall be default in the payment of such principal or income or any part thereof, to take such action, whether by legal proceedings, compromise, or otherwise, as the Trustee, in its discretion, shall deem to be in the best interest of the Trust. The Trustee shall be under no obligation to take any legal action as aforesaid, unless it shall first have been indemnified by the Cooperative with respect to any expenses or losses to which it may be subjected through taking such action; and

D. To segregate any part of the Fund for the purpose of its administration; provided that, except to the extent that the foregoing power to segregate is exercised, the Trustee may hold, manage, control, invest and reinvest the Fund as a common fund for the benefit of the Participating Employees in the respective proportions in which the assets of the Trust may be so jointly invested.

XX. ACCOUNTING BY TRUSTEE

On or before the first day of April in each year the Trustee shall render to the Advisory Committee an account of its administration of the Trust for the preceding year. The written approval of the Committee as to all matters and transactions stated therein or shown thereby shall be final and binding upon the Cooperative and all persons who shall then be or thereafter become interested in the Trust. Any and all allocations made by the Trustee shall not be final until so approved by the Committee.

XXI. RESIGNATION OF TRUSTEE

The Trustee may resign at any time by giving sixty (60) days' written notice to the Board. Upon such resignation becoming effective, the Trustee shall render to the Committee an account of its administration of this Trust during the period following that covered by its last annual account, and it shall perform all acts necessary to transfer the assets of the Trust to its successor.

XXII. REMOVAL OF TRUSTEE

The Board may remove the Trustee at any time by giving sixty (60) days' written notice to the Trustee. In case of such removal the Trustee shall be under the same duty to account for and to transfer the assets of the Trust to its successors as provided in Article XXI hereof.

XXIII. SUCCESSOR TRUSTEE

In case of a vacancy in the trusteeship of this Trust, the Board shall designate and appoint a qualified successor Trustee. Any such successor trustee shall have all the powers herein conferred upon the original Trustee.

XXIV. COMPENSATION OF TRUSTEE

The Trustee shall be entitled to reasonable compensation for its services and reimbursement for all reasonable expenses incurred by it in the administration of this Trust. The amount of such compensation shall be fixed in a separate agreement between the Cooperative and the Trustee, and such compensation and reimbursement shall be paid out of the Fund.

Article XIX states the authority of the trustee in managing the investments of the fund--what it can and cannot do. Each year the trustee gives an account of its administration of the fund. When this report is approved by the advisory committee it becomes binding upon the cooperative and each participating employee.

Articles XXI, XXII, and XXIII make provisions for transfer of funds in the custody of the trustee to a new trustee in the event of resignation or removal of trustee.

Compensation of the trustee is based upon prevailing rates for such services and is paid out of the fund.

XXV. AMENDMENT OF TRUST AGREEMENT

The Cooperative shall have the power to amend the Trust at any time by an instrument in writing, duly executed and acknowledged, and delivered to the Trustee. No amendment shall be made hereunder which would increase substantially the duties, powers, or liabilities of the Trustee without its written consent, or which would reduce the amount already credited to the account of any Participating Employee at the date of the amendment, or which would revest in the Cooperative any part of the principal or income of the Fund; provided that any amendment may be made which is necessary in order: (a) that this agreement (as it may be amended) and the Trust hereunder will be exempt under the provisions of Section 165(a) or similar successor provisions of the Internal Revenue Code; (b) that all contributions of the

Cooperative to the Trust will be allowable in full to the Cooperative as deductions for Federal Income Tax purposes in the year in which made if the Cooperative is subject to, or liable for, any such income tax; and (c) that all contributions of the Cooperative to the Trust (as it may be amended) and all payments pursuant to the provisions of this agreement (as it may be amended) will not be in contravention of any statute, rule or regulation relating to Wage and Salary Stabilization.

The board of directors of the cooperative may amend the savings-sharing agreement at any time. But, the agreement can never be changed by the cooperative so as to take from an employee any portion of the funds set aside for him up to the time of the change. The agreement cannot be changed so as to affect the duties, powers, and liabilities of the trustee unless the trustee consents to such changes.

XXVI. TERMINATION OF TRUST

This Trust shall be terminated upon the expiration of a period of twenty-one (21) years after the date of the death of the last survivor of the class composed of the original Participating Employees and of all other persons in being at the date hereof who will subsequently become Participating Employees, unless it will have been terminated at an earlier date as hereinafter provided.

The Cooperative shall have the power to terminate the Trust at any time by an instrument in writing, duly executed and acknowledged, and delivered to the Trustee. Upon such termination of the Trust the amount credited to each Participating Employee upon the books of the Trustee shall be paid to him in ten (10) equal annual installments beginning on the thirty-first day of December of the year in which such termination occurs, or on the thirty-first day of December of the year 1955, whichever is later. Upon receipt of notice of such termination the Trustee shall liquidate the securities in the Fund as rapidly as may be necessary to provide cash in amounts sufficient to make the distributions to the Participating Employees required herein. Any increase or decrease in the value of the securities in the Fund or the proceeds thereof occurring during the liquidation period shall be allocated among the Participating Employees pro rata.

Notwithstanding the provisions hereof with respect to termination, the Cooperative has no present intention to exercise its power to terminate the Trust.

It is the present intention of the cooperative to have this savings-sharing plan last beyond the lifetime of present employees. However, the cooperative has the right to voluntarily terminate the plan at any time at its discretion.

If this should happen, the trustee would liquidate the assets of the trust and proceed with distribution pro rata to participating employees. None of the assets could be paid to the cooperative. Employees would receive the full amount due them from the fund at that time. But the savings-sharing agreement would come to an end at the date of liquidation.

For legal purposes the trust shall come to an end 21 years after the death of the last survivor of the original group of participating employees. For all intents and purposes that is one generation ahead.

XXVII. CONDITION OF TRUST

The Savings of the Cooperative being defined herein as including in effect that which would be the profits of a corporation other than a cooperative association, the Cooperative intends that for tax purposes the Plan embodied herein (of which the Trust forms a part) shall be regarded as a Profit-Sharing plan of an employer for the exclusive benefit of his employees or their beneficiaries, within the meaning of Section 165 of the Internal Revenue Code and of any similar provision of subsequent revenue laws, and that the Trust shall qualify as a trust forming part of such a Plan, under said Section 165 of the Internal Revenue Code and any similar provision of subsequent revenue laws.

If the Trust be terminated by the Cooperative prior to December 31, 1946, for the reason that there has not been obtained with respect to the Trust (as it may have been amended) such approval or other favorable action by the Commissioner of Internal Revenue or other governmental authorities as may be necessary and sufficient in order to satisfy the Cooperative: (a) that this agreement (as it may be amended) and the Trust hereunder are exempt under Section 165(a) or similar successor provisions of the Internal Revenue Code; (b) that all contributions of the Cooperative to the Trust are allowable in full to the Cooperative as deductions for Federal Income Tax purposes in the year in which made if the Cooperative is subject to, or liable for, any such income tax; and (c) that all contributions of the Cooperative to the Trust (as it may be amended) and all payments pursuant to the provisions of this agreement (as it may be amended) are not in contravention of any statute, rule or regulation relating to Wage or Salary Stabilization, or if the Trust be terminated prior to the said date for the reason that there has not been obtained with respect to the Trust the formal approval of the stockholders of the Cooperative, then, and in either of those events, the entire Fund then held by the Trustee shall be returned forthwith to the Cooperative free and clear of any right or interest of any employee, former employee, beneficiary, or any other person claiming under or through any of them, notwithstanding the provisions of Articles III and XXVI hereof.

For the purpose of this Article, a recital of the reasons for such termination in the instrument effecting such termination shall be sufficient evidence that the termination was made because of the reasons stated.

Article XXVII is a statement of purpose and aims in order to clarify the legal standing of this agreement with the United States Commissioner of Internal Revenue and other U. S. or State Government agencies which would be concerned with its operation.

The plan was in the making for a number of years. After adoption by the board of directors and approval by the stockholders in October, 1945, it was submitted to the U. S. Commissioner of Internal Revenue for approval, as required under section 165(a) of the Internal Revenue Code, as amended. Approval was given.

Group Insurance Plans

This association provides group hospital and surgical insurance and group life insurance for all employees. Details of the two plans are shown on the following pages:

Group Hospital and Surgical Insurance Plan

WHO IS ELIGIBLE?

Everyone employed by the cooperative on April 1, 1954, and their dependents, were eligible at that date. In addition, anyone later employed becomes eligible to join the plan thirty (30) days after the date of employment. Dependents of employees become eligible at the same time as employees.

WHO ARE "DEPENDENTS"?

The wife (or husband) of an employee, and all of an employee's children who are more than fourteen (14) days old but less than nineteen (19) years old, and who are unmarried, are considered dependents. Coverage of dependents is optional, upon payment of the dependents coverage fee.

WHAT BENEFITS ARE PROVIDED?

The policy provides benefits up to the following limits, for employees and covered dependents alike:

1. Hospital room and board -- $20 per day.
2. Hospital extras -- unlimited.
3. Ambulance -- $75.
4. Hospital medical care -- $3 per day.
5. Surgical operations -- as listed in schedule.

Hospital Room and Board: The policy will pay the full charge by the hospital for room and board, up to a limit of $12 per day. This payment will continue up to 120 days for each disability. (A "disability" for an employee is the period during which he is unable to perform active full-time employment. A "disability" for a dependent is any single injury or sickness, including complications therefrom: however, if a dependent recovers and resumes normal activity for three months, any subsequent disability from the same cause shall be considered a new disability.)

There is no yearly limit. If an employee is in the hospital for 120 days, is discharged, and then goes back the next day for a different cause, he has another 120 days on the second confinement.

Hospital Extras: The policy will pay the charge by the hospital for services in addition to room and board. (Except the doctor's or nurse's fees.) There is no limit on this payment, except that the charges must be incurred during the 120 days in which the room and board coverage is effective. This payment covers such things as dressings, drugs (including antibiotics), blood and blood plasma, anesthetist's services, anesthetics, etc.

Ambulance: The policy will pay for the expense of an ambulance to and from the hospital, up to $75 for each disability.

Surgical Operations: The policy will pay the full expense of any surgical operation, up to the limits for each type of operation shown in the Schedule of Operations provided each employee. The maximum payment under this section is $300. Operations will be paid for when performed in a doctor's office or clinic, as well as in a hospital.

In-Hospital Medical Care: The policy will pay the full charge for doctor's visits in a hospital, where no payment for surgical operation is involved, up to a limit of $3 for each visit (no more than one per day) and a total limit of $360 per year. The purpose of this coverage is to pay for the doctor's services in cases if illness or injury which require hospitalization for treatment but do not require an operation, as in the case of pneumonia or poliomyelitis, for example.

MATERNITY BENEFITS

Maternity benefits are payable both to the wife of an employee (when covered under dependent payments) and to female employees. Normally a waiting period of nine (9) months is required from date of joining the plan, but this requirement is waived for employees who join April 1, 1954, transferring from an existing plan, and for their dependents.

Maternity benefits cover childbirth, miscarriage, or complications arising therefrom.

The maternity benefit includes the standard maximum of $12 per day for room and board, up to 120 days, unlimited hospital extras for the same period, (including delivery room, etc.) and ambulance service up to $75. It also includes payment of the cost of obstetrical procedures up to the following limits:

1. Delivery of Child or Children -- $75.
2. Caesarian Delivery -- $150.
3. Miscarriage -- $37.50.

Maternity benefits continue in effect for nine (9) months after termination of the insurance of any employee or dependent, provided that at the time of termination the necessary waiting period had been met or waived.

WHAT SICKNESS OR INJURY IS NOT COVERED BY THE PLAN?

The plan is designed to pay those expenses which would otherwise have to be paid by the individual employee. It therefore does not cover any sickness or injury for which the person concerned is entitled to payment under workmen's compensation or occupational diseases law.

It also does not pay for any sickness or injury in which the person concerned is not under the regular care of a licensed physician and surgeon, or dental services of any kind, or eye refractions (examinations).

The benefits covered by this plan, however, are payable in addition to any similar benefits which an employee may be entitled to under any other plan or any other policy.

WAITING PERIODS

There are no waiting periods under the plan, except for maternity benefits. And this waiting period of nine (9) months is waived for all employees and their dependents who join April 1, 1954, transferring from an existing plan.

FREE CHOICE OF DOCTOR AND HOSPITAL

There is no restriction on any employee or dependent's choice of licensed physician, or of a lawfully operated hospital.

WHEN DOES INSURANCE END?

The insurance of an employee terminates upon non-payment of premium, or when he leaves the employ of the cooperative. Dependent's insurance terminates upon non-payment of dependents coverage fee, or when employee leaves the cooperative. However, if an employee ceases work because of a disability, he may continue his insurance in force during his disability by payment of premiums. In the event of temporary lay-off or approved leave of absence, he may continue his insurance in force for one month upon payment of premium.

WHAT COVERAGE IS PROVIDED AFTER INSURANCE TERMINATES?

In the case of an employee or dependent who is totally disabled at the time his insurance terminates, the benefits of the plan are available at any time within three (3) months thereafter without payment of premium, provided the total disability has been continuous from date of termination.

Maternity benefits are payable within nine (9) months from date of termination.

For a period of sixty days following termination of the group insurance, employees will be eligible to apply for the nearest similar plan of individual hospital insurance then offered by the Company.

WHO PAYS FOR INSURANCE?

Employees pay one-fourth of the cost of the insurance and the cooperative pays the other three-fourths.

Group Life Insurance

Group Life Insurance is provided for employees of the cooperative under two different plans covered by one Master Policy. The basic plan is non-contributory and all employees are eligible after three months' service. The supplemental plan is optional and is a contributory plan with the same eligibility requirements.

Each employee is classified in accordance with his wage scale and the amount of insurance applicable to him determined on the date such insurance becomes effective and thereafter on the date of each increase in salary or wage in accordance with the following tables:

SCHEDULE OF BENEFITS

BASIC PLAN--Non-contributory

Class	Monthly Salary or Wage	Amount of Employee Insurance	Employee Monthly Contribution
I.	Less than $100.00	$ 2,000.00	None
II.	$100.00 but " " 200.00	3,000.00	"
III.	200.00 " " " 250.00	4,000.00	"
IV.	250.00 " " " 350.00	6,000.00	"
V.	350.00 " " " 450.00	8,000.00	"
VI.	450.00 " " " 501.00	10,000.00	"
VII.	501.00 " " " 551.00	12,500.00	"
VIII.	551.00 " " " 651.00	15,000.00	"
IX.	651.00 " " " 751.00	17,500.00	"
X.	751.00 " " " 1,001.00	20,000.00	"
XI.	1,001.00 and over	25,000.00	"

The amount of insurance under the Basic Plan on eligible retired employees will decrease by 10% upon retirement and by a like amount on each of the next four anniversaries of the date of retirement. On the fifth anniversary of his retirement the amount of insurance will be reduced to 25% of the amount of insurance in force immediately prior to retirement.

The amount of insurance under the Basic Plan on eligible retired employees will decrease by 10% at retirement age and a like amount each year for 5 years at which time the amount of insurance will be reduced to 25% of the amount of insurance immediately prior to retirement age.

SUPPLEMENTAL PLAN--Contributory

Class	Monthly Salary or Wage	Amount of Employee Life Insurance	Amount of Dependent Life Insurance	Monthly Contribution to Purchase Paid-Up and Dependent Insurance: Employee Only	Employee and Dependent
I.	Less than $350.00	$ 1,000.00	All	$ 1.00	$ 1.54
II.	$350.00 but " " 450.00	2,000.00		2.00	2.54
III.	450.00 " " " 501.00	4,000.00	Classes	4.00	4.54
IV.	501.00 " " " 551.00	6,000.00		6.00	6.54
V.	551.00 " " " 651.00	8,000.00	See	8.00	8.54
VI.	651.00 " " " 751.00	10,000.00		10.00	10.54
VII.	751.00 " " " 1,001.00	12,000.00	Schedule	12.00	12.54
VIII.	1,001.00 and over	15,000.00	Below	15.00	15.54

DEPENDENT LIFE INSURANCE SCHEDULE

Wife or Husband		$1,000.00
Child:	14 days but less than 6 months	100.00
	6 months but less than 2 years	200.00
	2 years but less than 3 years	400.00
	3 years but less than 4 years	600.00
	4 years but less than 5 years	800.00
	5 years but less than 19 years	1,000.00

All insurance under the Supplemental Plan, except for the Paid-Up portion, terminates upon termination of employment.

Other Employee Benefits

This association provides many nonfinancial employee incentives. A policy has been established to assure employees that promotions will be made from within

whenever feasible. The cooperative provides educational opportunities and has established organized employee training programs. It pays for employees to attend training programs and workshops at State universities and other places.

Employees are represented on various committees. For example, two members of the advisory committee for administering the employee savings-sharing trust agreement are employee representatives.

Employees and their families are invited to attend the annual stockholders' meeting and banquet. The cooperative also sponsors an annual employee picnic each summer and an employee Christmas party in December.

The policies of the cooperative regarding vacations and sick leave for employees are as follows:

Vacation Policy

Permanent full-time employees of Cooperative II are eligible for their first vacation with pay during the calendar year following the one in which employment began. Each calendar year, each employee is eligible for 1 day of vacation with pay for each month (or major fraction thereof) of continuous service completed by him immediately before January 1 of that year, but not to exceed a total of 10 working days (2 weeks) each year, except that

> during the calendar year in which an employee will complete 10 years of continuous service, and during each succeeding calendar year until that in which he will complete 20 years of continuous service, he is eligible for 15 working days (3 weeks) of vacation with pay; and
>
> during the calendar year in which an employee will complete 20 years of continuous service, and during each succeeding calendar year, he is eligible for 20 working days (4 weeks) of vacation with pay.

The vacation schedule is worked out in advance by the employee and his supervisor; and, when possible, the employee is allowed to take his vacation during the period he requests. Vacation credits may not be accumulated from year to year. An extra day of vacation with pay is granted if a recognized holiday occurs during an employee's vacation. When a pay day will occur during an employee's vacation, he may obtain his pay check on his last day of work before vacation.

An employee in good standing who leaves the employ of the cooperative before taking the vacation for which he is eligible receives additional pay in lieu of the vacation which has been earned but not taken, including the vacation benefit accrued during the calendar year in which his employment terminates. Under no other circumstances, however, does an employee receive additional pay in lieu of a vacation earned but not taken.

Sick-Leave Policy

An employee may obtain sick-leave benefits only after the beginning of the calendar year following that in which his employment begins.

Each calendar year, each employee receives one-half day of sick-leave credit for each month (or major fraction thereof) of continuous service completed by him immediately before January 1 of that year; but not to exceed a total of 5 working days (1 week) each year, subject to the provision that an employee's sick-leave credit for any calendar year is reduced on a pro rata basis if such employee is absent any portion of the immediately preceding year on leave of absence or because of extended military service. Unused sick-leave credits are carried forward from one calendar year to the next calendar year up to a maximum of 10 working days (2 weeks) -- that is, in any calendar year an employee may obtain a maximum of 15 working days (3 weeks) of sick-leave credit [the sum of the sick-leave credit earned the preceding year plus the maximum carryover]. Accumulations of sick-leave credits to January 1, 1958, are limited to the maximum number of days specified in the policy in effect up to that date.

In Workmen's Compensation cases, the benefit paid under this policy is the difference between the Workmen's Compensation paid to the employee and his regular base pay until the total amount of his sick-leave credit, calculated as a lump sum, has been exhausted. Any unused portion of his sick-leave benefit is recalculated in terms of remaining days of sick-leave credit.

While, generally, employees are entitled to these special benefits only under the conditions mentioned above, time off is granted in the event of serious illness or death in an employee's family.

Savings-Sharing Plan for Employees of Local Member Associations

Details of the employee incentive plan which covers employees of affiliated local cooperatives of Cooperative II, a regional, are reported on the following pages. About two-thirds of the eligible local retail cooperatives participate in the plan.

The plan is "self-administered" in that all actions go to the boards of directors of the locals for approval. However, the regional cooperative has a hand in the management of the plan since the board of directors of the regional appoints the committee which has general authority for administering the plan. The only cost of the plan to the regional is the time involved in appointing and working with the committee.

The plan is a savings-sharing plan which is exempt under Section 165(a) of the Internal Revenue Code.

Details of the savings-sharing plan and the declaration of trust are reproduced in full for the guidance of cooperatives considering adoption of a similar plan.

THE SAVINGS-SHARING PLAN
FOR
THE EMPLOYEES OF
THE CORPORATE STOCKHOLDERS OF
COOPERATIVE II

ARTICLE I.
Name and Purpose

Section 1.1 Name. The name of the plan set forth in this instrument is "The Savings-Sharing Plan For The Employees of The Corporate Stockholders of Cooperative II."

Section 1.2 Purpose. The purpose of the plan is to enable the employees of the employers adopting the plan to share in the savings of their respective employers.

The savings of each employer being defined so as to include that which would be the profits of a corporation other than a cooperative association, it is intended that for tax purposes the plan shall be regarded as a profit-sharing plan of each participating employer for the exclusive benefit of its employees and their beneficiaries, within the meaning of Section 165 (a), or of any similar successor provision, of the Internal Revenue Code of the United States of America.

ARTICLE II.
Definitions and Interpretation

Section 2.1 Plan. The "plan" is the savings-sharing plan set forth in this instrument.

Section 2.2 Trust. The "Trust" is the trust hereinafter referred to as a part of the plan.

Section 2.3 Employer. An "employer" is an incorporated cooperative association or cooperative corporation regularly employing in its business any number of natural persons as employees.

Section 2.4 Participating Employer. A "participating employer" is an employer that has adopted and is participating in the plan.

Section 2.5 Employee. An "employee" is any natural person regularly employed in the service of an employer.

Section 2.6 Participating Employee. A "participating employee" is an employee who is eligible and who is participating in the plan.

Section 2.7 Beneficiary. A "beneficiary" is a person designated by a participating employee in the manner provided in the plan to receive benefits which may be payable at or after the death of the participating employee.

Section 2.8 Trustee. The "trustee" is Blank Bank, acting under the declaration setting forth the terms of the trust, or any duly appointed successor trustee under that declaration or any amendment thereof hereafter effected.

Section 2.9 Board of Directors. The "board of directors" is the board of directors of Cooperative II, unless the context clearly indicates that the board of directors of another corporation is meant.

Section 2.10 Committee. The "committee" is the committee constituted under the provisions of this instrument for the administration of the plan.

Section 2.11 Effective Date. An "effective date" is the date of the commencement of the participation of an employer in the plan.

Section 2.12 Anniversary Date. An "anniversary date" is the anniversary of an effective date in each subsequent year.

Section 2.13 Plan Year. A "plan year" is a period of one year, either commencing on an effective date and ending on the day immediately preceding the first anniversary date or commencing on any anniversary date and ending on the day immediately preceding the next subsequent anniversary date.

Section 2.14 Declaration of Trust. The "declaration of trust" is the instrument executed by the trustee setting forth the terms of the trust.

Section 2.15 Trust Fund. The "trust fund" is the sum of all the assets of every kind and nature, both principal and income, at any time and from time to time held by the trustee under the declaration of trust.

Section 2.16 Interpretation. Wherever appropriate, the singular number may be read as the plural and the plural may be read as the singular; the masculine gender may be read as the feminine gender or as the neuter gender, and compound words beginning with the prefix "here" shall be read as referring to the entire plan and not to the part thereof in which they occur. This instrument shall be construed according to the laws of the State.

ARTICLE III.
Participating Employers

Section 3.1 Eligibility. Any employer which is the owner of a fully paid share of the capital stock of Cooperative II shall be eligible to adopt the plan and participate in the trust; provided, however, that at least seventy-five per centum of those of its employees who are eligible to participate in the plan will have applied for participation and consented in writing to the salary deductions required for participation.

Section 3.2 Application. Any eligible employer, having adopted the plan by resolution of its board of directors, and desiring to make use of the trust as a part of its plan, shall execute and deliver to the committee an application on a form to be provided for that purpose by the committee. By making the application the employer shall offer:

(a) to send to the committee all applications, data, and information respecting its employees which may be required by the committee in connection with the administration of the plan;

(b) to deduct from the compensation of its employees, and to remit to the committee each month, such amounts as the employees may be required to contribute to the plan;

(c) to remit to the committee when due such amounts as the employer may be required to contribute to the plan for the benefit of its employees; and

(d) to adopt and comply with all the terms and provisions of this instrument and of the declaration of trust to the same extent as though it had been an original party hereto and thereto.

Section 3.3 Acceptance. Upon the acceptance of the application for participation in the plan and trust by the committee, the applicant shall become a participating employer as of the beginning of its fiscal year immediately following the date of acceptance.

Section 3.4 Termination of Employer Participation. Any participating employer (local cooperative) shall have the power to terminate its participation in the plan and trust at the end of its fiscal year by action of its board of directors; provided, however, that it must give sixty days' written notice of its intention to terminate its participation to the committee. The committee shall have the power to terminate an employer's participation in the plan and trust at any time in case the employer should fail to discharge any of its obligations as a participating employer, or in case the participation of the employer should cause the plan or trust to be disqualified under the provisions of Section 165 (a), or of any similar successor provision, of the Internal Revenue Code of the United States of America.

ARTICLE IV.
Participating Employees

Section 4.1 Eligibility. In order to be eligible to participate in the plan, an employee must fulfill the following requirements:

(a) he must be employed by a participating employer;

(b) his customary employment must be for no less than twenty hours per week and for no less than five months per calendar year; and

(c) he must have completed one year of continuous service as an employee.

For the purpose of the plan, continuity of service shall not be deemed to have been interrupted by the transfer of an employee from the employment of one participating employer to that of another without any intervening period of other employment or of unemployment, or by absence from active employment on account of temporary illness, or during authorized vacations or leaves of absence, or during service in the armed forces of the United States during time of war or other national emergency and ninety days thereafter; provided, however, that the employee must return to active employment at the end of any such periods of absence. An employee whose employment by an employer has been or will be severed and subsequently renewed shall be deemed to be a new employee as of the date of his reemployment. In the computation of the length of continuous service, fractional parts of months shall be disregarded.

Section 4.2 Application. Any person who is an employee on the effective date and who is eligible on said date may become a participating employee either on the effective date or on any anniversary date. Any person who is an employee on the effective date and who is not eligible on said date may become a participating employee either on the anniversary date which is coincident with or next following the date upon which he becomes eligible or on any subsequent anniversary date. Any person who becomes an employee after the effective date shall be required, as a condition of his employment, to become a participating employee on the anniversary date which is coincident with or next following the date upon which he becomes eligible.

Every employee who is eligible and who desires or is required to become a participating employee shall execute and deliver to the committee, on a form to be provided by the committee, an application for participation containing such information as may be required for the administration of the plan, including, without limitation, the necessary vital statistics, a beneficiary designation, an authorization of the payroll deductions contemplated under the plan, and an acceptance of the terms of the plan.

Section 4.3 Acceptance. Upon the receipt and approval of the application by the committee, the applicant employee shall become a participating employee as of the date on which he was entitled to, and desired or was required to become a participating employee. Neither the fact that an employee has become a participating employee nor the fact of the adoption of the plan by any employer shall give to any person any right to continued employment, nor shall either fact limit in any way the right of an employer to discharge or to deal otherwise with an employee as an employee without regard to the effect which such treatment may have upon his rights under the plan.

Section 4.4 Termination of Employee Participation. A participating employee may not withdraw from the plan; his continued participation may be terminated by his death, his retirement, the termination of his employment, his ceasing for any other reason to be eligible, the termination of the plan as to his employer, or operation of law.

ARTICLE V.
Contributions

Section 5.1 Employee Contributions. Each participating employee shall contribute to the plan each calendar month an amount computed as follows:

(a) if he be paid on a regular wage or salary basis, his contribution shall be an amount equal to two per centum of his monthly earnings for the first month of the current plan year;

(b) if he be paid on a commission or other irregular basis, his contribution shall be an amount equal to two per centum of his monthly earnings for the period of twelve months immediately preceding the current plan year.

The amount of the employee contributions shall be deducted from the compensation of the employees by their employers and remitted to the committee no later than the fifteenth day of the month following the month for which deducted.

The "monthly earnings" of a participating employee paid on a regular wage or salary basis is the amount of his regular wages in salary, excluding all pay for overtime, irregular bonuses, and employer contributions to the plan and to other employee benefit plans, reduced to a monthly basis as follows:

(a) in the case of one paid on an hourly basis, by multiplying the hourly rate by the number of hours in his normal work month, excluding overtime, but in no event by more than 173-1/3;

(b) in the case of one paid on a weekly basis, by multiplying the weekly rate by 4-1/3;

(c) in the case of one paid on a monthly basis, by taking the monthly rate; and

(d) in the case of one paid on an annual basis, by dividing the annual rate by twelve.

The "monthly earnings" of a participating employee paid on a commission or other irregular basis is the amount of his wages subject to taxation under the provisions of the Federal Unemployment Tax Act, as amended, for the year specified, reduced to a monthly basis by dividing the amount thereof by twelve; provided, however, that the statutory limit upon the amount of such wages subject to taxation shall not limit the amount of the monthly earnings of the participating employee; and provided, further, that if the wages of the participating employee are not subject to such taxation, then the amount thereof that would be subject to such taxation except for the exemption of his employer, shall be used as the basis.

Section 5.2 Employer Contributions. Each participating employer shall contribute to the plan for each plan year an amount equal to three per centum of its total savings realized during such year, after deducting therefrom the amount of all income taxes (if the employer is required to pay such taxes) which the employer would be required to pay for such year but for the deduction of the amount of the contribution made hereunder; provided, however, that the amount of such contribution shall not exceed fifteen per centum of the compensation otherwise paid or accrued during such year to all participating employees in the employ of the employer.

For the purpose of the plan, the savings realized by a participating employer shall be the difference between the sum of the actual cost of goods sold, the expenses of operation, and all other expenses of the employer and the sum of the amounts paid to or deposited with the employer. Amounts set aside pursuant to statutory provisions for a reserve for permanent surplus or for the promotion of cooperative organization and the amount of the employer's contribution to the plan shall not be included as expenses in computing the amount of savings.

The amount of each participating employer's contribution for each plan year shall be remitted to the committee on the last day of the plan year or within forty-five days thereafter.

Section 5.3 Allocation of Employer Contributions. The contribution of each participating employer to the plan for each plan year shall be allocated among the participating employees in the employ of such employer on the last day of such plan year in direct proportion to the respective aggregate amounts of monthly earnings paid by such employer to such employees for such plan year; provided, however, that a participating employee who has been transferred during the year from the employ of such employer to that of another participating employer without any intervening period of other employment or of unemployment shall also share in the allocation upon the basis of the aggregate amount of monthly earnings paid to him by such employer for such plan year.

Section 5.4 Notice of Allocation. As soon as practicable after the close of each plan year, each participating employer shall prepare and send to the committee on a form to be provided by the committee a statement showing the following things:

(a) the names of all participating employees in its employ on the last day of the plan year;

(b) the aggregate amount of the monthly earnings paid or accrued during the plan year to each such participating employee;

(c) the amount of the contribution of the participating employer to the plan for the plan year allocated to each such participating employee; and

(d) any other data required by the committee for the proper administration of the plan.

ARTICLE VI.
Management of Funds

Section 6.1 Trust Fund. All contributions to the plan and all of its assets of every kind shall be held in trust until disbursed in accordance with the terms of the plan. Under the terms of the trust it shall be impossible for any part of the corpus or of the income to be used for, or diverted to, purposes other than for the exclusive benefit of the participating employees or their beneficiaries. No participating employee, beneficiary, or other person shall have any interest in or right to the trust fund, or any part of the corpus or income or assets thereof, except as and to the extent expressly provided in the plan.

Section 6.2 Trustee. The trust fund shall be held in trust by a trustee appointed from time to time by the board of directors, under a declaration of trust substantially in the form attached hereto and made a part hereof, or as it may be modified at any time with the approval of the board of directors. Any trustee so appointed shall be either a bank or trust company organized under the laws of the State, authorized to act as a trustee, and subject to the supervision of the banking authority of this State, or a national banking association organized under the laws of the United States of America and authorized to act as a trustee in the State.

Section 6.3 Payments into Trust Fund. Subject to the terms of the declaration of trust, the committee shall promptly remit to the trustee all employee and employer contributions received by the committee from the participating employers. The committee shall keep an accurate record of each such contribution, showing the amount thereof, the participating employer from which it was received, the date when it was received, and the date when it was remitted to the trustee.

Section 6.4 Disbursements out of Trust Fund. Subject to the terms of the declaration of trust, the trustee shall make disbursements out of the trust fund only pursuant to the written instructions of the committee. All such instructions shall specify with respect to each disbursement the amount thereof, the time and manner in which it is to be paid, and the person to whom or for whose benefit it is to be paid.

ARTICLE VII.
Interest in Fund

Section 7.1 Individual Accounts. The committee shall set up and maintain for each participating employee an individual account showing the amount of his beneficial interest in the trust fund from time to time. The amount of each employee contribution received for the participating employee shall be credited to his account as of the date the amount is received by the committee, and the amount of that part of each employer's contribution allocated to the participating employee shall be credited to his account as of the date the amount is received by the committee. The amount of that part of the net increase or decrease in the value of the assets constituting the trust fund allocated to the participating employee shall be credited or debited to his account as of the valuation date ending the period in which the increase or decrease occurred. The amount of that part of the net income or loss of the trust fund allocated to the participating employee shall be credited or debited to his account as of the valuation date ending the period in which the income or the loss was earned or suffered. The amount of each disbursement paid out of the trust fund to, or for the benefit of, the participating employee or his beneficiary shall be charged to his account as of the date upon which the payment was made.

Section 7.2 Determination and Allocation of Changes in Value. A valuation date shall occur upon the last day of December of each year, and upon any other date specified as a valuation date by the trustee or by the committee. All assets constituting the trust fund shall be valued by the trustee as of each valuation date; for the purpose of the valuation, securities shall be valued at cost plus accrued interest and plus or minus the amortized premium or discount, and annuity contracts shall be valued at the sum of the premiums paid for them. The difference between the value of the assets on the valuation date, so determined, and the value of the same assets on the next preceding valuation date (or, in the case of assets acquired since the next preceding valuation date, the cost thereof) shall be the net increase or decrease in the value of the assets constituting the trust fund for the valuation period. The net increase or decrease for each valuation period shall be allocated by the committee among the participating employees as of the valuation date ending the period in direct proportion to their respective interests on the next preceding valuation date.

Section 7.3 Determination and Allocation of Income and Loss. The trustee shall credit to an income account from time to time all interest received from investments of the trust fund, all gains realized upon the sale or other disposition of assets, and all other receipts and accretions determined by the trustee to be income. The trustee shall charge to the income account as incurred all expenses of the administration of the trust, all losses realized upon the sale or other disposition of assets, and all other amounts determined by the trustee properly to be chargeable against income. The balance of the income account of each valuation date shall be the net income or net loss of the trust fund for the valuation period ending thereupon. The net income or loss for each valuation period shall be allocated among the participating employees as of the valuation date ending the period in direct proportion to their respective interests on the next preceding valuation date.

Section 7.4 Charge for Litigation. In the event any participating employee or person claiming by or through a participating employee should commence any equitable or legal proceeding relating to the plan or to the trust against the trustee, against the committee, or against the employer, the result of which is adverse to the plaintiff, or in the event that the trustee, the committee, or the employer should find it necessary to commence any such proceeding against any participating employee or any person claiming by or through a participating employee, the result of which is adverse to the defendant, the cost to the trustee, to the committee, or to the employer of defending or bringing the proceeding as the case may be, shall be charged, to the extent possible, to the account of the participating employee and only the excess of such cost over the amount of the participating employee's account shall be included as an expense of administration.

Section 7.5 Termination of Interest. When a participating employee becomes entitled to the disbursement of all or a part of his interest in the trust fund, his interest therein shall terminate when the full amount to which he is entitled has been disbursed as hereinafter provided. If his interest is to be disbursed by a means of a series of cash payments, he shall be regarded as a participating employee for the purpose of the allocation of increases and decreases in the value of the assets constituting the trust fund and of net income and net loss of the trust fund until the disbursement is completed.

ARTICLE VIII.
Disbursement of Interest

Section 8.1 Full Disbursement. A participating employee shall be entitled to the disbursement of the full amount of his interest in the trust fund upon the happening of the first of the following events:

(a) his retirement from the service of his employer;

(b) his death; and

(c) the termination of his employment after completion of ten full years of continuous service; provided, however, that the transfer of the participating employee from the employment of one participating employer to that of another without any intervening period of other employment or of unemployment shall not be deemed to constitute a termination of his employment.

For the purposes hereof, a participating employee shall retire on that first day of a month which is coincident with or next following the sixtieth anniversary of the date of his birth; provided, however, that with the consent of his employer he may postpone his retirement to the first day of any month thereafter. A participating employee who has become disabled to render further service satisfactory to his employer may retire before attaining the age of sixty years if authorized to do so by the committee with the consent of his employer.

Section 8.2 Partial Disbursement. A participating employee who resigns or is discharged from the service of his employer before completion of ten full years of continuous service shall be entitled to the disbursement of an amount equal to the sum of:

(a) that part of the net balance of his individual account which bears the same ratio to said net balance as the sum of the employee contributions made by him bears to the sum of all employee and employer contributions made by, or allocated to him; and

(b) that part of the remainder of the net balance of his individual account (after deduction of the part thereof specified in subsection (a) of this section) which will have vested in him according to the following table:

Full years of continuous service	Part of remainder vested
	Percent
0-2 years	None
3 "	30
4 "	40
5 "	50
6 "	60
7 "	70
8 "	80
9 "	90

That part of the net balance not vested in the former employee shall be allocated among the remaining participating employees (in the employ of the same employer) in direct proportion to the net balances of their individual accounts as of the end of the month next preceding the month in which the former employee becomes entitled to the disbursement.

Section 8.3 Method of Disbursement. The method by which disbursements shall be made shall be determined by the committee after giving due consideration to the marital and financial status of the participating employee, any request made by the participating employee, and all circumstances known to the committee relating to his welfare. Disbursements may be made by any of the following methods:

(a) a single cash payment;

(b) a series of cash payments substantially equal in amount;

(c) a monthly life annuity under which payments terminate with the last payment due prior to the participating employee's death;

(d) a monthly annuity for life with the provision that if the participating employee dies before having received a stated number of monthly payments, then any of the number of monthly payments remaining unpaid shall be paid as they become due to the participating employee's beneficiary;

(e) a joint and survivorship annuity under which monthly payments are made while both the participating employee and his beneficiary are living, and after the death of either one, are continued in the same amount to the survivor, terminating with the last payment due prior to the survivor's death;

(f) a joint and two-thirds survivorship annuity under which monthly payments are made while both the participating employee and his beneficiary are living, and after the death of either one, are continued in two-thirds of the original amount to the survivor, terminating with the last payment due prior to the survivor's death.

If a disbursement is made by means of an annuity contract, the exact form of the annuity and the company from which it shall be purchased shall be determined by the committee. An amount disbursed on account of the death of a participating employee shall be paid to his beneficiary, or in default of a beneficiary, to his estate.

Section 8.4 Nonalienability of Interest. Neither the interest of a participating employee in the trust fund nor his right to any disbursement therefrom shall be assignable or subject to legal seizure or otherwise transferable.

ARTICLE IX.
Administration of Plan

Section 9.1 Committee. The general administration of the plan and the duty to carry out its provisions shall be vested in a committee composed of five persons appointed from time to time by the Board of Directors. One member shall be appointed each year and shall serve for a term of five years, except in the case of the first committee, of which one member shall be appointed for one year, one member for two years, one member for three years, one member for four years, and one member for five years. The Board of Directors shall have the power to remove a member of the committee at any time with or without cause. Any member of the committee may resign at any time upon giving written notice to the Board of Directors. The Board of Directors shall have power to fill any vacancies on the committee. The members of the committee shall elect a chairman who must be, and a secretary who need not be, a member of the committee. They shall also appoint from their number such committees with such powers as they may determine, and they may employ such legal and clerical services as they may require in the proper administration of the plan; provided, however, that they shall not delegate the power to requisition funds from the trustee to fewer than a majority of their own number.

Section 9.2 Meetings and Acts of the Committee. The committee shall meet at such times and places, and upon such notice as its members may determine from time to time. A majority of the current membership of the committee shall constitute a quorum for the transaction of business. All acts of the committee at any meeting shall require the affirmative vote of a majority of its current membership. The committee shall keep accurate records of all of its acts and proceedings.

Section 9.3 Compensation and Bonds of Committee. Members of the committee shall receive no compensation for their services as such, but they may be reimbursed, in the discretion of the Board of Directors, for any amounts reasonably and necessarily paid by them in the performance of their duties. Each member of the committee shall furnish a bond for the faithful performance of his duties in such amount and with such surety as may be specified by the Board of Directors, and the cost of such bond shall be paid out of the trust fund as one of the costs of administration.

Section 9.4 Regulations and Rules of Committee. The committee shall have the power to make reasonable rules and regulations required in the administration of the plan, to make all determinations necessary for the administration of the plan except those determinations which the plan requires others to make, and to construe, interpret, and supplement the plan whenever necessary to carry out its intent and purpose and to facilitate its administration. All such rules, regulations, determinations, constructions, and interpretations so made by the committee shall be binding upon all interested parties.

Section 9.5 Freedom from Liability. The members of the committee shall be free from liability on account of any action taken in good faith in the administration of the plan in accordance with its terms.

Section 9.6 Prohibition of Discrimination. In the exercise of its discretionary powers, the committee shall treat all employees uniformly and equitably, and shall never discriminate in favor of employees who are stockholders, directors, officers or highly compensated employees or persons whose principal duties consist of supervising the work of other employees.

ARTICLE X.
Amendment of Plan

Section 10.1 Proposal of Amendment. Any participating employer, by action of its board of directors, may propose an amendment of the plan and certify the proposal to the committee. If the proposal appears to the committee to be practicable, legal, and otherwise desirable, the committee shall certify the proposal to all of the participating employers for adoption or rejection. If the proposal appears to the committee to be impracticable, illegal, or otherwise undesirable, the committee shall return it to the participating employer with a concise statement of its reasons for the return. If, after reconsidering the proposal together with the committee's statement, the participating employer will re-certify the proposal, either in its original form or in a revised form, to the committee, the committee shall certify the proposal and its statement to all participating employers for adoption or rejection.

Section 10.2 Adoption of Amendment. Each participating employer, by action of its board of directors, may adopt or reject the proposed amendment and shall certify its action thereupon to the committee. If, within six months of the date upon which the proposal was certified to the participating employers, a numerical majority of such employers will have certified to the committee that they have adopted the proposal, the amendment shall become effective as of the date specified therein, or, if no date is specified, on the date upon which the committee receives the last of the required number of certifications; otherwise the proposal shall be rejected. In each case, the committees shall promptly give written notice of the adoption or rejection of the proposal to each participating employer.

Section 10.3 Limitations of Power to Amend. No amendment of the plan may increase the duties and responsibilities of the trustee without its written consent, nor may any such amendment reduce the interest of any participating employee in the trust fund vested in him under the plan, or divert any part of the trust fund to any use or purpose other than for the exclusive benefit of the participating employees or their beneficiaries; provided, however, that any amendment may be made which may be necessary in order:

(a) that the plan and trust will qualify under the provisions of Section 165 (a) or of any similar successor provision of the Internal Revenue Code; or

(b) that all of the provisions of the plan and trust will conform to all valid requirements of applicable Federal and State Laws relating to plans and trusts of this kind.

Amendments made for the purposes, or either of them, expressed in the foregoing may be retroactive.

Section 10.4 Rights of Dissenting Employers. Every amendment of the plan duly adopted in accordance with the provisions of this article shall be binding upon all participating employers. Any participating employer that is unwilling to participate in the plan so amended may terminate its participation in the plan in the manner and with the effect elsewhere in this instrument provided.

ARTICLE XI.
Termination of Plan

Section 11.1 Method of Termination. Any participating employer, by action of its board of directors, may terminate its participation in the plan at the end of its plan year by giving to the committee the notice hereinbefore provided. If all of the participating employers terminate their participation in the plan, the entire plan shall terminate.

Section 11.2 Effect of Termination. Upon the termination of an employer's participation in the plan, no further contributions to the plan shall be made by the employer or by the participating employees in its employ excepting the contributions for the plan year ending upon the date of termination. The participating employees in the employ of the former participating employer shall be entitled to the respective amounts of the net balances of their individual accounts, after adjustment to show the allocation of all contributions, increases and decreases in the value of trust assets, income, and expenses for the plan year ending upon the said date of termination. The committee shall select the manner in which each such amount shall be disbursed from among the methods of disbursement hereinbefore provided after giving due consideration to the marital and financial status of the participating employee, any request made by him, and all circumstances known to the committee relating to his welfare; provided, however, that if the committee determines to make the disbursement by means of an annuity contract, it may select a deferred annuity providing for the first payment when the annuitant will have attained the age of sixty years.

DECLARATION OF TRUST

THIS DECLARATION OF TRUST, made as of the ______________ day of ______________________, 19___, by Blank Bank, a national banking association, Witnesseth That:

WHEREAS, certain of the corporate stockholders of Cooperative II have adopted for the exclusive benefit of their respective employees and their beneficiaries a joint savings sharing plan designated as "The Savings-Sharing Plan for The Employees Of The Corporate Stockholders of Cooperative II," hereinafter referred to as the "plan" an accurate copy of which is hereto attached for convenience of reference.

WHEREAS, the plan provides for the creation, as a part thereof, of a trust, hereinafter referred to as the "trust," the terms of which are stated in this instrument, and which has been designated by each of such corporate stockholders as constituting part of a plan intended to qualify under the provisions of Section 165(a), or of any similar successor provision, of the Internal Revenue Code of the United States of America; and

WHEREAS, Blank Bank has been designated as the trustee of the said trust and is willing to act as such trustee, said Blank Bank and its successor or successors being hereinafter referred to as the "trustee";

NOW, THEREFORE, in consideration of the premises, the trustee does hereby declare and promise to and for the benefit of each participating employer:

ARTICLE I.
Name and Purpose

Section 1.1 Name. The name of the trust created and existing under the terms of this instrument is The Savings-Sharing Trust For the Employees Of The Corporate Stockholders of Cooperative II.

Section 1.2 Purpose. The purpose of the trust is to facilitate the administration of the plan for the exclusive benefit of those of the employees of the participating employers in the plan and their beneficiaries. No part of the corpus or income of the trust fund may be used for or diverted to purposes other than for the exclusive benefit of the participating employees and their beneficiaries.

ARTICLE II.
Definitions and Interpretations

Section 2.1 Definitions. As used in this instrument, the following terms shall have the meanings given to them in the respective definitions of them contained in Article II of the plan: "employer," "participating employer," "employee," "participating employee," "beneficiary," "board of directors," "committee," "effective date," "anniversary date," "plan year," and "trust fund."

Section 2.2 Interpretations. Wherever appropriate, the singular number may be read as the plural and the plural may be read as the singular; the masculine gender may be read as the feminine gender or as the neuter gender; and compound words beginning with the prefix "here" shall be read as referring to this entire instrument and not to the part of it in which they occur. This instrument and the trust existing under its terms are to be construed in accordance with, and governed by the laws of the State.

ARTICLE III.
Trust Fund

Section 3.1 Composition of Fund. The trust fund shall be composed of all sums of money and all property acceptable to the trustee and received by it to be held in trust hereunder as evidenced by its receipts, from whatever source received, together with all investments made therewith, the proceeds thereof, and all earnings and accumulations thereon, and the part thereof from time to time remaining. The trust fund shall be held and administered as a single fund without distinction between principal and income, or between employee and employer contributions, or between the contributions of one participating employer and its employees and the contributions of another participating employer and its employees; provided, however, that all amounts which are to be disbursed by means of a series of cash payments shall be segregated as hereinafter provided.

Section 3.2 Investment of Fund. The trust fund shall be invested and reinvested from time to time in securities of the United States of America, in securities the payment of which is guaranteed, both as to principal and interest, by the United States of America, and in securities of any State of the United States of America, in securities of any legal sub-division of any such State and in annuity contracts issued by insurance companies duly licensed to do business in the State of __________; provided, however, that such cash funds as may reasonably be necessary to meet the cash requirements of the plan may be held uninvested. All such investments and the amount of such cash funds shall be subject to the approval of the committee.

Section 3.3 Disbursement of Fund. Except as elsewhere in this instrument expressly provided, no disbursement or payment shall be made out of the trust fund except pursuant to the written order of the committee. Every such order shall be in a form acceptable to the trustee, signed on behalf of the committee in accordance with the terms of the plan and the rules of the committee, and delivered to the trustee. If the interest of a participating employee is to be disbursed by means of a series of cash payments, the amount thereof shall be segregated and transferred to a termination account for the benefit of the former participating employee. The termination account shall bear interest at the rate then being paid by the trustee upon time deposits in its savings department, and it shall be charged with each payment made therefrom.

ARTICLE IV.
Trustee

Section 4.1 Responsibilities of Trustee. Except as provided elsewhere in this instrument, either expressly or by necessary implication, the sole responsibilities of the trustee shall be (a) to receive, accept, and receipt for all contributions and other payments to, and recoveries for, the trust fund made pursuant to the plan, including any duly made amendment thereof; (b) to hold, invest, and reinvest the trust fund in accordance with the terms of this instrument, including any duly made amendment hereof; and (c) to make such payments and disbursements out of the trust fund for the purposes of the plan as the committee may direct in writing pursuant to the terms of this instrument, or of any duly made amendment hereof. The trustee shall have no duty to inquire concerning the amount, time of payment, or source of any contribution tendered to it to be held in trust hereunder; neither shall the trustee be liable for any loss or reduction in value of the trust fund resulting from the making, retention, sale, or exchange of any investment or reinvestment in accordance with the terms of this instrument and not due to its own negligence, willful misconduct, or lack of good faith. The trustee shall also be fully protected in making disbursements from the fund in accordance with the written instructions of the committee, and shall be charged with no responsibility whatever respecting the application of monies so disbursed, and the receipt of the payee shall constitute a full acquittance to the trustee.

Section 4.2 Powers of Trustee. In addition to the powers elsewhere in this instrument conferred upon it, the trustee, without leave of court, shall have the power:

(a) to sell, transfer, assign, exchange, mortgage, pledge, or otherwise dispose of any of the properties comprising the trust fund at such times and at such prices and upon such terms and in such manner as it may deem proper;

(b) to vote upon any stocks, bonds, or other securities of any corporation or other issuer at any time held in the trust fund, or otherwise request or consent to any action on the part of any such corporation or other issuer, and to give general and special proxies and powers of attorney with or without substitution and to participate in reorganization, recapitalization, consolidation, mergers, and similar transactions with respect to such securities; and to deposit such stocks or other securities in any voting trust or with any protective or like committee or with a trustee or with depositaries designated thereby and to exercise any subscription rights and conversion privileges and generally to exercise any of the powers of an owner with respect to stocks or other securities or property comprising the trust fund.

(c) to cause the securities or other property comprising the trust fund or any part thereof to be registered in its name or in the name of its nominee with or without disclosure that the same are held in fiduciary capacity or to take or keep the same unregistered and to retain them or any part of them in such manner that they will pass by delivery; provided, however, that such securities shall always be shown on the books and records of the trustee to be a part of the trust fund, and that no such registration or holding shall relieve the trustee of liability for the safe custody and a proper disposition of such property in accordance with the terms of this instrument;

(d) to deposit cash funds of the trust fund (other than the funds segregated in termination accounts) as a general deposit without liability for interest thereon either separately or together with other trust funds under the control of the trustee in its own deposit department;

(e) to borrow such sums of money upon such terms for such periods of time at such rates of interest and upon giving such collateral as it may deem proper;

(f) to employ agents, accountants, attorneys, and assistants deemed by it to be necessary for the proper administration of the trust (including, in the discretion of the trustee, counsel also consulted or employed by the committee, or by any participating employer, or by the board of directors), and to rely and act upon information and advice furnished by such agents, experts, and counsel in their respective fields;

(g) to determine and pay out of the trust fund all reasonable fees, expenses, charges and taxes connected with the administration of the trust;

(h) to rely and act upon any written notice, certification, instruction, or other document or writing believed by it to be genuine and to have been filed and delivered by the proper person, without duty or obligation of any kind to make any investigation or inquiry as to the statements contained therein, and to accept the same as conclusive evidence of the truth and accuracy of the statements therein contained; provided, however, that in its sole discretion the trustee may require such further evidence as it may deem reasonable, and

(i) to do any thing and to perform any act reasonably necessary to the performance of any of its duties under the terms of this instrument.

Section 4.3 Instructions of Trustee. All instructions, directions, orders, and requests from the committee to the trustee shall be in writing and shall be signed by two persons thereto authorized by the committee. From time to time, and whenever the trustee may so request, the trustee shall be furnished with certificates executed by the chairman and the secretary of the committee, designating the persons who are then authorized to sign such written instructions on behalf of the committee and containing specimens of the signature of such persons. The trustee shall act, and shall be fully protected in acting in reliance upon such certificates and instructions.

Section 4.4 Accounts of Trustee. The trustee shall keep accurate and detailed records and accounts of all investments, receipts, disbursements, and other transactions pertaining to the administration of the trust. All such records and accounts shall be open to inspection at all reasonable times by any person designated by the committee. Within fifteen (15) days after the close of each month, the trustee shall file with the committee a written account setting forth all investments, receipts, disbursements, and other transactions affected by it during the month, and containing an exact description of all securities purchased and sold, the cost or net proceeds of the sale, the securities and investments held at the end of such month, the cost of each item thereof as carried on the books of the trustee, and if requested by the committee, the value of each such item on the last day of the month adjusted in accordance with the provisions of Section 7.3 of the plan. The said account shall be available for inspection at all reasonable times by the committee, by any participating employer, and by each of the participating employees. Upon expiration of a period of ninety days after the filing of each such account, the trustee shall be forever released and discharged from any liability or accountability to anyone as respects the propriety of its acts and transactions shown in the account except in respect to such acts and transactions as to which the committee, a participating employer, or a participating employee, within the said ninety-day period, may file with the trustee a written statement setting forth its exceptions or objections. Nothing contained in this section shall prevent the trustee's taking such action as it may deem necessary or advisable to procure a settlement and allowance of its accounts by any court having jurisdiction over the administration of this trust, and if such action be taken by the trustee, all necessary and reasonable costs and expenses thereof shall be chargeable to the trust fund as an expense of administration. The trustee shall also furnish to the committee or to any participating employer upon request such additional accounting information available to it as may be required for the preparation of the data required to be filed in support of income tax deductions claimed by any participating employer on account of its contributions to the plan.

Section 4.5 Change of Trustee. The trustee may resign at any time by giving to the board of directors a thirty days' written notice of his intention to do so; the board of directors may remove the trustee at any time by giving to the trustee a written notice of its intention to do so. In either case, the board of directors shall appoint a successor trustee. All power and authority of the old trustee shall terminate as of the effective date of the resignation or removal, at which time all such power and authority shall be vested in the successor trustee without any further act or deed; provided, however, that if a successor trustee will not have been appointed and qualified on said date, the power and authority of the old trustee shall continue until the latter appointment and qualification of a successor trustee, at which time said power and authority shall be so vested in the successor trustee. As of the time of the vesting of such power and authority in the successor trustee, the old trustee shall assign, transfer and set over unto the successor trustee the funds and properties then constituting the trust fund; provided, however, that the old trustee may retain in reserve such sum of money, or may liquidate assets and from the proceeds thereof reserve such sum, as it may deem to be sufficient for the payment of its expenses in connection with the settlement of its accounts or otherwise, and after the payment of such expenses; it shall pay the balance of such reserves then remaining to the successor trustee then qualified and acting.

Within thirty days after a change of trustee has become effective, the old trustee shall file with the committee an account of its administration of the trust, for the period subsequent to its latest accounting, containing the same information required to be contained in its monthly accounts. Upon the expiration of a period of ninety days after the filing of such account, the old trustee shall be forever released and discharged from any liability or accountability to anyone as respects the propriety of its acts and transactions shown in the account except in respect to such acts and transactions as to which the committee, a participating employer, or a participating employee, within the said ninety-day period, may file with the old trustee a written statement setting forth its exceptions or objections.

No successor trustee shall be liable or responsible in any way for anything done or omitted prior to the date as of which it becomes a trustee, nor shall it be required to examine or to question in any way the administration of the trust prior to said date. On written instructions of the committee the successor trustee may prosecute and maintain any action against a predecessor trustee specified in the instructions.

Section 4.6 Authority of Trustee. No person dealing with the trustee shall be required to take cognizance of the provisions of this instrument or to inquire regarding the authority of the trustee to do any act which the trustee may do pursuant to its terms, but every person shall be entitled conclusively to presume that the trustee is properly authorized to do any such act. No person shall be liable to anyone whomsoever for any acts done hereunder pursuant to the written direction of the trustee. Any person dealing with the trustee may conclusively presume that the trustee has full power and authority to receive and receipt for any money or property becoming due and payable to the trustee, and no such person shall be bound to inquire as to the disposition or application of any money or property paid to the trustee or paid in accordance with the written directions of the trustee. A certificate of the secretary of the committee certifying the name of the corporation which is then the trustee hereunder, shall be conclusive evidence for all purposes that such corporation is the trustee hereunder at the date of the certificate, or at the date specified in the certificate.

ARTICLE V.
Amendment and Termination

Section 5.1 Amendment. This instrument may be amended at any time by agreement between the trustee and the board of directors; provided, however, that no amendment may be made which would be inconsistent with the provisions of the plan, as in effect at the time of the amendment.

Section 5.2 Termination. If the plan be terminated, the trust shall continue and the trust fund shall be dealt with in accordance with the provisions of Section 11.2 of the plan, after which the trust shall terminate.

IN WITNESS WHEREOF, Blank Bank has caused its name to be hereunto subscribed by its ______________________________ and its corporate seal to be hereto affixed and attested by its ______________________________.

BLANK BANK

By ______________________________________

Attest:

____

(Corporate Seal)

STATE OF _____________________)
)
COUNTY OF ____________________)

On this _________ day of ______________________, 19____, before me a Notary Public within and for said county, personally appeared ___________ ________________________________ and ____________________________________, to me personally known, who, being by me first duly sworn, did depose and say that they are the ____ and ____, respectively, of Blank Bank, the corporation named in and which executed the foregoing instrument; that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and they acknowledged said instrument to be the free act and deed of said corporation.

____

Notary Public, ________________ County,

________________ State

My commission expires

Cooperative III

Contents

Cooperative III

This association is a regional wholesaling and manufacturing cooperative serving several hundred local grain marketing associations in the Midwest. The association's business volume is in excess of $10 million annually. Major products handled include feed, fertilizer, seeds, and chemicals. This regional cooperative was organized over 30 years ago by managers of member locals in order to provide their members with a reliable source of supplies. Managers of the locals serve as directors of the regional.

The association employs over 100 persons. All employees are covered by group insurance plans as well as a retirement plan. About 40 percent of the employees are covered by one of several incentive plans in effect. Those not covered are primarily union employees.

The incentive system now in effect was developed over 5 years ago by a business consultant in conjunction with a reorganization of the cooperative. Prior to the present incentive system the association had an employee bonus arrangement (optional with board of directors each year) which was discontinued when the new program went into effect. The board of directors felt that bonus payments could not be justified, since they were not tied to any definite formula but were often based at least partially on personal feelings.

The incentive system is a result of management's own initiative -- not union demands. The plan was already in effect before any employees were covered by union contract. While employees under union contract are not covered by any of the special group incentive plans, they are covered by all other employee benefits provided by the cooperative. These benefits include the retirement program and group insurance.

All employees operate in accordance with provisions of the union agreement concerning working hours, overtime pay, holidays, and vacations.

Morale of employees was reported and observed to be very good. Employee wages and salaries are believed to compare favorably with the community average for comparable work. In addition, many desirable nonfinancial incentives are effectively used to attract and hold employees.

Management uses every opportunity to sell cooperative practices to employees. Up until a few years ago, however, employees could not invest in the organization. Now employees are given that opportunity. Several employees have purchased expansion or building notes issued by the cooperative. Management feels that these investments tend to tie employees closer to the association and provide an additional interest in the success of the cooperative.

Incentive Payment Plans[1]

The incentive system of this cooperative is about 5 years old. The attitude and morale of participating employees, hired management, and the board of directors is regarded as satisfactory. That the incentive program is considered successful is indicated by the following paragraph quoted from correspondence with management.

> "The plan has been in effect several years, and each year confirms our belief that an incentive program pays dividends to the cooperative. I doubt that we would make many changes in the plan were it to be done again. We feel that we now have more employee interest and enthusiasm than before. They are all aware that as each contributes more toward company success, and the company prospers, each will benefit according to his effort."

Records of the cooperative indicate an increase in both volume and savings each year since the plan has been in effect. While one cannot attribute the growth and success of the association to the employee incentive plan, it is felt that the incentive plan is at least a contributing factor. Management reports that there is concrete evidence to support this statement. Each individual employee is apparently shouldering more duties and assuming greater responsibilities on the theory that he or she is contributing to the success of an undertaking wherein they will be rewarded. The plan keeps employees alert, particularly key employees.

As indicated earlier, the board of directors is made up of managers of member locals. It is possible that the experience of these men as managers gives them a more complete understanding of the importance of employee incentives than board members without such experience.

There is some thinking among board members, however, that if incentive payments are permitted to become too high the entire incentive system may be upset.

A general evaluation of the plan now in effect reveals two features which could possibly call for adjustment in the future. In the first place, incentive payments are tied to <u>gross</u> margins instead of <u>net</u> margins. In other words, expenses are not considered in figuring incentive payments. Mercenary employees

1/ NOTE: The manager of this association wrote us in May 1962, after this report was ready for publication, as follows:

"Since you received the information pertaining to our incentive programs there have been some revisions made. One is that incentive payments to both management and sales people are now based on the basis of net earnings rather than on gross. The schedules have also been worked out to a slightly different degree.... The plans were still working out very satisfactorily for us, although we felt for the future and for protection of the organization that it would be better to change it..."

This report has not been revised in line with these latest revisions.

could conceivably go overboard increasing sales and gross margins to increase incentive pay. Such increases in sales and gross margins could result in no real benefit to the cooperative. Loose credit policies resulting in losses from accounts receivable that are not paid and uncontrolled expenses could increase gross margins but decrease net margins. (See footnote 1 at bottom of page 86.)

Secondly, the plan does not provide for any ceiling on incentive payments. This could lead to what might be regarded as unduly large incentive payments as the association grows and gross margins (total sales less cost of materials) increase.

The plan itself is not easy to administer. The association serves several States. Business conditions over such a wide area are bound to be spotty. Excess moisture on the one hand and drought on the other are factors influencing business volume over which employees have no control. Thus business can be good in one area and poor in another. Many other outside conditions make business volume and gross margins uncertain.

A rather common problem encountered is that of equity between employees in the same department and the same market area. Employees want pay for effort. Some complain that conditions beyond their control exert too great an influence in determining their incentive pay. However, this has been a minor problem in this association to date.

In fact, the cooperative reports that no major problems have arisen to date, and there have been few complaints from employees. Both management and employees as a whole are well pleased and enthusiastic with the plans they now have. Those in control have used judgment in administering the plan, at times waiving some rules when complaints were justified.

As stated earlier, the employee incentive system of this cooperative does not cover all employees. Actually, the system is made up of several different plans, each covering only one specific group of employees. Union employees, as indicated earlier, are not covered. Four of the plans are described in detail on the following pages. The plans cover (1) management, (2) office personnel, (3) service representatives or salesmen, and (4) print shop personnel.

Incentive Plan for Management Personnel

This plan specifically provides for incentive payments to the following persons: General manager, distribution manager, controller, director of research and education, research manager, educational director, advertising manager, service manager, purchasing agent, and production manager.

This incentive plan for management personnel is devised to give them the opportunity to increase their earnings by performing their duties effectively and discharging their particular responsibilities so as to contribute, through their individual efforts and through cooperating with each other, to the highest possible achievement of the cooperative's objectives.

Each of the management personnel covered by the plan has specific areas of company activities for which he is responsible and towards the effectiveness of which he contributes in direct relation to the management effort, ingenuity and forcefulness he puts forth. The incentive payments to each are based on the results produced in the area of activity most closely associated with management personnel.

Incentive payments to management personnel are based on quarterly gross margin of savings (total sales less cost of materials). Each of the management personnel covered receive their incentive payments in the last week of the month following the end of each quarterly period. They are given a monthly statement the last week of each month showing incentive earnings accrued to them for the current quarter to the end of the preceding month.

The incentive payment to management personnel is based on the following computation:

> Whenever the quarterly gross margin of savings exceeds $152,000, the excess is multiplied by a pre-determined percentage for each of the employees covered, and the result constitutes the incentive payment made to the employee for the quarter.

The following example shows the percentage of incentive base that applies to each covered employee. The tabulation demonstrates the manner of computing quarterly incentive earnings.

Management personnel by title	Quarterly gross margin	Standard quarterly gross margin of savings	Excess	Percent of incentive base	Quarterly incentive earnings
	Dollars	Dollars	Dollars	Percent	Dollars
General manager	250,000	152,000	78,000	1.37	1,342.60
Distribution manager	225,000	131,700	93,300	1.06	988.98
Controller	250,000	152,000	98,000	.77	754.60
Director of research and education	250,000	152,000	98,000	.69	676.20
Research manager	250,000	152,000	98,000	.55	539.00
Educational director	250,000	152,000	98,000	.49	480.20
Advertising manager	250,000	152,000	98,000	.53	519.40
Service manager	250,000	152,000	98,000	.77	754.60
Purchasing agent	250,000	152,000	98,000	.53	519.40
Production manager	250,000	152,000	98,000	.55	539.00

The quarterly gross margin of $250,000 used in the preceding example is an assumed figure for purposes of illustration.

In figuring the incentive payment for the distribution manager, the gross margin of savings is reduced by sales costs (salesmen's earnings, including incentive payments, car and travel expense of salesmen, sales meeting expense, and salesmen supplies) before applying the incentive percentage base of 1.06 percent.

Incentive Plan for Office Personnel

The stated purpose of this plan is to provide office personnel with the opportunity to increase their earnings by performing their assigned duties accurately and with dispatch, coordinating their efforts, cooperating fully with each other in the jobs to be done, and preparing a complete and accurate balance sheet and statement of margins and savings on the dates prescribed by management.

From the monthly gross margins (total sales, less cost of materials) a salary and bonus pool is set up. The amount depends on the monthly gross savings and is computed by using the percentage figures shown in table 1.

The employees bonus is placed in a pool, for the reason that the performance necessary to attain the objectives of management depends upon the cooperation employees give and receive from each other. And, for the further reason that the controller may reassign any duty at any time to the 15 to 20 employees participating in this plan.

The monthly salary and bonus pool for office personnel is computed in the manner set forth in the following example:

Monthly gross savings (for illustrative purposes)	$84,000.00
Salary and bonus pool at schedule rate (84,000 falls between 83,500 and 84,250) of 4.518 percent	3,795.12
Less: Regular salary (actual earning)	3,414.74
Earned bonus pool to be divided between office personnel	380.38

The bonus of each individual office employee is computed in the following manner: Divide the amount of the earned bonus pool by the total regular sal-

Table 1. - Schedule for computing the bonuses of office personnel

Monthly gross savings	Total regular wages 1/	Incentive	Regular wages plus incentive	Percentage of gross savings
Dollars	Dollars	Dollars	Dollars	Percent
100,000	3,414.74	546.35	3,961.09	3.961
99,250	"	537.82	3,952.56	3.982
98,500	"	529.28	3,944.02	4.004
97,750	"	520.74	3,935.48	4.026
97,000	"	512.21	3,926.95	4.048
96,250	"	503.67	3,918.41	4.071
95,500	"	495.13	3,909.87	4.094
94,750	"	486.60	3,901.34	4.117
94,000	"	478.06	3,892.80	4.141
93,250	"	469.52	3,884.26	4.165
92,500	"	460.98	3,875.73	4.189
91,750	"	452.45	3,867.19	4.214
91,000	"	443.91	3,858.65	4.240
90,250	"	435.37	3,850.11	4.266
89,500	"	426.84	3,841.58	4.292
88,750	"	418.30	3,833.04	4.318
88,000	"	409.76	3,824.50	4.346
87,250	"	401.23	3,815.97	4.373
86,500	"	392.69	3,807.43	4.401
85,750	"	384.15	3,798.89	4.430
85,000	"	375.62	3,790.36	4.459
84,250	"	367.08	3,781.82	4.488
83,500	"	358.55	3,773.29	4.518
82,750	"	350.01	3,764.75	4.549
82,000	"	341.47	3,756.21	4.580
81,250	"	332.93	3,747.67	4.612
80,500	"	324.40	3,739.14	4.644
79,750	"	315.86	3,730.60	4.677
79,000	"	307.32	3,722.06	4.711
78,250	"	298.78	3,713.54	4.745
77,500	"	290.25	3,704.99	4.780
76,750	"	281.72	3,696.46	4.816
76,000	"	273.18	3,687.92	4.852
75,250	"	264.64	3,679.38	4.889
74,500	"	256.10	3,670.84	4.927
73,750	"	247.56	3,662.30	4.965
73,000	"	239.03	3,653.77	5.005
72,250	"	230.49	3,645.23	5.045
71,500	"	221.95	3,636.69	5.086
70,750	"	213.42	3,628.16	5.128
70,000	"	204.88	3,619.62	5.170
69,250	"	196.34	3,611.08	5.214
68,500	"	187.81	3,602.55	5.259
67,750	"	179.27	3,594.01	5.304
67,000	"	170.73	3,585.47	5.351

1/ Changes as employees are increased or decreased.

aries paid all office personnel for the month. This gives a percentage of bonus earned to salaries paid. Multiply the resulting percentage by the individual earnings of each employee. For example:

Total amount of earned bonus pool to be divided between office personnel	$380.38
Total regular monthly salaries paid all office employees, including overtime	$3,414.74
$380.38 divided by $3,414.74 equals	11.14 percent
If an employee's regular monthly salary, including overtime, is $338, for example, compute his bonus by multiplying $338 by 11.14 percent. Amount of bonus for month	$37.65

All office employees are engaged in maintaining current records with the aim of facilitating and expediting the preparation of a monthly balance sheet and statement of operations. The more current these financial statements are, the better management's control over operations can become. Therefore, in order to achieve current reporting, a penalty clause is imposed on the office personnel if an accurate and complete balance sheet and statement of margins and savings is not prepared on the date prescribed by management. The standard due date established is the 12th of the next month following the closing of the books. Every day the preparation of an accurate and complete balance sheet and statement of operations is delayed, the earned bonus pool for office personnel is reduced by 10 percent. For example:

Bonus pool to be divided	$380.38
Balance sheet and statement of operations completed one day late. (10 percent penalty)	38.04
Balance of pool to be divided	342.34
$342.34 divided by $3,414.74 equals	10.02 percent

This procedure is continued until the penalties exhaust the bonus pool. The decision as to whether the balance sheet and statement of operations is accurate and complete rests with the general manager.

Earned bonuses are paid monthly and are included in the next pay check after the 15th of the month following the month for which it is paid. Office personnel are paid their regular base salaries and overtime biweekly.

Incentive Plan for Service Representatives

The stated purpose of this plan is to give service representatives an opportunity to increase their earnings by performing their assigned duties effectively, organizing and coordinating their service efforts with the service objectives of the association, and thus successfully carrying out the service programs of the cooperative in their assigned districts. Each service representative is assigned one district.

The incentive plan for service representatives is based upon a point system. Point values are established for each commodity unit sold. Table 2 sets these point values. Each service representative is assigned a monthly point quota, which is the minimum number of points he must earn in a month to qualify for a bonus payment for that month.

Table 2. - Bonus point values established for service representatives

Commodity	Bonus points	Unit
Carlot ingredients	10	Ton
L.C.L. ingredients	38	Ton
Mixed feeds	172	Ton
Felco mineral	210	Ton
Felco 30	108	Ton
Peat litter	3.5	Bale
Fertilizer	10	Ton
Twine	2	Bale
Quadrex	24	Case
3 plus 3	14	Bag
Vitamins	22	Case
Fence	44	Ton
Coal	2	Ton
2 4-D	4	Gallon
Seed	200	Ton
Oyster shells	246	Car
Salt	145	Car
Brick and tile	0.5	Dollar
Scoops	0.5	Dollar
Creosoted posts	0.4	Dollar
Ladders	0.4	Dollar
Milk	0.8	Dollar
Poultry supplies	1.6	Dollar
Farm gates	1.3	Dollar
Wood feeders	1.5	Dollar
Poultry remedies	1	Dollar
Stock tanks	1.2	Dollar
Grain bins	2	Dollar
Disinfectant	2	Dollar
Chore-time self feeders	2	Dollar
Batteries	2	Dollar
Inoculation	0.4	Dollar

The territory of the cooperative is divided into eight districts. Bonus point quotas are assigned the service representatives in each district. These bonus point quotas vary by districts and are related to the cooperative's sales and previous operating experience in each district. Table 3 shows the bonus point quotas established for each district.

At the end of each month the total bonus points earned by each service representative are computed by totaling the point values of all commodity units shipped by the cooperative into each district during the month. From this total is deducted the bonus point quota (table 3) that each service represent-

Table 3. - Monthly bonus point quotas, by districts, for service representatives

District	Monthly bonus point quota
One	56,457
Two	54,895
Three	45,747
Four	54,723
Five	54,300
Six	52,385
Seven	48,060
Eight	44,060

ative must meet to qualify for an incentive payment. The bonus points in excess of the monthly point quota of each service representative establish his base for incentive payment.

To compute a service representative's incentive payment, his bonus points must first be converted to a dollar value. This is done by dividing his total bonus points by 10, since the plan provides that each 10 bonus points shall have a value of $1.

The bonus earnings are then determined by adding the total dollar value of the bonus points accumulated on all commodities sold during the month and applying the applicable percentage. There are only two percentages used. If the dollar value of a service representative's bonus points is less than $8,400, the percentage applied is 4.7. And if the total dollar value is more than $8,400 the percentage applied is 5.0.

The following example illustrates the method of computing the bonus earnings of a service representative. The example is for the service representative of district five.

Monthly bonus point quota	Total bonus points earned	Bonus points above quota	Dollar value of bonus points above quota	Incentive percentage	Bonus earnings
54,300	80,294	25,994	$2,599.40	4.7	$122.40

The first 3 months of employment with the cooperative are designated as the training period for each service representative. During the training period the representative is eligible to participate in the incentive plan, but is not required to meet any point quota although a quota is alloted to him as a trainee. Should his quota be exceeded, he participates in the bonus, however.

After the initial 3 months acclimation period, when a representative earns less points in a month than his assigned monthly point quota, the difference between points earned in the month and his assigned monthly quota are charged against his future bonus earnings. Thereafter, in any month for which he earns bonus points, any points remaining charged against him are deducted from such earned bonus points before he is paid a bonus. For example:

Month No. 1 monthly point quota	Points earned	Points charged against representative
54,300	50,000	4,300

Month No. 2 monthly point quota	Points earned	Accumulated points charged against representative
54,300	54,000	4,600

Month No. 3 monthly point quota	Points earned	Bonus points	Points charged from previous months	Remainder of bonus points
54,300	76,000	21,700	4,600	17,100

In this example, the bonus payment would be computed as follows:

Remainder of bonus points	Dollar value	Incentive percentage	Bonus earnings
17,100	$1,710	4.7	$80.37

All service representatives are paid a base salary of $425 per month, during the first 3 months and $445 after that time, payable biweekly. The base salary is paid regardless of points earned.

The cooperative furnishes each service representative with a biweekly statement showing the status of his bonus earnings for the period. This statement shows bonus points and bonus earned for the period to date, or any bonus points charged against him. Bonuses earned are paid in the period following the end of each 4-week period.

Incentive Plan for Print Shop Personnel

The stated purpose of this plan is to provide print shop personnel with an opportunity to increase their earnings by performing their assigned duties effectively and with dispatch, and to handle the volume of printing and other services of their department with the lowest expense consistent with good quality.

From the monthly gross margins (total sales, less cost of materials) of the cooperative a salary and bonus pool is set up. The amount depends on the monthly gross savings and is computed by using the percentage figures shown in table 4. This plan is similar in principle to the one in effect for office personnel of

Table 4. - Schedule used in computing bonuses of print shop personnel

Monthly gross margin	Base wage	Incentive	Base wage plus incentive	Percentage of gross
Dollars	Dollars	Dollars	Dollars	Percent
100,000	1,165.78	186.52	1,352.30	1.352
99,250	"	183.61	1,349.39	1.359
98,500	"	180.69	1,346.47	1.366
97,750	"	177.78	1,343.56	1.374
97,000	"	174.86	1,340.64	1.382
96,250	"	171.95	1,337.73	1.389
95,500	"	169.03	1,334.81	1.397
94,750	"	166.12	1,331.90	1.405
94,000	"	163.20	1,328.98	1.413
93,250	"	160.29	1,326.07	1.422
92,500	"	157.38	1,323.16	1.430
91,750	"	154.46	1,320.24	1.439
91,000	"	151.55	1,317.33	1.447
90,250	"	148.63	1,314.41	1.456
89,500	"	145.72	1,311.50	1.465
88,750	"	142.80	1,308.58	1.474
88,000	"	139.89	1,305.67	1.483
87,250	"	136.97	1,302.75	1.493
86,500	"	134.06	1,299.84	1.502
85,750	"	131.15	1,296.93	1.512
85,000	"	128.23	1,294.01	1.522
84,250	"	125.32	1,291.10	1.532
83,500	"	122.40	1,288.18	1.542
82,750	"	119.49	1,285.27	1.553
82,000	"	116.57	1,282.35	1.563
81,250	"	113.66	1,279.44	1.574
80,500	"	110.74	1,276.52	1.585
79,750	"	107.83	1,273.61	1.597
79,000	"	104.92	1,270.70	1.608
78,250	"	102.00	1,267.78	1.620
77,500	"	99.09	1,264.87	1.632
76,750	"	96.17	1,261.95	1.644
76,000	"	93.26	1,259.04	1.656
75,250	"	90.34	1,256.12	1.669
74,500	"	87.43	1,253.21	1.682
73,750	"	84.51	1,250.29	1.695
73,000	"	81.60	1,247.38	1.708
72,250	"	78.69	1,244.47	1.722
71,500	"	75.77	1,241.55	1.736
70,750	"	72.86	1,238.64	1.750
70,000	"	69.94	1,235.72	1.765
69,250	"	67.03	1,232.81	1.780
68,500	"	64.11	1,229.89	1.795
67,750	"	61.20	1,226.98	1.811
67,000	"	58.28	1,224.06	1.826

this association. The base wage, however, and the incentive are different. About half a dozen employees are covered by the plan.

The earnings are placed in a pool for the reason that the objectives set by management for the print shop activities are achieved by the cooperative effort of its personnel, and their contributions to the cooperative's objectives consist of the services they render as a unit.

In computing the bonus pool to be divided, the total monthly salaries (including overtime) incurred by the print shop personnel are deducted from the salary and bonus pool at the schedule rate, and the balance is divided among the personnel then employed on the basis of their actual earnings for the month.

The monthly salary and bonus pool is computed as in the following example:

Monthly gross savings	$84,000
Salary and bonus pool at 1.542 percent (schedule rate - $84,000 falls between $83,500 and $84,250)	1,295.28
Less: Regular salaries, including overtime	1,165.78
Earned bonus pool to be divided	129.50

The bonus of the individual employee is computed in the following manner: Divide the amount of the earned bonus pool by the total regular salaries paid for the month, thereby obtaining a percentage of bonus earned to salaries paid. Multiply the resulting percentage by the individual earnings of each employee. For example:

Amount of earned bonus pool	$129.50	
Total regular salaries, including overtime	1,165.78	
$129.50 divided by $1,165.78 equals		11.11 percent
If an employee's regular monthly earning was $433.30, compute his bonus by multiplying $433.30 by 11.11 percent -- amount of bonus for month	$48.13	

Earned bonuses are paid monthly. The payments are included in the next pay check after the 15th of the month following the month for which they are paid. All print shop personnel receive their regular base salaries and overtime every second Thursday.

Retirement Plan

All employees of Cooperative III and employees of its local member cooperatives are covered by a retirement plan. This is the same type plan used by many other regional and local associations in the Midwest.

The purpose of the plan is to provide regular monthly income after retirement for employees. All benefits accruing under the plan are in addition to social security benefits and do not affect their payment in any way.

The amount of retirement income for each employee depends upon his years of service and earnings. The following outline explains the provisions of the plan and benefits provided.

Eligibility in the Plan

The plan covers not only employees of Cooperative III, a regional federation, but also all associated organizations and member companies of Cooperative III.

Any employee of a member cooperative is eligible to participate in the plan who has (1) completed at least 2 years service with his employer, (2) attained 25 years (if a male) or 27 years (if a female), and (3) has not attained normal retirement age.

New employees of participating cooperatives must join the plan on the first May 1 following the completion of 2 years' employment.

Those persons employed at the time their cooperative joins the plan may elect to join or not to join. If they decide not to join, they may join later on any anniversary date of the plan. However, employees who defer joining after having had the opportunity to join do not get credit for past service.

Employees who join the plan and then change jobs may continue under the plan if their new employer is a participating organization under this retirement plan, provided:

(1) Their transfer from their old job to their new one occurs within 60 days.

(2) Their contributions are continued, and

(3) They have not received pension termination benefits from their previous employment.

Cost of the Plan

The contribution made by each employee each month is 2 percent of his monthly wage up to $300 a month, plus 3 percent of any wage over $300 a month.

Examples:

If the monthly wage is $290, the monthly contribution is 2 percent of that, or $5.80.

If the monthly wage is $430, the contribution is 2 percent of $300, or $6, plus 3 percent of all over $300 (in this case 3 percent of $130) or $3.90. Thus, the total monthly contribution is $9.90.

When an employee's monthly wage increases, his monthly contribution to the plan also increases. However, the increased contribution based on the new wage does not begin until the next anniversary of the plan, the following May 1.

The monthly contributions of employees are withheld from their pay checks each month by their employers. To this is added an additional amount contributed by the employers. The amount contributed by the employers depends upon many factors. The following illustration will give some idea of how much the employer's contributions amount to, though specific cases would vary:

Example:

Assume an employee starts under the plan at 40 years of age and continues until he is 65, when he retires. To simplify the example, assume he is paid $300 a month during his entire employment. His monthly contribution would be $6. In 25 years he would contribute $1,800. At 65 he would retire at $75 a month. If he lived 10 years after retirement, he would draw a total of $9,000 in benefits. In other words he would get back $4 for every $1 he contributed. A part of this is his contribution, a part is interest on his contribution, but a very large part is money his employer contributed for him, plus interest from the trust in which the contributions are funded.

Employees get credit toward retirement benefits for any time they were employed by the cooperative before joining the plan, provided they did not defer joining when they had opportunity to join. This time is called past service. An employee may determine his past service credit by subtracting 2 years from the total time worked for the organization before joining the plan. However, 14 years is the maximum past service allowed under the plan.

Employees do not make any contributions for past service credits.

Examples:

A person employed 9 years prior to joining the plan would have 7 years past service credit.

A person employed for 17 years before joining would be entitled to 14 years past service credit. Sixteen or more years entitles employees to a maximum of 14 years past service credit.

Retirement Date

Normal retirement age under the plan is 65. However, employees who joined the plan when they were 56 years old or older become eligible for normal retirement at 70 or after they have participated in the plan 10 years -- whichever occurs first.

Employees reaching age 65 who are eligible to retire may postpone retirement with approval of their board of directors. However, monthly retirement payments do not begin until actual retirement.

Though normally employees are expected to retire at 65, they may retire earlier, provided, (1) they have the written approval of their board of directors and the retirement committee, (2) they have at least 15 years service including credited years of past service, and (3) they are at least 50 years old.

Retirement Benefits

Eventual monthly retirement income of each employee depends upon length of service and salary. Two examples and the method used in calculating are shown in the following tabulation. Line (k) represents monthly retirement benefits payable at age 65 for Employee A and Employee B.

Service Benefits:

		Employee A	Employee B
(a)	Average monthly wage	$290.00	$430.00
(b)	1% of the first $300 of line (a)	2.90	3.00
(c)	1-1/2% of all over $300 of line (a)	0.00	1.95
(d)	Total of lines (b) and (c)	2.90	4.95
(e)	Age at time of participation	46	34
(f)	Number of years' service until age 65	19	31
(g)	Multiply line (d) by line (f)	55.10	153.45

Past Service Benefits:

		Employee A	Employee B
(h)	Years of service prior to entrance in the plan, minus 2	5	0
(i)	1% of line (a)	2.90	0.00
(j)	Multiply line (h) by line (i)	14.50	0.00
(k)	Add lines (g) and (j)	69.60	153.45

Other Retirement Alternatives

An employee who leaves his job before normal retirement age may elect to leave his retirement contributions in trust toward his eventual retirement or may take them in cash. If he wishes to leave them with the cooperative, within 30 days after leaving his job, he must notify the retirement committee in writing of his wishes. Then, when he reaches normal retirement age, his contributions, plus 2 percent interest, compounded annually, will constitute his retirement reserve, and on that basis he will receive monthly retirement payments.

If at the time an employee terminates employment he has rendered 10 full years' service, his reserve will also include 50 percent of his employer's contribution. For years of employment beyond 10, his reserve will include the following percentages of his employer's contributions:

Years of service	Employers' contribution
	Percent
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20	100

If an employee who resigns before retirement age wishes to take his retirement contributions in cash, he may do so. He will receive all his contributions plus 2 percent interest, compounded annually.

Employees are not allowed to borrow against their retirement contributions while still employed, and they may not withdraw contributions from the fund unless they terminate employment. The fund is intended solely to provide income for employees after retirement.

Beneficiary and Joint Annuity

When an employee dies before retirement, his contributions, plus 2 percent interest, compounded annually, go to his beneficiary in one sum within 60 days. In cases of death of employees before retirement, none of the employer's contributions go to beneficiaries.

Whether an employee's wife (husband) continues to get monthly benefits when an employee dies after retiring depends upon the annuity option selected by the employee. There are two options available, which are:

Option A: A life monthly annuity to the employee during his life only. Under this option, in the event of the employee's death all further benefits cease, except that his beneficiary receives in a lump sum any of his contributions remaining in the fund.

Option B: A joint and survivor monthly annuity. This is paid to the employee upon retirement and during his lifetime. At his death, if his joint survivor is still living, she continues to draw monthly retirement income until death. This option must be elected 5 years prior to retirement, or upon approval of the retirement committee if later than that.

Under Option A monthly benefits in most cases are higher than under Option B. However, under Option B the employee assures his wife a continued monthly income after his death. This is not assured under Option A.

Future of the Plan

This plan can be terminated by the employer. However, all employee contributions, plus 2 percent interest, compounded annually, would be returned to each employee in a lump sum. Also, in the event of termination of the plan, employees would receive 100 percent of employer contributions made to the retirement fund.

Group Life Insurance

Group life insurance is provided for all employees of Cooperative III. A brief description of the plan follows:

Eligibility--All regularly employed employees--no age limit.

Amount of Insurance--The minimum amount of insurance to any employee is $3,000 and the maximum amount to any employee, $15,000. The amount of insurance available to each employee is graduated upward as the salary of the employee (commission excluded) increases. For example:

Annual salary	Amount of insurance
Up to $2,250	$3,000
$2,251.00 to $2,750	4,000
2,751.00 to 3,250	5,000
3,251.00 to 3,750	6,000
3,751.00 to 4,250	7,000
4,251.00 to 4,750	8,000
4,751.00 to 5,250	10,000
5,251.00 to 5,750	12,000
Over $5,750	15,000

Rates--The rate for group life insurance is 96 cents per $1,000 a month. The cooperative pays two-thirds of the monthly premium of 96 cents. The employee pays one third. These premiums are payable monthly.

Conversion Privilege--In case of termination of employment of any employee enrolled in the group life insurance, the insurance company will, without evidence of insurability and upon written application, issue a policy of life insurance in any one of the forms customarily issued by the company (except term) in any amount not greater than the amount of the employee's insurance protection under the certificate at the time of termination of employment.

New Employees--Mandatory that all new employees enroll in the plan. They are eligible to do so after 60 days of employment.

Group Hospital and Surgical Insurance Plan

The family hospital and surgical plan available for employees of Cooperative III provides the following benefits for employees and dependents. (Dependents include only the insured's wife or husband and unmarried children, ages 14 days to 18 years, inclusive, who are supported by the insured.)

Hospital Room and Nursing Service	$4, $6, $8, or $10 a day room benefit not to exceed 70 days for any one accident, sickness, or operation resulting therefrom.
Other Hospital Benefits	In addition to the daily hospital room benefit, the insurance company will pay for extra expenses incurred during any one disability for operating room; anesthetic; laboratory; serums; medicines, including penicillin and oxygen; dressings; x-ray; blood transfusions; ambulance; and all hospital expenses other than room and board or nurse's and physician's fees up to 20 times the "daily room rate." (Maternity and tonsillectomy excepted.)
Nurse's Fees Outside Hospital	If upon authorization of any regularly licensed physician or surgeon, the services of a registered nurse are employed the company will pay the expense of such nursing service at a rate not to exceed that provided for the "daily room rate."
Maternity Benefits	Hospital benefits shall be provided in the amount of 10 times the "daily room rate," which shall constitute full payment for all hospital benefits for any one pregnancy (after insurance has been in force for 9 months).
Tonsillectomy Benefits	Hospital benefits shall be provided in the amount of 10 times the "daily room rate," which shall constitute full payment for all hospital benefits for any one tonsillectomy.
Medical Expense Benefit While Confined in a Hospital	The company will pay $3 for each professional call at the hospital by a licensed physician or surgeon, but not to exceed one call per day for more than 70 days for any one accident or sickness. Payment will not be made for calls as a result of pregnancy, or for pre-operative or post-operative care for any operation for which surgical benefit is payable.

Payments When Not Confined to Hospital	Where hospitalization is not desired, convenient or cannot be obtained, payment will be made for tonsillectomies, x-rays for accident, normal childbirth, minor surgery, fractures, dislocations, and so on, and nursing.
Pays Any Hospital	Gives employees choice of hospital and surgeon anywhere in the world.
Continuance of Insurance	By arranging for direct premium payments to company, employees may continue their insurance on an individual payment basis should they leave employment of the association.

Cost of insurance plan - monthly premium

	Daily Room Benefit			
Insured	$4.00	$6.00	$8.00	$10.00
Employee only	$1.50	$1.80	$2.10	$ 2.40
Employee and wife or husband	4.15	4.95	5.75	6.55
Employee, wife or husband, and children	5.80	6.90	8.00	9.10
Employee and children	3.10	3.70	4.30	4.90

The monthly premium for each employee is paid by the cooperative at the "Employee only" rate. All employees wishing to insure their immediate families may do so by paying the difference between the family rate and the individual rate.

Set amounts are paid by the insurance company for surgical operations, depending upon the operation. The amount paid ranges from $5 to $200. A schedule of operations and the amount to be paid is provided for each employee covered.

Other Employee Benefits

An annual vacation with pay is granted all employees. They are scheduled each year at such time as management finds suitable, considering both the wishes of the employee and the requirements of plant operations. Vacations are provided in accordance with the following schedule:

After completion of 1 year of continuous service with the cooperative, each employee is granted a vacation of 1 week;

After 2 years continuous service, 2 weeks;

After 10 years service, 3 weeks; and

After 20 years service, 4 weeks.

Employees are granted seven holidays each year: (1) New Year's Day, (2) Veteran's Day, (3) Memorial Day, (4) Independence Day, (5) Labor Day, (6) Thanksgiving Day, and (7) Christmas Day.

Supplementing the various financial incentives provided the employees of this cooperative are several types of nonfinancial incentives. These include:

1. Policy of promotion from within whenever possible.

2. Educational opportunities at the cooperative.

3. Individual employee job evaluations.

4. Social and recreational activities sponsored by the cooperative including several regularly scheduled annual parties, picnics, and outings for all employees and their families.

Cooperative IV

Contents

Cooperative IV

This is a centralized marketing cooperative located in the Midwest. From a small beginning with one plant some 30 years ago, the association has expanded to its present size. The producer members now own processing and marketing facilities at 10 separate locations in 2 States. Annual sales have reached the $25 million level.

The cooperative employs approximately 600 persons. About half of these are in manufacturing jobs in processing plants, and approximately a third are engaged in sales and distribution work.

All employees except office personnel and foremen belong to a labor union. No distinction is made between union employees and others as far as employee incentives are concerned. All groups are covered by a savings-sharing plan and by group insurance.

The association is a member of the National Council of Profit Sharing Industries, and selected employees attend the convention of this organization each year.

Salaries and wages of all employees are believed by management to be at least equal to the community average for comparable work, and in the smaller communities are probably higher. This factor is important if an employee incentive plan is to be effective.

Employees Savings-Sharing Plan

The savings-sharing plan of this cooperative, which is described in detail on the following pages, is now about 6 years old. It is a deferred-payment type profit-sharing plan which provides both savings and retirement benefits for employees.

The plan was initiated by management. Some of the employees who had been with the cooperative since it was organized were getting near normal retirement age and the association felt the need for a retirement program.

Employee enthusiasm for the savings-sharing plan is high. Since the plan has been in effect the question of a pension plan for union employees came up. Union employees voted against the union pension plan and indicated a preference for the savings-sharing plan already in operation.

The attitude of the board of directors toward the savings-sharing plan is also favorable. Before it was put into effect, the plan was voted on and approved by the membership of the cooperative. The board reviews the plan each year.

The savings-sharing plan as originally adopted provided for a voluntary maximum employee contribution of 5 percent of salary or wages. This was changed in recent years, at the request of employees, to permit them to contribute as much as 10 percent. The average investment of all employees is around 5 percent, with nearly 100 percent participation.

Employees work willingly with management at cutting costs and increasing efficiency. They are conscious of the effects of increased savings to them. Management-employee relationships are excellent. The close relationship which now exists is believed to be at least in part attributable to the savings-sharing plan.

Although management of this cooperative is sold on the value of the savings-sharing plan, they are also aware that it is not wise to adopt a plan and forget it. For one thing, the association is continually trying to improve communications with employees. They have recently revived an employee paper which had been discontinued a few years earlier. This paper is issued regularly by the cooperative. It carries all types of information for and about employees, including current reports on all phases of the employee incentive program.

Seven or eight advisory committees have been set up in connection with the savings-sharing plan. Employees are represented on these committees. Most of the committees meet at least twice each year--some more frequently. Meetings of the advisory groups are held each year after the annual reports of the cooperative come out. Employees serving on the committees are equipped with all the latest information and are able to answer questions of fellow employees. Their participation helps to generate interest of other employees.

Annual statements of the cooperative and the savings-sharing plan are also mailed to homes of each employee. In this way the interest of employees' wives is enlisted. As a result, the whole family takes a greater interest in the savings-sharing plan and the cooperative. They eagerly watch their investment in the fund grow.

Each employee's investment in the savings-sharing plan increases as a result of four factors: (1) Amounts invested by the cooperative, (2) employee contributions, (3) appreciation of the fund as a result of fund investments made by the trustee and interest earned, and (4) amounts forfeited by employees leaving the association before all cooperative contributions to their account are fully vested.

The cooperative's annual contribution to the fund is credited to separate accounts for individual employees on a share basis. The number of shares added to an employee's account depends upon his regular wages or salary for the year and his total years of service with the association.

A sample statement of the employees profit sharing and saving fund is shown as exhibit A. Such a statement is furnished each employee each year with the statement of his own account completed.

Exhibit A. -- Employees Profit Sharing and Saving Fund Statement

Statement of your account

Your balance beginning of year	$______
Association contribution at $3.94 per share (this year)	______
Your investment during the year	______
Extra earnings at 9.31%	______
Total	______
Service shares	______
Earnings shares	______
Total shares	______

Extra Earnings

Interest earned	4.04%	9,231.48
Appreciation	4.88%	11,134.06
Forfeitures	.76%	1,739.17
Total	9.68%	22,104.71
Less trustee fees	.37%	855.88
Total	9.31%	21,248.83

Employees Saving Sharing Fund

Balance beginning of year		$235,151.72
Company contribution		76,473.17
Employee investment		38,524.64
Interest earned		9,231.48
Appreciation on investments		11,134.06
Total		$370,515.07
LESS:		
Fees paid to Trust Company	855.88	
Retirements	5,154.17	6,010.05
Balance at end of year		$364,505.02

Fund Investments at end of year

Cash	$9,508.32
Common stock	89,184.49
Bonds	186,812.23
Accrued interest	2,526.81
Association annual contribution	76,473.17
Total	$364,505.02

The most favorable characteristic of the savings-sharing plan, according to management, is the employee contribution feature. This feature has been particularly favorable in the last few years because of the significant appreciation realized on investments made. Employees consider the fund a good place to invest their savings and many invest the maximum allowed--10 percent of salary or wages.

A bad year can temporarily dampen enthusiasm, but actual experience has proven that little or no net savings, which result in little or no contribution by the association for the year, do not present too serious a problem. Employees understand that they share in the net savings of the association, and when there are none they are advised of the situation well in advance.

The question "Did you have any problems brought about by the cooperative form of organization in trying to set up an equitable employee incentive plan?" brought a "No" answer from management of the cooperative. This association feels that the cooperative form of organization presents no problems or handicap to the establishment of an employee incentive program. Indeed it feels that being a cooperative offers some advantages. There is no problem involved in extending coverage to employees. For instance, the ratio used by this cooperative to determine the amount to be distributed at the close of each year by the cooperative to the savings-sharing trust fund is based on net savings for the year, total wage dollars, and cash payments to members for products delivered to the cooperative. Allocations to members and employees are therefore closely related.

The association has had no major problems with the savings-sharing plan. The greatest problems to date have been those brought about by transfer of employees from one plant of the association to another with a different plan. The main office of the cooperative and plants in seven locations are covered by the consolidated savings-sharing plan described in this report, but two processing plants had similar but slightly different employee savings-sharing plans already in effect when the plants were purchased by this cooperative. These plants have continued to operate with their established plans.

As a result, various decisions and adjustments are necessary when an employee transfer results in a change in the savings-sharing plan covering the employee. To date these problems have been minor. A permanent solution is difficult, since further expansion by the cooperative could easily result in purchase of additional facilities with still different employee incentive plans. As a rule, fair and equitable decisions satisfactory to all can be reached in such cases, and have been thus far in the case of this cooperative.

The annual cost to the cooperative for the savings-sharing plans (the consolidated plan reproduced and described on the following pages plus the plans in effect in the two recently purchased processing plants) has averaged $70,000 to $75,000 annually. This amount is, of course, treated as an expense of the association.

The following is a complete copy of the employee savings-sharing plan of this cooperative.

Article I. Designation

1. The Savings Sharing Plan herein set forth shall be known and designated as the "Cooperative IV Savings Sharing Plan," and will hereinafter be referred to for purposes of reference as the "Plan."

2. The effective date of this "Plan" is January 1, 1955.

3. The words "Anniversary date" and "Valuation date" shall mean December 31st of each year after the effective date of this Plan.

4. The Plan will be administered by an Advisory Committee, referred to hereinafter as the "Committee," consisting of five persons appointed by the Cooperative, two of whom shall be hourly wage employees.

Article II. Employees Eligible

Section 1. Eligibility to Participate.

(a) The term "Employee of the Cooperative" shall mean any employee of the Cooperative. (Except the persons employed in the two recently acquired plants of the cooperative, who are eligible for participation in the Savings and Profit Sharing Agreements applicable to those two plants.)

(b) All persons who were employees of the Cooperative on January 1, 1955, and who on said date had been in the employ of the Cooperative continuously for twelve calendar months (except those employees who had not attained their 21st birthday on January 1, 1955) shall become participants in the fund as of that date, and the Cooperative contribution for 1955 shall be allocated to such employees.

(c) Employees who had not attained their 21st birthday on the effective date of this Plan, shall become participants on the first day of the month co-incident with or following their 21st birthday, and after twelve months of continuous service for the Cooperative.

(d) No employee shall be eligible to become a participant in the Fund after attaining his 64th birthday.

(e) Persons entering the employ of the Cooperative from and after January 1, 1955, shall become participants on the first day of the month following twelve months of continuous employment with the cooperative, except persons under 21 years of age whose eligibility will be determined by Subsection (c) above. If the participation date is on or prior to July 1st of any years, one share credit for past service shall be allotted.

(f) For the purpose of determining continuous length of service under any of the provisions of this Plan "one year of continuous employment" means twelve full months of employment, and shall include leaves of absence granted by the Cooperative as defined generally in the personnel and employment rules and regulations of the Cooperative.

(g) No casual or part time employee shall be eligible to participate in this Plan. A casual or part time employee is defined for the purpose of the Plan as one whose employment by the Cooperative is for twenty (20) hours or less per week, or for five (5) months or less per year.

Article III. Contributions to Fund

Section 1. Contributions by Employees.

(a) From and after January 1, 1959, each participant may voluntarily, so long as he is in the employ of the Cooperative, contribute to the Fund each year the amount designated by him in writing, which amount shall be not less than 1% nor more than 10% of such employee's wages. The amount of each employee's contribution shall not be changed except on the first of each year after two weeks' notice to the Cooperative or on such other dates as the Advisory Committee shall determine.

(b) Each employee's contribution shall be deducted in equal installments, so far as possible, by the Cooperative on each pay day from the wages payable to such employee with respect to the period for which such wages are paid.

Section 2. Contributions by the Cooperative.

(a) The cooperative shall, with respect to each year, pay over to the Fund out of the Cooperative's net savings (as hereinafter defined) a sum to be determined after the exclusion of all records applicable to the operation of the two recently acquired plants, by the following ratio, i.e., the ratio of total wage dollars to the total wage dollars and cash payments to members for products delivered to the Cooperative, EXCEPT, however, that the sum determined by such ratio shall not exceed 15% of wage dollars paid to participating employees for such year.

(b) For the purpose of this plan, and particularly for the purpose of this Section 2, the term "net savings" of the Cooperative for a particular year shall mean:

> The net savings of the Cooperative for such year computed in accordance with generally accepted standard accounting practices including any reserves permissible for Federal Income Tax purposes, and a deduction of 1/7 of the unallocated charges against reserve certificates and a reduction for dividends paid on preferred stock at the prescribed rates and a 6% dividend on common stock.

(c) In computing the net savings of the Cooperative with respect to any year for the purpose of this Plan the Cooperative and the Advisory Committee shall be entitled to rely conclusively upon the computation of any net savings as prepared and certified by a firm of independent certified public accountants selected by the Cooperative for that purpose; which accountants may be the firm of independent certified public accountants as aforesaid, shall be binding upon all employees and the Advisory Committee.

(d) In the event that the Cooperative has no net savings with respect to any year, the failure of the Cooperative to make a contribution for such year shall not be deemed to effect the termination of the Plan.

(e) Regardless of any other provision of the Plan or Trust, the Cooperative reserves the right to permanently discontinue its contributions hereunder upon giving written notice of its intention to do so to the Trustee, prior to the last day of the year for which such discontinuance becomes effective.

Section 3. Transfer of Contributions of Employees to the Trustee.

All deductions by the Cooperative of employee's contributions in accordance with the provisions of Section 1 of this Article III, shall be held in trust until paid over to the Trustee at such times as may be convenient to the Cooperative, but not less frequently than once every thirty (30) days.

Section 4. Transfer of the Cooperative Contribution to the Trustee.

Within a reasonable time after the close of each year, the Cooperative shall transmit to the Trustee its check for the amount of the Cooperative contribution for such year.

Article IV. Allocations

Section 1. Records.

The Committee shall maintain adequate records to disclose the interest of each participant, former participant, or beneficiary in the Trust, and also may keep such other records as it deems advisable.

Section 2. Allocation of Cooperative Contribution to Employees.

As of December 31 of each year the Cooperative contribution for the year ending on that date shall be credited to the accounts of the eligible employees (excluding any such employee whose employment with the Cooperative was terminated for any reason during that year or any prior year) on the following basis:

(a) One share for each $100 of wages on a straight time basis during regular hours (regular hours mean the hours worked when overtime rate does not apply) or basic monthly salary for the year such contribution is made to the Trust; provided, however, that in making such assignment of shares for wages or salary, the remaining fraction of such wages or salary less than $100 shall be disregarded if less than $50, but shall entitle the participant to one additional share if equal to or in excess of $50.

(b) One share for each full year or fraction of a year of 6 months or more after becoming a participant, with a maximum of 20 shares credit for years of service. Share credits for service shall be granted only to participants who are entitled to wage credits in that year.

(c) Employees who continue in the employment of the Cooperative after attaining their 65th birthday, shall receive allocations of cooperative contributions for the year in which they become 65 years of age, but not thereafter.

Section 3. Allocation of Participants' Contributions.

As of December 31 of each year the voluntary contribution of participants shall be credited to their accounts.

Section 4. Effect of Allocation.

The crediting of accounts of Participants in accordance with the provisions of this Article III shall not vest any right or title to any part of the assets of the Trust.

Article V. Vesting

Section 1. Vesting of Employee Contributions.

All contributions to the fund by the Employee shall vest 100% in the Employee.

Section 2. Vesting of Balance of Participant's Account.

Each employee's interest in the balance of his account in excess of his contribution to the Fund, shall vest in the employee in accordance with the following schedule; except that the interest of all employees who have attained the age of sixty years shall vest 100% on their sixtieth birthday.

Completed years in Plan	Percent Vesting
1	0
2	0
3	30%
4	40%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

Section 3. Vesting in Case of Death or Disability.

In the event of the death or total disability of an employee, his credit balance in the Trust shall become fully vested.

Article VI. Payment Of Benefits

Section 1. Each participant will have a participating interest in the TRUST, created pursuant to the provisions of Article X (and referred to herein generally as "The Trust") which interest will be adjusted on each valuation date, as provided in Article VIII, until the arrival of his "Settlement Date," when his distributable interest will be determined and thereafter distributed to him or to his beneficiary at the time or times, and in the manner herein stated.

Section 2. A participant's Settlement Date will be that date upon which any of the following events first occur:

(a) his death, or his retirement on account of age or permanent disability; or

(b) his resignation or dismissal from the service of the cooperative prior to his normal retirement date;

provided, however, that if resignation or dismissal shall occur on a Valuation Date, the participant's Settlement Date shall be the first business day following such Valuation Date.

Section 3. Normal Retirement Date will be the day on which a participant attains age sixty-five. Retirement on account of permanent disability will occur on the day that the Committee, in the exercise of its judgment, determines that a participant is under such physical or mental disability that he is no longer capable of rendering satisfactory service to the Cooperative.

Section 4. On any participant's Settlement Date occurring for a reason stated in Section 2(a) hereof, the value of his interest in the Trust shall be a sum equal to the then credit balance in his participating account plus all contributions by participant which have not been allocated to his account. The sum so determined shall be distributed from the Trust to the participant, or in the case of a Settlement Date which occurs on account of the death of a participant, to his beneficiary (as defined in Article VII) in such one or more of the following ways as the

Committee in the exercise of its judgment decides will best serve the needs of the participant, or his beneficiary, as the case may be:

(a) in one lump sum;
(b) in installments, equal or otherwise, over a period not exceeding ten years;
(c) in any other manner which will best serve the interests of the person entitled thereto.

If a retired participant, or beneficiary, dies before he receives a full and complete distribution of his interest in the Trust, then the undistributed balance of such interest shall be distributed to the beneficiary next entitled thereto in any one or more of the methods described in this Section 4 selected by the Committee.

Section 5. In case of the resignation or dismissal of a participant prior to retirement age, the distributable interest of such participant shall be:

His share in the Trust attributable to his contributions plus his vested interest in Cooperative contributions.

Section 6. A participant's interest in the Trust shall be payable in case of resignation or dismissal prior to retirement age within six months after such event.

Section 7. All funds held for a former participant or beneficiary on December 31st of any year, which is subsequent to such participant's death or retirement on account of age or permanent disability, shall be considered a Trust liability for the purpose of computing the net value of the Trust on such December 31st. The interest of such former participant or beneficiary shall not otherwise be a participating interest in the Trust, and shall not participate in the allocation of forfeitures, earnings, or cooperative contributions as provided herein, but shall be credited with interest at the rate of 2% per annum on the balance of such interest remaining undisputed on such December 31st, which interest shall be charged to the Trust.

Section 8. The balance remaining in a participant's account, if any, after determining the amount of his distributable interest as heretofore determined, is a "forfeiture" and, together with all other forfeitures created during the same year, shall be re-allocated among the accounts of participants on the next succeeding Valuation Date on the basis of the participants total account as of the beginning of the year.

Section 9. Each participant and each beneficiary of a deceased participant shall file with the Committee from time to time in writing his post office address and each change of post office address. Any communication, statement or notice addressed to a participant or beneficiary at his last post office address filed with the Committee, or if no such address was filed with the Committee, then at his last post office address as shown in the Company's records, if any, shall be binding on the participant or beneficiary for all purposes of the Plan, and neither the Committee nor the Trustee shall be obliged to search for or ascertain the whereabouts of any participant or beneficiary.

Section 10. If all or any part of the interest of any participant or beneficiary becomes distributable hereunder and the Committee fails to receive a claim for such distribution from the person entitled thereto, or from any other person validly acting in his behalf, within one year thereafter, then such distribution may, in the discretion of the Committee, be disposed of as follows:

(a) If the whereabouts of the person next entitled thereto is then known to the Committee, or is disclosed to the Committee within a period of two years thereafter, distribution may be made as though such participant or beneficiary had died at the end of said one year period;

(b) If the Committee is unable to complete distribution in the manner provided in sub-paragraph (a) above, but the whereabouts of one or more of the next of kin or surviving spouse of the participant whose interest hereunder is subject to distribution is known to the Committee, then distribution of the interest of such participant then remaining undistributed hereunder may be made to any one or more or all of such next of kin and surviving spouse, and in such proportions as the Committee determines;

(c) If the Committee is unable to complete distribution pursuant to the provisions of either sub-paragraph (a) or sub-paragraph (b) above within the time limit therein designated, then at the end of the three year period therein referred to the interest of such participant then remaining undistributed will become a Forfeiture and will be applied as such.

If the last post office address, as referred to in Section 9, of a participant, or beneficiary, whose interest is subject to distribution by the terms of this Section 10 is known to the Committee, then the Committee will notify such participant or beneficiary of any action contemplated by it pursuant to this paragraph, by letter addressed to him at such last known address.

Article VII. Beneficiaries

Section 1. Any participant may, by instrument in writing executed and delivered to the Committee during his lifetime, designate a beneficiary or beneficiaries to whom distribution of his interest shall be made in the event of his death prior to the full receipt of his interest in the Trust, and he may designate the proportions to be distributed to each such designated beneficiary if there be more than one. Any such designation may be revoked or changed by the participant at any time and from time to time, by similar instrument in writing delivered as aforesaid. If no such designated beneficiary is living upon the death of a participant, or if all such designated beneficiaries die prior to the full distribution of such participant's interest, then the legal representative of the last survivor of the participant and designated beneficiaries, or, if the Committee fails to receive notice of the appointment of any such legal representative within one year after such death, the heirs at law of such survivor (in the proportions in which they would inherit his intestate personal property) shall be the beneficiary to whom the then remaining balance of such interest shall be distributed.

Section 2. If the Committee, after reasonable inquiry, is unable within one year to determine whether or not any designated beneficiary did in fact survive the event that entitled him to receive distribution of any sum hereunder, it shall be conclusively presumed that such beneficiary did in fact die prior to such event.

Article VIII. Participating Interests

Section 1. The records maintained by the Committee for the participants may be in the form of separate accounts, the balances remaining before the addition of the current year's company contribution shall be adjusted on each Valuation Date as follows:

(a) The value of all moneys, securities and other property then held in the Trust shall be appraised by the Committee at its then fair market value. In determining such value, there shall be included all accrued and unpaid income; the value of bonds substantially equivalent to the present United States of America, Series J or K Savings Bonds shall be their then redemption value (except that during the non-redemption period they shall be valued at cost); and the aggregate of:

i. Accrued and unpaid expenses, insofar as they are then ascertainable or may be fairly estimated;

ii. Contributions, if any, theretofore received by the Trustee on account of the then current year;

iii. Forfeitures for the current year;

iv. All balances (with interest accrued to such Valuation Date) then held for a former participant or his beneficiary after his Settlement Date,

shall be deducted as a Trust liability. If the total net value of the Trust so determined exceeds, or is less than, the total credits of the Participating accounts of all participants, the excess or deficiency shall be credited or charged to the accounts of all participants in the ratio that the then balance in each such account bears to the total amount of all such balances.

Section 2. The Cooperative shall furnish to the Committee, as soon after each Valuation Date as may be possible, a statement certified by such officer of the Cooperative as shall have been designated for that purpose by its Board of Directors, showing the name of each employee who is eligible to share in such allocation as a participant hereunder, and the total compensation paid for such year to each participant; and the Committee may rely in all respects upon such information so certified.

Article IX. Advisory Committee

Section 1. The Plan will be administered by the Advisory Committee, members of which shall serve, without compensation until their death, resignation, or removal from such office. Any member may resign at any time by notice in writing to the Cooperative and to the remaining members of the Committee. The Cooperative may remove any member of the Committee at any time by written notice to him and to the remaining members of the Committee.

Section 2. The Committee will elect a Chairman and a Secretary, and any document required to be filed with, or any notice required to be given to, the Committee will be properly filed or given if mailed by registered mail, or delivered, to the Secretary of the Committee, in care of the Cooperative.

Section 3. The Committee, as the same shall be from time to time constituted, shall have full power and authority, within the limits provided by the Plan:

(a) To determine all questions arising in its administration, including the power to determine the rights or eligibility of employees and participants and their beneficiaries, and the amount of their respective interests; and its decisions thereon shall be final and binding upon all persons hereunder;

(b) to adopt such rules and regulations as it may deem reasonably necessary for the proper and efficient administration of the Plan and consistent with its purposes;

(c) to enforce the Plan, in accordance with its terms and with its own rules and regulations;

(d) to direct the Trustee with respect to the maturity of benefits, the identity of distributees, and all matters involving distributions from the Trust;

(e) to maintain the Participating Account records of all participants;

(f) to create subcommittees, and to delegate such of its rights, powers and discretions to such subcommittees as it deems desirable;

(g) to do all other acts, in its judgment necessary or desirable, for the proper and advantageous administration of the Plan.

Section 4. The Committee and each subcommittee shall act by the vote of concurrence of a majority of its members; but no member who is a participant shall act on any matter that has particular reference to his own interest hereunder. During a period of vacancy the remaining members shall have full power to act.

Section 5. The Cooperative shall provide the Committee with all necessary clerical, bookkeeping, and stenographic help and facilities that may be necessary to enable it to perform its functions hereunder; or may appoint consultants, accountants, or other assistants, including the Trustee with its consent, to perform any non-discretionary functions of the Committee under its supervision and upon its direction.

Article X. Trustee and Trust Fund

Section 1. A Trust Fund, to be known as the Cooperative Trust, will be created and maintained for the purposes of the Plan; and the assets thereof will be held invested, and disposed of by the Trustee from time to time acting in accordance with the terms of the Trust Agreement.

Section 2. The Cooperative shall have the power to select the Trustee; and its subsequent resignation or removal and the appointment of a successor trustee, and the approval of its accounts shall all be accomplished in the manner provided in the Trust Agreement.

Section 3. All contributions of the Cooperative and of employees will be paid into the Trust Fund and all benefits payable under the Plan will be paid from the Trust Fund. The powers, duties, and responsibilities of the Trustee will be as stated in the Trust Agreement and nothing contained in this Plan, either expressly or by implication, shall be deemed to impose any additional powers, duties, or responsibilities upon the Trustee.

Article XI. Amendments and Termination

Section 1. The Cooperative shall have the power at any time and from time to time, by appropriate action of its Board of Directors, to amend the within Plan; provided, however, that no amendment under any circumstances may be adopted the effect of which would be:

(a) to revest in the Cooperative any interest in the assets of the Trust or any part thereof; or

(b) to divest any participant or contingent beneficiary of his then interest therein, except that amendments may be so made if, in the opinion of its counsel such action is necessary to meet the requirements of Sections 401 and 501 of the Internal Revenue Code as amended, or the corresponding provisions of any subsequent revenue law.

Section 2. Upon the bankruptcy, insolvency, or dissolution of the Cooperative (without provision being made by its successor, if any, for the continuation thereof), or upon the Cooperative's election to discontinue contributions hereunder as provided in Article III, Section 2 (e) and notice thereof being given to the Trustee and the Committee, the then trust assets shall be converted to cash and the Committee shall direct distribution thereof to the participants in the proportions that their then respective interests bear to each other; and the Trust shall thereupon terminate.

Section 3. In the event of the merger or consolidation of the Cooperative (or any Employer) or other circumstances whereby a successor person, firm, or company shall constitute to carry on all or a substantial part of its business, and such successor shall elect to carry on the provisions of this Plan, such successor shall be substituted for the Cooperative (or such Employer as the case may be) hereunder, upon the filing in writing of its election so to do with the Trustee and the Committee.

Article XII. Miscellaneous

Section 1. Evidence required of any one under this Trust Agreement may be by certificate, affidavit, document, or other information which the person acting in reliance thereon may consider pertinent, reliable, and genuine and to have been signed, made or presented by the proper party or parties. The Committee and the Trustee shall be fully protected in acting and relying upon any evidence described above.

Section 2. The adoption of this Trust by the Cooperative shall not be deemed to be a contract between the Cooperative and any employee. Nothing herein contained shall be deemed to give any employee the right to be retained in the employ of the Cooperative, or to interfere with the right of the Cooperative to discharge any employee at any time.

Section 3. Neither the Trustee, the Advisory Committee, nor the Cooperative in any way guarantee the Trust Fund from loss or depreciation. The Cooperative does not guarantee the payment of any money which may be, or become, due to any person from the Trust Fund, and the liability of the Advisory Committee and the Trustee to make any payment under this Trust Agreement shall be limited to the available assets of the Trust Fund.

Section 4. Wherever used herein the pronouns he, him, or his shall refer to the female as well as the male, and the singular shall include the plural and the plural the singular, except when the context otherwise requires.

Group Insurance Plans

Group insurance benefits provided by this cooperative for all employees include: (1) Group life, (2) accidental death, dismemberment, and loss of sight, (3) hospital, (4) surgical, and (5) maternity.

The insurance plan became effective in 1959. All full-time employees are eligible to enroll on the date of completion of 30 days of service.

Employees who have one or more dependents are eligible to enroll for dependents' benefits when they enroll for employee benefits. Those without dependents may enroll for dependents' benefits as of the date they acquire a dependent.

If husband and wife are both eligible for employee benefits, only the husband may enroll for dependents' benefits.

Employees who enroll in the insurance plan must sign an enrollment form. If they enroll within 1 month from the date they are eligible to enroll, no evidence of insurability is required.

A schedule of insurance benefits follows:

Summary Schedule of Employee Insurance Benefits

I. The amounts of insurance are:

For Each Employee

Life Insurance (non-contributory)	$2,000
Accidental Death and Dismemberment (Principal Sum)	1,000
Hospital Daily Benefit (up to)	12
Miscellaneous Hospital Charges (up to)	360
Surgical Expense Benefits (up to)	300
Maternity Benefits	Refer to page ___

For Each Dependent

Hospital Daily Benefit (up to)	$ 10
Miscellaneous Hospital Charges (up to)	300
Surgical Expense Benefits (up to)	300
Maternity Benefits	Refer to page ___

II. Employee monthly contributions for accident and sickness insurance are:

Without Dependent Benefits	$ .66
With Dependent Benefits	1.76

III. Employee monthly contributions for extra life insurance (in addition to the $2,000 non-contributory policy) are:

	Basic Annual Salary or Wage of Employee	Amount of Insurance	Employee Monthly Contributions
Class I	$3,000 but less than $4,000	$1,000	$ .60
Class II	4,000 but less than 5,000	2,000	1.20
Class III	5,000 and over	3,000	1.80

IV. Each employee's contribution toward the cost of insurance is deducted from his pay. The balance of the cost is contributed by the cooperative.

I. Life Insurance Benefits

A $2,000 life insurance policy is provided each employee at the expense of the cooperative. As indicated in the accompanying summary schedule of benefits, additional contributory life insurance is also available to employees. All employees are divided into three classes based on annual salary or wage. The amount of insurance and the monthly employee contribution varies according to the amount of insurance provided.

When employees pass from one class to another due to change in annual salary or wage, the amounts of life insurance and the cost thereof is changed in accordance with the schedules in effect on March 1 next following date of change in annual salary or wage; provided, however, that no increase becomes effective unless and until an employee is actually at work. Life insurance benefits are payable to the beneficiary named by each employee.

Additional features of the employee life insurance plan are:

1. If an employee becomes totally disabled before age 60 and is unable to work his group life insurance continues at no cost to him as long as he is so disabled, subject to the following requirements:

    a. He must be totally disabled for at least 9 months, and

    b. Medical evidence must show that his disability is presumably permanent, and

    c. Written notice and proof of his disability must be given to the Insurance Company initially while he is insured and annually thereafter.

2. Any employee may convert his group life insurance into an individual life policy with no medical examination or other evidence of insurability if his insurance is terminated due to termination of employment.

II. <u>Accidental Death, Dismemberment and Loss of Sight Benefits</u>

The principal sum payable under this group policy is $1,000.

The following schedule shows the sum the insurance pays when an employee suffers any of the losses listed within 90 days of the date of an accident:

For loss of:	Amount
Life..	$1,000
Both hands or both feet or sight of both eyes....................	1,000
Any combination of foot, hand, or sight of one eye...............	1,000
One hand, one foot, or sight of one eye..........................	500

No more than $1,000 is payable for loss resulting from one accident.

The principal sum is payable to the person named as beneficiary in case of death of an employee. This sum is independent of and in addition to any payment under the life insurance policy. All other payments are made directly to the employee.

Losses not covered by this plan are:

1. Any loss caused or contributed to by sickness or infection;
2. Suicide or any attempt thereat (Sane or Insane);
3. Any loss by war or any act of war.

III. Hospital Expense Benefits

Employee benefits are payable for:

In-Patient Hospital Charges

1. Room and board charges up to $12 per day but not more than a total of $840 during any one period of disability.

2. Other hospital charges up to the full amount of hospital charges, such as operating room, anesthetic, ambulance, prescriptions, drugs, X-ray, laboratory, etc. but not more than $360 during one period of disability and only for the days for which the above Room and Board benefit is payable.

Benefits are payable for dependents of employees for:

In-Patient Hospital Charges

1. Room and board charges up to $10 per day but not more than a total of $700 during any one period of disability.

2. Other hospital charges up to the full amount of hospital charges, such as operating room, anesthetic, ambulance, prescriptions, drugs, X-ray, laboratory, etc. but not more than $300 during one period of disability and only for the days for which the above Room and Board benefit is payable.

Successive periods of hospital confinement are considered as having occurred during one period of disability unless the employee or his dependent, as the case may be, shall have completely recovered from the sickness or injury causing the earlier confinement before the later confinement, or

(a) in the case of the employee only, unless he has returned to active work with the cooperative for at least one full working day before commencement of the later confinement, or

(b) in the case of the dependent of an employee only, unless the later confinement is due to a sickness or injury entirely unrelated to the causes of the earlier confinement.

Extended Benefit for In-Patient Hospital Charges Only

In the event the Hospital Expense Benefit Insurance with respect to either the employee or his dependent terminates, the In-Patient Hospital Benefit described here is available within 3 months thereafter during total disability that is continuous from date of termination.

Out-Patient Hospital Charges (provided no Room and Board benefit is payable) with respect to either employee or his dependent are paid for:

1. Emergency medical care and treatment within 24 hours from the time of an accident, or

2. Medical care and treatment within 24 hours from and in connection with a surgical operation.

Out-patient hospital charges are limited to $360 for an employee and $300 for a dependent of an employee for any one accident or any and all operations due to the same or related sickness.

What Is Not Covered

1. Charges for nursing care and charges for attendance by a physician.

2. Charges incurred in connection with (a) injuries sustained while doing any act or thing pertaining to any occupation or employment for remuneration or profit, or (b) sickness for which benefits are payable in accordance with the provisions of any workmen's compensation or similar law.

3. Confinement or medical treatment in a hospital operated by the United States of America or any agency thereof, or in any hospital which makes no charge that you are required to pay.

4. Charges incurred with respect to a dependent if such dependent is entitled to benefits as an employee or former employee of the cooperative.

5. Charges incurred with respect to a dependent in connection with any hospital confinement which shall have commenced or medical care and treatment rendered prior to the date the dependent shall have become covered under the policy.

6. Any confinement or medical treatment not recommended and approved by a duly qualified physician.

IV. Surgical Expense Benefits

This policy covers the actual charge made by a duly qualified surgeon for performing a surgical operation on account of an accidental injury or sickness subject to the maximum set forth in the surgical schedule for the operation. A schedule of operations and the maximum payment on account of surgeon's fees is provided each employee.

The benefit is payable regardless of where surgery is performed.

The highest amount in the surgical schedule is $300, which is the maximum which is paid for all surgical operations performed during any one period of disability.

Successive operations are considered as having been performed during one period of disability unless the employee or his dependent, as the case may be, has completely recovered from the sickness or injury causing the earlier operation before the later operation, or

(a) in the case of the employee only, unless he has returned to active work with the cooperative for at least one full working day before the later operation, or

(b) in the case of his dependent only, unless the later operation is due to a sickness or injury entirely unrelated to the causes of the earlier operation.

Extended Benefit

In the event the Surgical Expense Benefit Insurance with respect to either the employee or his dependent terminates, the benefit described is available within 3 months thereafter during total disability that is continuous from date of termination.

What Is Not Covered

1. Charges incurred in connection with (a) injuries sustained while doing any act or thing pertaining to any occupation or employment for

remuneration or profit, or (b) sickness for which benefits are payable in accordance with the provisions of any workmen's compensation or similar law.

2. Services rendered in a hospital operated by the United States of America or an agency thereof.

3. Charges incurred with respect to a dependent in connection with any surgical operation if such dependent is entitled to benefits as an employee or former employee of the cooperative.

4. Charges incurred on account of a dependent in connection with any operation performed during a period of hospital confinement which commenced prior to the date the dependent shall have become covered under the policy.

V. Maternity Benefits

Maternity benefits are available to female employees and to dependent wives.

Maternity benefits are available immediately to employees who are insured on the effective date of the plan.

If such employees become insured at a later date benefits are payable only if pregnancy commences after the date they become insured.

The benefits for dependent wives are payable only if pregnancy commences after the date the dependent wife becomes covered for the dependent benefits.

Hospital Expense Benefit for Employees

If hospital confinement as an in-patient results from pregnancy, childbirth, or miscarriage, a benefit is payable in an amount equal to the hospital charges for room and board and all medical care and treatment, other than charges for nursing care and attendance by a physician, but not more than $140 will be paid for any one pregnancy.

Hospital Expense Benefit for Dependents

If hospital confinement as an in-patient results from pregnancy, childbirth or miscarriage, a benefit is payable in an amount equal to the hospital charges for room and board and all medical care and treatment, other than charges for nursing care and attendance by a physician, but not more than $160 will be paid for any one pregnancy.

Surgical Expense Benefit

If an operation listed in the surgical schedule (which is furnished all employees) under the heading Obstetrical Procedures is performed, a benefit is payable in an amount equal to the surgeon's fee up to the maximum provided for the operation in the schedule.

In the event Hospital and Surgical Expense Benefits Insurance terminates, the benefits described both for Hospital and Surgical Expense are available within 9 months thereafter for confinement or operation under the heading Obstetrical Procedures which results from pregnancy that exists at the date of termination, as evidenced by a written statement from the attending physician.

Other Employee Benefits

In addition to the savings-sharing plan and the group insurance plans already described, the association grants all employees 5 holidays with pay each year and from 1 to 3 weeks vacation with pay. Employees with less than 3 years service get a 1-week vacation; those with 3 years, but less than 12 years service, get 2 weeks; and those with 12 years or more get 3 weeks.

The association also provides nonfinancial incentives. It maintains a policy of promotion from within and uses job evaluations effectively. An employee suggestion system is in operation. Educational opportunities are provided for employees with evening classes arranged and expenses paid by the association.

Annual employee parties, picnics, and outings are held frequently and are well attended.

Another interesting employee organization is the "Old Timers Group" open to all employees who have 15 or more years service with the cooperative. This group is helpful in building and maintaining good employee relations, primarily by discussing employee problems and programs with top management.

Cooperative V

Contents

Cooperative V

Cooperative V is a local dairy cooperative serving between 500 and 600 producer members in the Midwest. A small group of dairymen interested in marketing their special-quality milk for better prices than the market provided at that time organized the association during the first depression years of the 1930's. The business prospered and is now the largest retail milk outlet in the area.

The home delivery system has been a specialty of the association from the beginning. However, as the organization grew, it made changes to embrace new methods of processing and wholesale deliveries to stores. This included remodeling the original plant several times and acquiring and building several new plants, including ice cream plants.

The association has become well known as a pace-setter with respect to operating efficiency and product quality control at all marketing stages. It has also been a pace setter in human relations. Producers and employees have worked together on a "family" basis. The idea of bringing producers, employees, and consumers together through a home-owned dairy was the goal of the cooperative from its very beginning. The idea became a reality.

The association has been a pioneer in sharing benefits of the business with employees. Its first and only president expressed the feeling of the original group of farmers who launched the organization when he stated: "Our association can't be 100 percent cooperative if it denies cooperative benefits to its own employees..."

The "family" aspects of this cooperative are exemplified by its method of representation on the board of directors. The farmers nominate as their representatives seven members who produce milk delivered to the association. Similarly, employees nominate as their representatives two persons who process or sell that milk. The two employee members of the board are nominated after an advisory ballot is conducted among employees. Farmer members actually elect all board members at the annual meeting.

Almost since the dairy's beginning employees have owned stock. The farmers own common stock and the employees own preferred.

Another factor which gives employees a proprietary interest in the cooperative is the profit sharing plan. Employees have shared in net savings along with farmers since a few years after the dairy was organized. In addition, they have a trust fund plan, a pension plan, group insurance, an independent union, and many other benefits described on the following pages.

Employees have responded to the progressive personnel practices of the association with real initiative and spirit. The general atmosphere at the dairy is warm and friendly. One employee expressed it this way: "We are really one big happy family. Each of us has the feeling of security and ownership; that is why each is ready to do the little 'extras' that lead to doing a better job."

This association employs over 500 persons, and dollar sales of milk and milk products now approach $15 million annually. Approximately 12 percent of the employees may be classified as office personnel; about 30 percent work in the plant or garage. The other 58 percent are salesmen.

Most of the employees own at least $500 worth of the cooperative's preferred stock. Selling stock is never a problem--the employees are always eager to buy all that is available. When more money is needed by the cooperative for building or expansion purposes, new issues of preferred stock are quickly oversubscribed by employees. This proprietary interest in the cooperative, necessitating a cash out of pocket investment by employees, was described by management of the cooperative as the primary requirement for a successful employee incentive plan. Stock ownership makes these employees part owners of the business. They react with genuine enthusiasm. As a result production has increased and a minimum of supervision is needed.

In addition to the privilege of stock ownership, management of this cooperative particularly likes having the trust fund plan and the retirement plan separate. Each employee watches his trust fund account grow. It is looked upon as a separate bank account.

Management also pointed out that with the opportunity for employees to share in the results of their efforts, the cooperative has access to top quality employees. They maintain a waiting list of applicants for employment. The long years of service of many employees, small employee turnover, and the friendly first name spirit which prevails are undeniable indications of the effectiveness of the employee practices of the cooperative.

Stock Ownership

The stock ownership plan of this cooperative is rather unique. Most farmer cooperatives are exclusively producer owned and do not extend the privilege of stock ownership to employees. This association does. Membership in the cooperative is of two types -- farmer members and employee members. Therefore, as part owners of the team, employees benefit through their own efforts.

Common or control stock is all owned by farmer-producers in proportion to the number of cows in their herds. Each common stockholder is entitled to <u>one</u> vote, regardless of the number of shares held. Each common share is worth $100. A dividend of 6 percent has been paid on the common stock each year since 1931.

Preferred stock is authorized by the bylaws to be held by any person connected with the cooperative who is not a farmer-producer. Employees fall in this classification and hold all the preferred stock. Five shares of preferred stock are reserved for each employee, and after 5 years of service an additional share can be purchased for each year of service up to 10 shares. Privilege to buy preferred stock is extended after 6 months' employment, but is not compulsory.

Arrangements can be made by employees to pay for their shares of stock through payroll deductions. The stock is recalled when employee-members sever their connection with the organization. Like common stock, each share of preferred stock is worth $100 and has paid a dividend of 6 percent each year since 1931.

Each preferred stockholder has one advisory vote through a junior board of directors made up of employees. Employees thus help elect two employee representatives to the senior board of directors. The preferred stockholders vote on a preference ballot prior to the annual stockholders' meeting each year. There are nine directors on the senior board. Seven are farmer-producers; two are employee members. Common and preferred stock is sold at $100 a share only at the beginning of any year. As the year progresses, the amount of the earned dividend is added to the purchase price. Neither common nor preferred stock increases in value from year to year because the margins and savings realized from operations each year are all allocated as patronage refunds.

Profit-Sharing and Trust Fund Plan

A "profit sharing" arrangement is used by this association for distributing savings to producers and employees. Under this plan the directors have declared patronage dividends to member-producers and bonus payments to employees regularly since 1936.

Each employee shares in the association's annual operating savings on the same basis as each producer. The same percentage applied to the producer's milk check to determine his patronage refund each year is applied to the employee's salary or wages to determine his share of the annual savings.

A portion of the farmers' patronage dividend and the employees' wage bonus is paid in cash. Both farmer-members and employee-members, as employees are called, receive the other portion in 15-year debenture bonds. These bonds are issued directly to farmer members but those issued as bonus payments for employees are not distributed to individual employees. Instead they are vested in a trust fund established for employees, which is administered by a bank.1/

1/ Even though this plan was originally approved by the Internal Revenue Service some question is now being raised as to whether the plan is entitled to exemption because of the Trust Funds' investment in debenture bonds of the association. As of the date this manuscript was prepared, the question had not yet been resolved.

The debenture bonds, those issued to farmer members and those vested in the trust fund for employees, are handled on a revolving fund basis. This makes it possible for the cooperative to distribute all its margins and savings each year.

All the 15-year debenture bonds are direct obligations of the cooperative, and after 5 years, provided they are not redeemed for cash or stock, they bear interest at the rate of 3 percent. However, it has been the practice of the cooperative to date to redeem these bonds after 5 years for either cash or stock.

Profit Sharing Formula

The exact amount of the employee bonus each year is based on the following formula:

> The net proceeds from the cooperative's annual operations are distributed amongst farmer producers and all employees on the payroll November 30 of any calendar year, after deducting Common and Preferred Stock dividends. (Net proceeds is designated as the final result of the cooperative's annual operations after proper allowance for depreciation of assets and other reserves, in accordance with good accounting and management policy.) The percentage of distribution to farmers and employees is based on the value of milk shipped to the cooperative and salaries and wages paid to the employees for the 12-month period immediately preceding November 30 of each calendar year.

Actual distribution of employees' bonuses is made at the annual Christmas party and at the Annual Stockholders' Meeting in February as follows:

1. At the Christmas party:

    A. One quarter in cash to individual employees.
    B. One quarter in Fifteen Year Debenture Bonds to Trustee of Trust Fund Plan.

2. At the annual membership meeting:

    A. One quarter in cash to Trustee of Trust Fund Plan.
    B. One quarter in debenture bonds to Trustee of Trust Fund Plan.

Trust Fund

Employees have shared in savings of the cooperative since 1936, but starting in 1949, three-fourths of their annual profit sharing bonus has been put into a trust fund which belongs to the employees. These funds are on deposit with a bank under a trust agreement which has been approved by the United States Treasury Department.

The Trust Fund Plan was installed by the cooperative in order to (1) reward employees for faithful and efficient service, (2) stimulate them in a keener interest in the successful operation of the cooperative, (3) supplement the provisions of the employee pension plan, and (4) to assist the employees in the building of independent estates.

Participation in the plan is automatic for all employees, provided they are on the payroll on November 30 of any calendar year. Participants do not make any contribution whatever to the plan. Contributions to the plan are made by the cooperative through "profit sharing" and debenture bonds which have been redeemed by the cooperative. Such contributions by the cooperative are deposited to the account of the trust plan at the bank which serves as trustee. All money in the fund is accumulative in individual employee accounts.

The plan is administered by a committee of five. Two members of this committee are appointed by the board of directors of the cooperative and the other three are elected by the employees. A representative of the trustee serves as an ex-officio member without any voting privileges.

The trust fund has grown rapidly over the years. Assets now total well over $1½ million. The plan is especially attractive to those employees who spend a long period of their lives with the cooperative. Any employee who leaves the cooperative with less than 10 years service is not entitled to 100 percent of his account in settlement. All amounts forfeited by employees are divided among those employees remaining under the plan at the end of each calendar year.

The trust fund also grows by virtue of investments in securities, primarily stocks, bonds, and debentures. The committee naturally tries to keep all its assets invested in sound securities, but general economic conditions result in variations in the value of the trust fund account from time to time. The trust fund committee tries to select safe corporate bonds and high-quality stocks.

The percentage of total market value of all securities owned by the trust fund at the close of a recent year indicates the diversified methods of investment used by the committee.

Type of security	Percent
U. S. Government obligations	4.7
Other bonds (of 21 different corporations or institutions)	38.1
Debentures of the cooperative	5.2
Preferred stocks	1.2
Common stocks (of 27 companies in various industries)	42.1
Cash	8.7
	100.0

Records are kept for each individual showing additions to his or her account by contributions from the cooperative as well as any additions from the distribution of trust fund income. Each employee receives notice of the contribution to the fund by the cooperative at the time of distribution, and once a year a complete statement showing the amount of his account, as well as a financial statement of the trust fund as a whole.

A sample blank annual statement is shown as Exhibit A. A report of the trust fund committee and the trustee is distributed with the annual statement explaining investments and severance cases and their effect on the current value of the fund.

When an employee leaves the employ of the cooperative for any reason, other than death or total disability, the amount he or she receives from the trust fund plan in settlement of his or her account is computed from the following schedule, which is based on the number of years of service with the cooperative:

Less than 1 year	Nothing	
1 to 2 years	10	percent
2 to 3 years	20	"
3 to 4 years	30	"
4 to 5 years	40	"
5 to 6 years	50	"
6 to 7 years	60	"
7 to 8 years	70	"
8 to 9 years	80	"
9 to 10 years	90	"
10 years or over	100	"

The normal retirement age under the plan is 65. However, the cooperative does not have a compulsory retirement rule. Each case is handled individually. But, employment of any individual beyond the age of 65 is subject to approval by the board of directors of the cooperative. Any employees remaining on the payroll after age 65 are eligible to receive all the privileges and benefits under the trust fund plan as long as they remain on the payroll.

Leaves of absence for purposes of the plan are granted on written agreement only. An employee who is granted a leave of absence is eligible to participate in the cooperative's contributions if he received any pay in the 12 months immediately preceding November 30 of the calendar year, even though he might not be receiving any pay as of November 30 of that year.

When an employee becomes totally disabled while in the employ of the cooperative, he receives full and complete settlement of his account, regardless of the number of years of service with the cooperative. The only requirement is that the employee submit affidavits from two reputable physicians substantiating his totally disabled condition.

Exhibit A.
Annual Statement Trust Fund Plan
February 25, 1961

Balance in Fund: February 19, 1960		$
1960 additions:		
December 20, 1960: Contribution by cooperative in 15-year debenture bonds..............................	$	
February 25, 1961: Contribution by cooperative -		
In cash..		
In 15-year debenture bonds........................		
Total additions to Trust Fund:		
Total Trust Fund Account:		
Less: Total of employee accounts, terminating employment in 1960............................		
Balance:		$
Add: Other Income:		
Income from forfeitures..............................		
Interest from U. S. Treasury and Savings Bonds.......		
Dividends and interest on common and preferred stocks and bonds..		
Sales of securities..................................		
Increase in value of securities......................		
Total: Extra Income:		
Less: Operating Expenses:		
Trustee's fees and expenses..........................		
Committee's fees.....................................		
Total net income, 1960 to be distributed among active Trust Fund members..........................		
Total Member Accounts, February 18, 1961		$

*** Asset and Liability Statement ***

Assets:		
Cash...	$	
Cooperative 15-year debenture bonds.................		
U. S. Government Bonds..............................		
Preferred stocks....................................		
Common stocks.......................................		
Mortgage bonds......................................		
Total Assets:		$
Liabilities: Member accounts as of February 18, 1960:..		$

*** *** *** ***

Individual Account for: ______________________

Balance in your account, February 19, 1960	$	
Add: Contributions to account, December 20, 1960:		
Contributions to account, February 25, 1961:		
Your share of Trust Fund 1960 income:		
Total in Your Account as of February 25, 1961		$

When an employee dies while in the employ of the cooperative, his beneficiary receives full and complete settlement of his account, regardless of the number of years he was employed by the cooperative.

Continuation of this plan is not compulsory. The cooperative may change, suspend, or stop the plan at any time. However, any funds in the hands of the trustee can never be reclaimed by the cooperative under any circumstances. All funds remain for the benefit of the employees and in the event of cancellation will be distributed to employees by the trustee.

Retirement Plans

This cooperative has two employee retirement plans -- an employee contributory pension plan and a non-contributory plan. Each employee is free to choose the plan he will join.

All employees are urged to join the contributory plan, however, because it is to their advantage. It always returns the money employees put in -- either as savings with credited interest or as a pension. However, since about 10 percent of the employees are not members of the contributory plan, the non-contributory plan was established to provide them some security. Both plans will be described in detail.

Retirement Income Plan

The retirement income plan of this cooperative is a contributory pension plan. It has been in effect since the start of the cooperative in the 1930's. The plan is designed to assist employees in building up retirement income for themselves. Changes in the plan have been made from time to time. After the Social Security System was established, the percentage of contributions was reduced. The latest amendment, however, which became effective in 1960, increased the cooperative's contributions to the plan from approximately 4 percent of employee earnings to approximately 5 percent.

All employees are eligible for membership in the plan upon completion of 6 months service, and may join on the first of any month thereafter so long as their age is below normal retirement age.

Any employee may become a member of the plan by signing an acceptance and payroll deduction authority card, which officially signifies his acceptance of the plan and authorizes the cooperative to withhold his share of the cost from salary or wages.

A complete summary of the plan is included here for those readers interested in specific details.

All employees who are members of the plan are classified in salary earnings groupings at the beginning of each year. Changes in earnings during the year are not taken into account until the January following the date of such change. Table 1 shows the earnings classifications used along with the contributions of employees and the cooperative for each classification. The cooperative contributes approximately $5 for every $2 contributed by employee members. Table 1, taken from the association's employee retirement booklet, applies to membership in the plan on and after January 1, 1960, the effective date of the last increase in cooperative contributions to the plan.

Table 1. - Employee monthly earnings classification for the retirement income plan showing employee and cooperative contributions for each employee class

Earnings class	Yearly earnings	Monthly earnings for plan	Employee's monthly contribution	Cooperative's monthly contribution
1	Less than $ 840.00	$ 60	$ 1.20	$ 3.00
2	$841.00-1,080.99	80	1.60	4.00
3	1,081-1,320.99	100	2.00	5.00
4	1,321-1,560.99	120	2.40	6.00
5	1,561-1,800.99	140	2.80	7.00
6	1,801-2,040.99	160	3.20	8.00
7	2,041-2,280.99	180	3.60	9.00
8	2,281-2,520.99	200	4.00	10.00
9	2,521-2,760.99	220	4.40	11.00
10	2,761-3,000.99	240	4.80	12.00
11	3,001-3,240.99	260	5.20	13.00
12	3,241-3,480.99	280	5.60	14.00
13	3,481-3,720.99	300	6.00	15.00
14	3,721-3,960.99	320	6.40	16.00
15	3,961-4,200.99	340	6.80	17.00
16	4,201-4,440.99	360	7.20	18.00
17	4,441-4,680.99	380	7.60	19.00
18	4,681-4,920.99	400	8.00	20.00
19	4,921-5,160.99	420	8.40	21.00
20	5,161-5,400.99	440	8.80	22.00
21	5,401-5,640.99	460	9.20	23.00
22	5,641-5,880.99	480	9.60	24.00
23	5,881-6,120.99	500	10.00	25.00
	Increasing for each additional class by:			
etc.	$240	$20	$0.40	$1.00

The actual amount of each employee's retirement income depends upon the number of years the employee was an active member of the plan as well as the amount of his earnings during these years of membership. Table 2 illustrates benefits on contributions made after January 1, 1960.

Table 2 is only for purposes of illustration and applies only to employees who entered the plan on or after January 1, 1960, the date of the last

Table 2. - Monthly modified cash refund retirement income payable at normal retirement date purchased jointly by monthly purchase payments of $1.00 by the member and $2.50 by the cooperative from the age shown to normal retirement date

Monthly income, men at age 65	Age	Monthly income, women at age 60	Monthly income, men at age 65	Age	Monthly income, women at age 60
$24.66	20	$13.66	$8.48	43	$4.22
23.76	21	13.13	7.97	44	3.92
22.88	22	12.62	7.46	45	3.62
22.02	23	12.12	6.98	46	3.33
21.17	24	11.63	6.50	47	3.05
20.35	25	11.15	6.04	48	2.78
19.55	26	10.68	5.59	49	2.51
18.76	27	10.23	5.15	50	2.25
18.00	28	9.78	4.72	51	2.00
17.25	29	9.35	4.31	52	1.75
16.52	30	8.92	3.91	53	1.51
15.81	31	8.51	3.52	54	1.27
15.11	32	8.10	3.14	55	1.05
14.43	33	7.71	2.78	56	.82
13.77	34	7.32	2.43	57	.61
13.12	35	6.94	2.08	58	.40
12.49	36	6.57	1.75	59	.20
11.87	37	6.21	1.43	60	
11.27	38	5.86	1.13	61	
10.68	39	5.52	.83	62	
10.11	40	5.18	.54	63	
9.55	41	4.85	.27	64	
9.01	42	4.54			

change in the plan. An estimate of retirement income for any particular employee can be figured by using tables 1 and 2 as follows:

Find the employee's earnings class at the time he entered the plan in table 1. Multiply his monthly contribution for that class by the amount shown in table 2, opposite the age he entered the plan.

A few specific examples will indicate how each employee's monthly retirement income is calculated:

Example 1:

Assume a male employee age 21 joins the plan on or after January 1, 1960 after completing six months of service, and that his annual earnings to normal retirement date are as follows:

Age	Annual earnings	Member's monthly contributions
21-29	$4080	$ 6.80
30-39	4800	8.00
40-44	5280	8.80
45-54	6000	10.00
55-64	6480	10.80

His monthly retirement income at age 65 would be calculated (from table 2) as shown on the following page.

Age 21-29

Monthly retirement income purchased by such contributions from age 21 to age 65 -- $6.80 x $23.76	$161.57

Age 30-39

Monthly retirement income purchased by an increase in contributions of $1.20 ($8.00 minus $6.80) from age 30 to age 65 -- $1.20 x $16.52	$19.82

Age 40-44

Monthly retirement income purchased by an increase in contributions of $0.80 ($8.80 minus $8.00) from age 40 to age 65 -- $0.80 x $10.11	$8.09

Age 45-54

Monthly retirement income purchased by an increase in contributions of $1.20 ($10.00 minus $8.80) from age 45 to age 65 -- $1.20 x $7.46	$8.95

Age 55-64

Monthly retirement income purchased by an increase in contributions of $0.80 ($10.80 minus $10.00) from age 55 to age 65 -- $0.80 x $3.14	$2.51
Total monthly retirement income under the plan at age 65	$200.94
Estimated primary insurance amount under the Federal Social Security Law as amended and in effect January 1, 1959 (based on average monthly earnings of $385.00)	$124.00*
Total monthly benefit at age 65	$324.94

*If this man had a wife age 65 or older, she would be entitled to receive a benefit of $62.00 (50 percent of $124.00) and the total family income would then be $386.94. This example assumes continuation of the present group annuity rates until normal retirement date. The rates, however, are guaranteed only until January 1, 1961.

Example 2:

Assume a female employee age 21 joins the plan on or after January 1, 1960, after completing 6 months of service, and that her annual earnings to normal retirement date are as follows:

Age	Annual earnings	Member's monthly contributions
21-27	$2880	$4.80
28-31	3600	6.00
32-39	4320	7.20
40-49	5040	8.40
50-59	5440	9.20

Her monthly retirement income at age 60 would be calculated (from table 2) as shown on the following page.

Age 21-27

Monthly retirement income purchased by such contributions from 21 to age 60 -- $4.80 x $13.13..	$63.02

Age 28-31

Monthly retirement income purchased by an increase in contributions of $1.20 ($6.00 minus $4.80) from age 28 to age 60 -- $1.20 x $9.78.	$11.74

Age 32-39

Monthly retirement income purchased by an increase in contributions of $1.20 ($7.20 minus $6.00) from age 32 to age 60 -- $1.20 x $8.10.	$9.72

Age 40-49

Monthly retirement income purchased by an increase in contributions of $1.20 ($8.40 minus $7.20) from age 40 to age 60 -- $1.20 x $5.18.	$6.22

Age 50-59

Monthly retirement income purchased by an increase in contributions of $0.80 ($9.20 minus $8.40) from age 50 to age 60 -- $0.80 x $2.25.	$1.80
Total monthly retirement income under the plan at age 60............	$92.50
Estimated primary insurance amount payable at age 65 under the Federal Social Security Law as amended and in effect January 1, 1959 (based on average monthly earnings of $350.00)......................	$116.00*
Total monthly benefit at age 65...................................	$208.50

*The primary insurance amount could be applied for as early as age 62 but the amount payable from the earlier age would be less than that payable at age 65. This example assumes continuation of the present group annuity rates until normal retirement date. The rates, however, are guaranteed only until January 1, 1961.

Normal retirement date under the plan is the January 1 nearest the 65th birthday for male employees and nearest the 60th birthday for female employees. However, there is no compulsory retirement age--each case is handled independently.

With the consent of the cooperative, male employees may elect to retire on the first of any month after their 55th birthday and female employees after their 50th birthday. However, monthly retirement income is actuarially reduced for employees who elect to retire earlier than normal retirement ages.

Employees whose retirement income begins before their primary insurance amount under the Federal Social Security Law first becomes available may arrange, with approval of the cooperative and the insurance company, to have their retirement income under the plan adjusted to provide, as far as is practicable, a constant total income both before and after the primary insurance amount first becomes available. This arrangement is not available to employees who are eligible for disability benefits under the Federal Social Security Law.

Retirement income normally provided under this plan is on a modified cash refund basis. That is, after an employee retires, payments are made to him on a monthly basis until death. Should an employee die before he has received total income payments from the plan equal to his own contributions with interest, the insurance company pays the difference to his beneficiary.

If an employee wishes to provide a retirement income for his spouse or another person following his death, he may elect after retirement to receive his payments on a Joint and Survivor basis. In this event, he receives a reduced amount of monthly income during his lifetime which, after his death, is continued in the same amount or a smaller amount, as designated by the employee, to his joint annuitant. In this case the amount of his monthly retirement income will depend upon his age and sex, the joint annuitant's age and sex, and the percentage of his income which is to be continued to his joint annuitant. Proof of joint annuitant's age is required.

Election to receive retirement payments on a joint and survivor basis may be made by employees at any time. However, if the election is not made at least 5 years before retirement date as designated by employee in his election, satisfactory evidence of good health is required. If either an employee or his joint annuitant dies before retirement date, the election of the joint and survivor option is cancelled. If either dies after retirement date, payments are made on the optional form.

If an employee and his joint annuitant die after retirement date, but before the total retirement income payments to both equal at least the employee's own contributions plus interest, his beneficiary receives the balance as a death benefit.

Once an employee has elected the joint and survivor form of payment and has selected his joint annuitant and retirement date, his election may not be changed in any respect without the written consent of the insurance company. The insurance company's consent to such a change may be made subject to satisfactory evidence of the employee's and his joint annuitant's good health.

If an employee leaves the cooperative before retirement with less than 15 years service, he may elect to withdraw his contributions, with interest; or he may leave them with the insurance company. If he leaves them with the company he will receive retirement income, beginning at his retirement date. Employees with 15 or more years of credited service under the plan receive, beginning at retirement date, their own as well as the cooperative's contributions made in their behalf up to the date of their termination of employment. If an employee at any time withdraws his own contributions, however, he forfeits all rights to a retirement income.

An employee does not necessarily have to terminate employment with the cooperative or retire to get his contributions from the pension plan. He can get his own contributions returned to him at any time he wishes to cancel the plan; and by virtue of the 15-year vesting clause, the cooperative's contributions also accrue to the member after 15 years of service under the plan.

As stated earlier, the plan provides that for those leaving the association or cancelling the plan after 15 years of service, the fund will remain with the insurance company until retirement age for a pension at that time. However, the cooperative has promised to refund all money received from the insurance company on such accounts to employees who have an immediate need for money and wish to receive their contributions in cash.

<u>Interest</u>

In determining the benefits payable at death and at termination on contributions made after January 1, 1946, interest is calculated at the rate of 2 percent compounded annually on each year's contributions from the January 1 following the date contributions were made to the first of the month of death, termination or retirement, whichever occurs first.

The insurance company reserves the right to change the rate of interest, including the rules used in determining the amount payable in case of termination of service. In the event a change is made, contributions made before the date of change will not be affected.

Leave of Absence

If an employee is granted a leave of absence or is in active military service, his contributions and the cooperative's contributions in his behalf cease. Contributions previously made remain to his credit and, upon resumption of his earnings, contributions are resumed. Such leave of absence is not considered as termination of service in determining termination benefits.

Amendment or Discontinuance of the Plan

The cooperative hopes and expects to continue the group annuity contract indefinitely, and every effort has been made to arrange the contract so that it will meet future conditions insofar as they can be foreseen. In order to protect the cooperative against unforeseen conditions, however, the right to amend or discontinue the contract is reserved by the cooperative.

If the contract is to be amended in a manner adverse in its effect on members, they will be requested to consent to such amendment.

If the contract is discontinued, the cooperative cannot withdraw any contributions which it has made under the contract. In such event, each member--whether or not he remains in the service of the cooperative and provided he does not withdraw his own contributions--will receive at retirement date the retirement income purchased, under the contract prior to the date of discontinuance, by his own contributions as well as those of the cooperative. If upon discontinuance of the contract or thereafter, a member elects to withdraw his contributions, the retirement income at retirement date will be that provided by cooperative contributions alone.

Non-Contributory Pension Plan

This plan was established to provide some security for employees not covered by the contributory retirement income plan just described. The contributory retirement income plan is available to all employees after 6 months service but is entirely voluntary. Approximately 90 percent of eligible employees are members of the contributory plan. The other 10 percent are automatically covered by this non-contributory plan.

This plan is administered by a bank and functions as follows:

The cooperative pays in for each employee covered by the plan 2 percent of the employee's earnings each month. There is no vesting clause. Employees contribute nothing and, therefore, they receive nothing unless they reach retirement age. At that time they receive a monthly payment from the plan in the form of a pension. No lump sum payments are made either to employees or to beneficiaries in case of death before or after retirement.

As already indicated, participation in this plan is entirely automatic. However, employees are urged to join the contributory plan and must sign a waiver if they decide not to do so. They may also withdraw from the contributory plan and enter this plan if they choose to do so. They always have the privilege of reentering the contributory plan whenever they desire.

If an employee is once in the non-contributory plan, however, and decides to subscribe to the contributory pension, his participation in the non-contributory plan ceases and cannot be reactivated.

Group Insurance Benefits

Employees of this association are provided with group life, major medical, and health insurance benefits. The three plans are described separately on the following pages.

Life Insurance

Group life insurance is offered to all employees after 6 months of service. Employees with less than 15 years service pay a small percentage of the premium; after 15 years the cooperative pays all costs of the insurance. The insurance is entirely voluntary but is available to all without medical examination.

Total amount of group coverage available to each employee is $3,000. Special features of the insurance follow:

1. All employees with 15 or more years service receive full life protection of $3,000 with premium paid in full by the cooperative.

2. For employees who retire under the retirement income plan, the cooperative continues $2,000 life coverage without cost to the employees. However, this coverage is reduced 10 percent each year after the first complete year of retirement.

3. For employees who reach retirement age but remain as active employees, the cooperative continues $2,000 life coverage without cost to employees. When these employees sever employment or retire, the insurance is decreased 10 percent each year from age 60 or 65.

4. The group life insurance has a total permanent disability clause of a monthly income for 5 years on which payments total $3,000 up to 60 years of age.

5. When severing employment with the cooperative, employees may convert their group life insurance without a medical examination.

Major Medical Insurance

A complete major medical health insurance plan is furnished each employee. The entire premium is paid by the cooperative. The plan (Blue Cross and Blue

Shield) is arranged by contract and is subject to change from time to time. Any employee not desiring coverage under this plan receives a cash payment from the cooperative.

Health Insurance

Health insurance is provided by the cooperative's Employees' Benefit Association. This association, whose membership is composed of employees in all departments of the cooperative, was organized in 1939. Its purpose is to provide some cash income during periods of disability not covered by compensation. All funds are furnished through the payments of dues by the Employees' Benefit Association members. Membership is voluntary. All employees under 50 years of age at the time of application are eligible to join.

Affairs of the Employees' Benefit Association are conducted by a board of directors who are chosen by secret ballot of all members. The term of office is 3 years.

Operation costs and services of the Employees' Benefit Association are held to a minimum. Funds provided through payments of dues and earnings on investments in excess of claim payments and expenses are invested in conservative securities to provide a reserve account. The board of directors of the Employees' Benefit Association is authorized to provide a maximum service after an adequate reserve has been accumulated. At their discretion, dues and benefit payments can be changed. When the plan was first organized the charge was $1 a month per member and the benefit was $20 a week for 7 weeks.

The following benefit rates became effective in 1955. Benefit periods were limited.

3-12 months membership........................	$20 a week
13-24 months membership.......................	33 a week
Hospital additional..........................	3 a day
Over 24 months membership.....................	42 a week
Hospital additional..........................	5 a day

At a special meeting in 1960 the following proposal was made by the board of directors of the Employees' Benefit Association:

> Employees with 3 to 12 months membership in the plan to receive $30 per week for 7 weeks;
>
> 13 to 24 months membership, $42 a week for 7 weeks plus $4 a day hospital benefit for 23 days;

Over 24 months membership, $51 a week for 7 weeks and $6 a day hospital additional for 23 days;

Members with 10 years or more credit in the plan to receive 10 weeks coverage plus 23 days hospital.

Rates of $2.50 a month per member. No member to receive benefits while on vacation or when making up sick days unless hospitalized.

The proposal was voted on by the membership and received 100 percent acceptance.

This health insurance plan is organized, controlled, and paid for by employees. The cooperative does not subsidize it in any way, but does give its wholehearted approval and cooperation. Monthly dues are collected by payroll deductions and turned over to the Employees' Benefit Association.

Salary Plus Commission for Salesmen

Salesmen of this association are covered by employee incentive plans and benefits the same as any other employee. However, instead of receiving a basic salary they are paid a guaranteed base amount plus a commission which is based on each individual's actual sales.

The basic pay of salesmen is not as high as comparative wage scales in the area, but this low wage scale is more than offset by the commission scale, which is higher than average.

The association and the salesmen seem well pleased with the payment plan. Salesmen are able to earn enough in commission payments to raise their total pay, salary plus commission, to an amount higher than the community average for comparable work.

In addition to the incentives and benefits provided salesmen along with all other employees, the association furnishes the following incentives for salesmen only:

Collection Bonus - Salesmen receive a bonus at the end of each month if they succeed in keeping their delinquent accounts below an established basis. Each salesman with no delinquent accounts receives a $10 bonus. Those with delinquent accounts totaling less than 1 day's average sales for the month receive a $5 bonus. A $2.50 bonus is paid if the delinquent accounts are less than 2 days' average sales. Sales with delinquent accounts totaling as much as 2 days' average sales do not receive a collection bonus for the month.

Reconciliation Bonus - Salesmen who keep their accounts carefully so that they are not more than $5 over or short at the time of the monthly reconciliation receive a $3 monthly bonus.

Sales Contests - Regular spring and fall sales contests are conducted with prizes for salesmen who win.

Other Employee Benefits

Everyone working in the cooperative has a part in its control. There is multiple responsibility and many organized groups work on different activities. Teamwork is one of the secrets of the cooperative's success.

Junior Board of Directors

One of the most important of the employee organizations is the Junior Board of Directors. This board is composed of seven members. They represent the preferred stockholders -- the employees.

Members of the Junior Board are all employees, elected by secret ballot. They hold office for a 2-year term and cannot succeed themselves. However, they can be reelected after having been out of office for at least a year.

Candidates to the Junior Board are nominated by a nominating committee selected by the Senior Board each year. Junior Board membership includes representation from the plant, garage, office, and sales departments. No supervisory personnel are included.

Suggestions concerning working conditions or improvements or any personnel or union problems are submitted by employees to the Junior Board. The Junior Board holds regular monthly meetings with management and makes suggestions for improving plant and route operations, as well as cooperative policies.

Advice is given by the Junior Board to the Senior Board on the election of the two employee members of the Senior Board. Recommendations are made following a vote taken of all preferred stockholders conducted by the Junior Board. This ballot is a major function of the Junior Board. However, in this respect the Junior Board acts in an advisory capacity only.

Independent Employee Union

Employees of this cooperative have an independent union which is entirely separate from the cooperative. The union was formed over 20 years ago by the employees when they voted to no longer be a part of an affiliated labor union.

Although membership is voluntary, almost 100 percent membership, excluding the management group, is maintained by employees. The union is entirely separate from the cooperative and is controlled completely by employees. The association does not influence employees in making their choice to join or to refrain from joining the union.

The union acts in the capacity of a bargaining agent for wages, hours and working conditions. Union representatives negotiate with management of the cooperative and each year a contract agreement with the cooperative is agreed upon.

An indication of the truly democratic operation of this independent employee union is its method of handling elections. Members are allowed a 2-day vote by ballot box to avoid minority control which can happen in floor elections.

This union has never been a problem to management of this cooperative -- happy agreements have always resulted from negotiations.

Actually, with stock ownership and profit sharing extended to all employees, plus all the other employee benefits described here, such as representation on the board of directors by employees, it is hard to tell where labor relations begin in this cooperative. The success of the cooperative is of major importance to employee-members the same as it is to farmer-members.

Veterans Club

All employees who have five years of service in the cooperative are invited to join the Veterans Club. Members of the club receive a gold 5-year service pin when they join. This is presented at the annual banquet of the club.

Members are honored with a jewel which is added to their pin at the end of each additional 5-year period of service. After 10 years a ruby is added; after fifteen, a saphire; after twenty, an emerald. And, after 25 years of service, the other jewels are replaced by a diamond. This special reward for service may not seem to all as important as money payments, but everyone appreciates a pat on the back, and the 250 members of the Veterans Club of this association are enthusiastic members who wear their service pins with pride.

The activities of this club and the annual banquet are sponsored by the Junior Board of Directors.

Suggestion Box

All employees are urged to make any suggestions for improvements of any type. The suggestion program applies to working conditions and employee problems as well as operating procedures.

A suggestion box is used for collecting suggestions. Most of the suggestions are turned over to the Junior Board for recommendations. All are given due consideration and those accepted are given an award. Past records show that about 50 percent of all suggestions received awards ranging from $1 to $50. While the larger number of suggestions have come from salesmen, some very good ones have been submitted by plant and office employees.

Many employee benefits have grown out of the employee suggestion program. The Junior Board of Directors was one of these.

Promotions from Within

New employees at this cooperative are hired with the understanding that they can go as far as their ability, enthusiasm, and hard work will take them. Promotions are made from within the organization, and the large number of committee and employee participation groups provide opportunity for the development of leadership. During the entire life of the cooperative, no one has been brought in from the outside for a top position.

The cooperative maintains a membership waiting list -- for both farmer members and employee members.

Educational Activities

As soon as a new employee is hired he is welcomed into the "family" by means of an attractive employee manual. This manual tells him many important things about the history, organizational structure, and operations of the cooperative. It also summarizes the various activities in which he may participate and how he will share in the benefits of the cooperative.

All employees, as well as producer members, are invited to attend the association's annual meeting held each year early in February. At this meeting the operations of the business are thoroughly explained. Oral reports are given, printed reports distributed, and charts shown which illustrate changing trends in the year's operations.

The annual summer picnic gives employees another chance to meet producer members and their families as well as get better acquainted with each other. Some educational speaker along cooperative lines is also a feature of the picnic meeting And, if some important matter needs to be discussed, it is called to the attention of members and employees at this time.

At the annual Christmas party religion and business merge into a common purpose. This is a time for sharing and it is at these annual Christmas parties that the cooperative distributes "profit-sharing" checks.

Milk production is constantly changing. In order to keep membership well informed so quality may be maintained, family night meetings are regularly held in key locations. These meetings are primarily for discussion of current farm trends and help to develop a better understanding among membership. In recent years employee-members have been invited to attend the meetings. The program and activity of these sectional farm meetings is supervised by a committee of farm youth which is appointed by the board of directors.

In addition to the regularly scheduled meetings already mentioned, each year a dinner meeting is held for directors, staff members and foremen, and there is an annual banquet for all employees with 5 years or more of service. All of these meetings are of an educational nature, aimed at keeping employees and producers informed.

The "Co-operator," published every two months, for and by the cooperative, is mailed to the home of every employee and every farmer member. This newsy, informal publication keeps the farmer and employee membership informed regarding all aspects of the cooperative and also the people connected with it -- farmers, employees, and patrons.

Special classes are conducted at the cooperative to educate new salesmen on products, selling techniques, and cooperative principles. Much of the progress of this association is attributed by management to the capable and well trained sales force.

Employee Activities

An important part of the incentive program of this cooperative is the provision for employee activities. In addition to the many meetings and employee organizations already discussed several others should be mentioned.

CREDIT UNION

A well organized credit union serves as a medium for employees to help one another with their financial problems. The credit union was organized in 1938 and has done a great deal over the years to encourage thrift and keep employees from becoming involved with loan sharks by providing funds in time of need.

Banking facilities are made available to all members, a planned savings program is offered, and short-term signature and mortgage loans are provided.

SAFETY PROGRAM

A Safety Committee, consisting of five employees, meets once a month with an insurance representative to check all driving accidents. This committee regularly reviews the safety program of the cooperative, with special emphasis on trucks and sales force operations. Members of the committee are elected by ballot to serve nonsuccessive 2-year terms.

At the committee's monthly meeting all salesmen involved in an accident are called in and given an opportunity to explain. The committee decides who is at fault and places negligence wherever they deem appropriate. However, primary emphasis is placed on accident prevention. Safe driving awards are distributed each year to all salesmen who have not been charged with an accident during the year, and special awards at the end of each 5-year safe driving period.

The cooperative has had a good record with respect to keeping the number and severity of accidents to a minimum. Active participation of employees in the accident prevention program has been partly responsible for this success.

RECREATIONAL ACTIVITIES

Through a recreation league employees are provided opportunity for social contact in athletic sports, hobbies, and entertainment fields chosen by employees. The league sponsors at least one dance a year, baseball teams, bowling teams, golf, and dartball.

The purpose of the recreation league is to promote greater fellowship among employees and their immediate families. A trophy case, located in the lobby of the office entrance, displays the results of outstanding employee achievements in athletic competition.

Competitive Wages

This cooperative pays employees wages equal to or better than those paid for comparable work in the local area. Employees also receive a full 40-hour week of work. All of the "benefits" mentioned in this report are truly benefits and not a means of adjusting low wage scales to competitive levels.

Vacations and Holidays

Annual vacations with pay are granted all employees. The length of the vacation period is dependent on the years of service with the cooperative as indicated in the following tabulation:

Years of service	Weeks of vacation each year
1 - 2	1
3 - 9	2
10 - 19	3
20 and over	4

Plant employees are granted six holidays with pay each year. Those in the selling departments are limited to four.

On-Time Bonus

In order to discourage tardiness and absenteeism, a bonus of $2.50 is paid at the end of each month to all employees who were neither late nor tardy during the month.

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Other Publications Available

Farmer Cooperatives in the United States, FCS Bulletin 1.

Employee Incentive Plans in Farmer Cooperatives, General Report 62. Nelda Griffin.

Employee Incentive Plans in Industry, General Report 12. Nelda Griffin.

Retirement Plans of Farmer Cooperatives, Circular 21. French M. Hyre.

Developing a Group Insurance Plan for Employees of Cooperatives, General Report 17. French M. Hyre.

Number of Full-Time Employees of Farmer Cooperatives, General Report 73. Nelda Griffin.

Management Training Among Farmer Cooperatives, General Report 65. David Volkin and Nelda Griffin.

Statistics of Farmer Cooperatives, General Report 103. Anne L. Gessner.

Legal Phases of Farmer Cooperatives, FCS Bulletin 10.

Methods of Financing Farmer Cooperatives, General Report 32. Helim H. Hulbert, Nelda Griffin and Kelsey B. Gardner.

Revolving Fund Method of Financing Farmer Cooperatives, General Report 41. Helim H. Hulbert, Nelda Griffin and Kelsey B. Gardner

A copy of these publications may be obtained upon request while a supply is available from--

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