

# Compensation Committee Charter

(Adopted by the Board of Directors June 26, 2007)

The Board of Directors (the “Board”) of Minn-Dak Farmer Cooperative (the “Cooperative”) has established the Compensation Committee (the “Committee”) of the Board with the authority, responsibility and specific duties described in this Compensation Committee Charter.

## **Purpose**

The primary purposes of the Committee are:

1. To discharge the Board’s responsibilities relating to the fair and competitive compensation of the Cooperative’s Chief Executive Officer (“CEO”); and
2. To discharge the Board’s responsibilities to review the SEC’s required Compensation Discussion and Analysis (CD&A) and recommend its inclusion in the Form 10-K; and
3. To perform such other functions as the Board may assign to the Committee from time to time.

## **Structure and Membership**

### Membership

- The Committee shall consist of at least three members, all of whom must be members of the Board.
- No director of the Cooperative shall be a member of the Committee if such director (A) currently is, or at any time during the past two fiscal years has been, employed by the Cooperative or (B) in the judgment of the Executive Committee, has a relationship that would interfere with the exercise of independent judgment in carrying out responsibilities as a director or member of the Committee.
- One of the members shall serve as the chairperson of the Committee.
- The Executive Committee of the Board shall appoint the members of the Committee. The chairperson of the Committee shall be designated by the Executive Committee of the Board or, if no such designation is made, shall be selected by the affirmative vote of a majority of the members of the Committee.
- The Board may remove or replace, the chairperson and any other member of the Committee or fill vacancies at any time by the affirmative vote of a majority of the members of the Board.

### Committee Meetings and Action

## **Authority and Responsibilities**

The Committee is delegated all authority of the Board as may be required or advisable to fulfill the purposes of the Committee. The Committee may form and delegate some of its authority to subcommittees when it deems appropriate. Without limiting the generality of the preceding statements, the Committee shall have authority, and is entrusted with the direct responsibility, to take the following actions:

1. The committee shall meet as often as may be deemed necessary or appropriate in its judgment but in any event, it must meet at least twice per year, either in person or telephonically. The majority of the members of the Committee shall constitute a quorum. Minutes of all meetings, including telephone meetings, shall be maintained and furnished to members of the Committee and the Secretary of the Cooperative.

2. Each year the Committee shall:
  - Review and approve Cooperative goals and objectives relevant to the compensation of the CEO;
  - Oversee the performance evaluation of the CEO by the Board in light of such goals and objectives;
  - Based on the evaluation of the CEO by the Board, make a recommendation to the Board of CEO compensation, and
  - Either as a committee, or together with the Board, determines and approves the compensation of the CEO based on this evaluation.
3. Each year the Committee shall review and make revisions as needed to the CEO performance evaluation tool.
4. Each year the Committee shall review and make recommendations to the Board with respect to incentive-compensation plans and equity-based plans for the CEO.
5. The Committee shall have authority to consider, make determinations and make recommendations to the Board regarding the long-term incentive compensation awards for the CEO.
6. Each year the Committee shall review and make recommendations to the Board, for the CEO, all annual and all other compensation arrangements, which may include the following:
  - The annual base salary level;
  - The annual incentive opportunity level;
  - The annual or other discretionary bonus levels; and
  - Any special or supplemental benefits.

The Committee shall meet without the presence of the CEO when approving CEO compensation recommendations to the Board.

7. When and as appropriate, the Committee shall review and recommend to the Board, for the CEO:
  - All benefits and perquisites; and
  - All employment agreements, severance arrangements, and change-in-control agreements and provisions.
8. Each year, the Committee shall prepare a report on executive compensation as required by the SEC to be included in the Cooperative's annual report on Form 10-K filed with the SEC. The report, which shall be made over the name of each member of the Committee, shall include the following:
  - Disclosure of the Committee's compensation policies applicable to the Cooperative's CEO, including the specific relationship of corporate performance to executive compensation;
  - Discussion of the Committee's basis for the CEO's compensation reported for the last completed fiscal year, including the factors and criteria upon which the CEO's compensation was based. In addition, the Committee shall include a specific discussion of the relationship of the Cooperative's performance to the CEO's compensation for the last completed fiscal year, describing each measure of the registrant's performance, whether qualitative or quantitative, on which the CEO's

compensation was based; and

- If the Board modified or rejected in any material way any action or recommendation by the Committee with respect to such decisions in the last completed fiscal year, the report must so indicate and explain the reasons for the Board's actions, and be made over the names of all members of the Board.
9. The Committee shall have the sole authority to retain, amend the engagement with, and terminate any compensation consultant to be used to assist in the evaluation of the CEO. The Committee shall have sole authority to approve the consultant's fees and other retention terms and shall have authority to cause the Cooperative to pay the fees and expenses of such consultants. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors, to approve the fees and expenses of such outside advisors, and to cause the Cooperative to pay the fees and expenses of such outside advisors.
  10. Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
  11. Perform any other activities consistent with this Charter, the Cooperative's By-laws and governing law as the Committee or the Board deem appropriate.

#### **NASDAQ Marketplace Rule 4350 - Director Independence**

"Independent director" means a person other than an executive officer or employee of the company or any other individual having a relationship, which, in the opinion of the issuer's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent:

- (A) A director who is, or at any time during the past three years was, employed by the company or by any parent or subsidiary of the company;
- (B) A director who accepted or who has a Family Member who accepted any compensation from the company in excess of \$60,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
  - (i) Compensation for board or board committee service;
  - (ii) Compensation paid to a Family Member who is an employee (other than as an executive officer) of the company;
  - (iii) Benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- (C) A director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the company as an executive officer;
- (D) A director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments for property or services in the current or any of the past three fiscal years that

exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:

- (i) Payments arising solely from investments in the company's securities;
- (ii) Payments under non-discretionary charitable contribution matching programs.

(E) A director of the issuer who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the issuer serve on the compensation committee of such other entity; or

(F) A director who is, or has a Family Member who is, a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor who worked on the company's audit at any time during any of the past three years. "Family Member" is a spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in a person's home.