



Dear Member,

The IRS allows a deduction for domestic production activity (DPAD). This deduction can be very beneficial for Town & Country Co-op, Inc. and for Town & Country's Members. This deduction is relatively new and continues to grow in importance as the IRS continues to increase the level of deduction that is available. For calendar year 2010, Town & Country will be making some changes in what we report on the tax form 1099-PATR to our Members in January 2011. If you are a member of a milk marketing cooperative, you may already be familiar with the DPAD and per unit retains.

The changes we are making are outlined below:

Grain Payments

Town & Country will classify payments made to our Members for their grain as "per unit retains" within the meaning of section 1382 (b) (3) of the Internal Revenue Code of 1986. Town & Country will report these payments in Box 3 of Form 1099-PATR beginning with calendar year 2010. Per unit retains (PUR) paid by Town & Country to its Members are considered qualified payments and because the Cooperative will report them as a "Per Unit Retain", these payments may not be used in the Members' own Section 199 (DPAD) calculation. The amount reported to you on your 2010 1099- PATR (issued in early 2011) will be the gross dollars paid to you for grain and will not be reduced by storage and discounts. You will need to deduct discounts and storage separately on your return.

WE ARE NOT changing the way we pay for grain, but we have reclassified our purchase of grain to a "Per Unit Retain". **This change will not affect the total income reported on your Schedule F, but will move your grain sales income to a different line on the tax form.**

DPAD

Town & Country will pass through the DPAD that is related to Member business and this will show on the 1099-PATR as well. This deduction can be used on your tax return to reduce your taxable income.

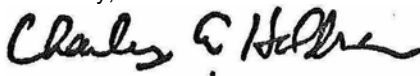
Why are we doing this?

When grain payments are classified as a "per unit retain" or PUR, the cooperative's DPAD grows. We believe that the deduction is maximized at the cooperative level and the deduction can be passed to our Members. Because the DPAD has several limitations, it is unlikely that many of our Members are able to take full advantage of the DPAD on their own tax returns. By passing the DPAD from Town & Country to our Members, we feel we can help you make the most of the DPAD. Because the DPAD that we pass to Members is tax deductible, our Members will benefit from the deduction.

If your grain was marketed through Town & Country between January 1, 2009 and December 31, 2009, you were paid a patronage dividend of .20 cents per bushel on grain sold thru Town & Country facilities and .02 cents on direct grain. This patronage will be further enhanced by the DPAD that we are able to pass through to our members. We will pass through a DPAD of \$ **.00** on your 2010 1099-PATR (issued in 2011).

Please save this letter and give it to your tax preparer. There is also a very informative article on the internet at www.calt.iastate.edu/DPAD.html. We have a link to this article on our web site. If you have any questions, please call Brian Amstutz 1-800-551-8051 ext 304.

Sincerely,



Al Holdren
CEO