Bulletin

No. C-1/00

Co-operatives

- Licensing

Offering statement templates for co-operatives

To the attention of all co-operatives incorporated in Ontario

The Financial Services Commission of Ontario (FSCO) is releasing three templates to assist co-operatives in preparing Offering Statements which are required to be approved by the regulator before co-operatives can sell securities, such as shares, member loans and debentures.

Co-operatives are required to provide a copy of the Offering Statement to prospective buyers of their securities before the purchase is made. (The Offering Statement must first be approved by FSCO.)

There are separate templates for loan capital co-operatives, share capital co-operatives and start-up share capital co-operatives. They are respectively titled: Offering Statement Template for Loan Capital Co-operative; Offering Statement Template for Share Capital Co-operative; and Offering Statement Template for Start-up Share Capital Co-operative.

The templates, which were developed in collaboration with a working group that included members of the Canadian Co-operative Association (Ontario Region), will ensure that persons interested in buying co-operatives' securities:

Have adequate information they need to make informed investment decisions, and

Are informed of any risk involved in purchasing the securities.

Co-operatives planning to sell securities are required to file an Offering Statement with FSCO when they have more than 25 security holders or when the sale of securities would increase the number of security holders in a co-operative to more than 25. Exemptions to filing of Offering Statements are set out in Ontario Regulation 178/90, section 12.6, as amended. In addition to the prescribed grounds for exemption, a co-operative may qualify for an exemption under section 34(2) of the Co-operative Corporations Act itself.

To obtain a copy of the templates, please visit FSCO's website located at www.fsco.gov.on.ca (click on "Publications" on the home page, and go to "Bulletins." The templates will be appended to Bulletin No. C-1/00 - Co-operatives").

Completed Offering Statements

After completing the Offering Statement, please forward it to:

Senior Manager, Licensing & Analysis

Licensing & Enforcement Division

Financial Services Commission of Ontario

Box 85

5160 Yonge Street

North York, ON

M2N 6L9

For More Information

Questions regarding the templates should be faxed to the Senior Manager, Licensing & Analysis, Licensing and Enforcement Division, FSCO. The fax number is (416) 226-7838.

Dina Palozzi

Chief Executive Officer and

Superintendent of Financial Services

July 31, 2000

Attachments (PDF):

- Offering Statement Template for Loan Capital Co-Operative
- Offering Statement Template for Share Capital Co-Operative
- Offering Statement Template For Start-Up Share Capital Co-Operative

To view PDF files, you will require Adobe Acrobat® Reader version 7.0. You can download this free software from Adobe's Web site.

Last Modified: 9/23/2005 9:45:48 AM

Financial Services Commission of Ontario
5160 Yonge Street
Toronto, ON M2N 6L9
1-800-668-0128
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OFFERING STATEMENT TEMPLATE
FOR LOAN CAPITAL CO-OPERATIVE

After completing the Offering Statement, please forward it to:

Senior Manager, Licensing & Analysis
Licensing & Enforcement Division
Financial Services Commission of Ontario
Box 85
5160 Yonge Street
North York, ON
M2N 6L9

OFFERING STATEMENT TEMPLATE FOR LOAN CAPITAL CO-OPERATIVE

Draft: *[month, date, year]*

Ontario Corporation No. •

This document contains important information about the securities offered for sale by the Co-operative named below. You should read the entire Offering Statement before deciding whether or not to buy these securities. All prospective purchasers of these securities must receive this Offering Statement before completing their purchase.

OFFERING STATEMENT of

[NAME OF CO-OPERATIVE]

Dated [month, date, year]

The Co-operative is offering to sell MEMBERSHIP LOANS, SECURED DEBENTURES AND DEMAND LOANS:

	Membership Loans	Term Loans	Demand Loans	Secured Debentures	Total
Total Minimum Offering:	**$50,000**	**None**	**None**	**$75,000**	**$125,000**
Total Maximum Offering:	**$75,000**	**$75,000**	**$75,000**	**$125,000**	**$350,000**
Minimum Individual purchase:	**$500**	**$1,000**	**None**	**$2,500**	**N/A**
Maximum Individual purchase:	**•**	**$5,000**	**•**	**•**	**N/A**

Amount to be Raised by this Offering Not to Exceed $350,000.00

(comprised of any combination of Membership Loans, Demand Loans and Secured Debentures, provided that a purchaser subscribes for the minimum aggregate principal amount of Membership Loans). Membership Loans, Term Loans, Demand Loans and Secured Debentures are being offered (the "Offering").

This Offering is limited in that in the event that subscriptions for Membership Loans totalling $50,000 are not received, no Membership Loans will be sold pursuant to this Offering Statement and any subscription funds for Membership Loans which have been received will be returned and/or this Offering Statement is limited in that in the event that

subscriptions for Secured Debentures totalling $75,000 are not received no Secured Debentures will be sold pursuant to this Offering Statement and any subscription funds for Secured Debentures which have been received will be returned.

Each purchaser must offer to subscribe for a minimum aggregate principal amount of $500 in Membership Loans before any such offer will be accepted. No purchaser in this Offering may purchase securities representing a total purchase exceeding $ • .

[There is no requirement to specify a minimum/maximum aggregate principal amount of securities each purchaser may purchase. However, care should be taken to ensure that a purchaser of Membership Loans purchases the aggregate principal amount of Membership Loans required to become a member of the Co-operative as specified in the Co-operative's articles. Similarly, there is no requirement to specify a maximum aggregate principal amount which a purchaser may purchase.]

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this Offering Statement. Neither the Ministry of Finance nor any other ministry or agency of the Government of Ontario assumes any liability or obligation to anyone who purchases the securities offered under this Offering Statement.

There is no established public market through which these securities may be sold. Due to the characteristics of the securities offered by this Offering Statement, restrictions on their transfer, and the fact that significant resale restrictions may apply, no such market is likely to develop. The directors of the Co-operative have determined the price of these securities.

Investors should not rely on any information other than what is contained in this Offering Statement. An investment in the Membership Loans, Demand Loans and Secured debentures involves certain risks. ***[You may wish to briefly summarize each of the key Risk Factors applicable to the Co-operative. A full description of the Risk Factors must appear as Item 5 of this Offering Statement.]*** See "Risk Factors".

[If the Offering Memorandum contains: (i) pro-forma financial statements; (ii) forecast financial statements; or (iii) projections, then include the following legend:
The information in any projections or pro forma financial statements contained in this Offering Statement may vary materially from actual results.]

This Offering Statement expires on • , 200•. ***[Note: the Offering Statement will expire one year from the date appearing on the cover page.]*** No further securities may be issued after this date unless a new Offering Statement is filed and receipted.

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APPENDICES

OFFERING STATEMENT

1. ***[Full legal name of Co-operative]*****,**

Incorporation #***[Incorporation number]***

[incorporated/amalgamated/continued] **on** ***[month, date, year].***

Registered head office address is • ***[Head Office Address]***

The Co-operative's Auditors are ***[Name and address of auditors]***

Registrar & Transfer Agent ***[Name and address of registrar or transfer agent]*****, if any**

Most recent fiscal year end ***[Date]***

2. DIRECTORS AND OFFICERS

[Note: The Co-operative may be authorized to have a fixed number of directors or a minimum and maximum number of directors. Determine which is applicable in the case of your Co-operative and select the applicable wording below.]

[Variable Sized Board]

The **[articles of incorporation/amalgamation/continuance] [letters patent]** of the Co-operative provide that it **[may have a minimum of • and a maximum of • directors]**. There are presently • directors. The directors and officers are as follows:

[Fixed Sized Board]

The **[articles of incorporation/amalgamation/continuance] [letters patent]** of the Co-operative provide that it [shall have • directors]. There are presently • directors. The directors and officers are as follows:

[Note: Use full legal name including full middle name]

NAME & TITLE	**RESIDENCE ADDRESS**	**PRINCIPAL OCCUPATION**
John Robert Doe President & Director	R.R. #3 Blackacre ON L5H 1J5	Farmer

Richard Peter Grain First Vice-President & Director	R.R. #1 Whiteacre ON L4A 2T5	Farmer
Marie Jean Berg Director	R.R. #5 Redacre ON J9N 2R4	Farmer
Harold Francis Parkins Officer	R.R. #4 Anytown ON K3Y 4H3	Manager

[Where the Co-operative is comprised of a number of stakeholders, identify, if applicable, the number of directors which each stakeholder may elect.]

3. DESCRIPTION OF THE BUSINESS OR UNDERTAKING OF THE Co-operative [AND ITS SUBSIDIARIES]

[Item 3 is intended to provide potential investors with a description of the business in which the Co-operative is engaged. This section need not be lengthy but should, at a minimum, identify each of the Co-operative's business segments, operating groups or divisions, including a brief description of the customer base, products and activities associated with each such business segment, operating group or division. In addition, all "material facts" relating to the Co-operative's business must be set out in this section. Please consult the memo which accompanies this sample Offering Statement for a further discussion of what constitutes a material fact. PLEASE NOTE THAT THE FOLLOWING IS PROVIDED BY WAY OF EXAMPLE ONLY. PLEASE CONSIDER CAREFULLY THE BUSINESS OF YOUR Co-operative IN PREPARING THE FOLLOWING SECTION AS NOT EACH OF THE TYPES OF OPERATIONS ADDRESSED IN THIS EXAMPLE MAY APPLY TO YOU.]

History and Operations

The Co-operative is a farm supply and marketing Co-operative carrying on business primarily in the Counties of • , in the Province of Ontario. ***[Insert restrictions, if any, which the articles of the Co-operative place on its business activities or operations.]***

The Co-operative presently has • members and employs • persons, • of which • are full-time employees and • of which are either part-time or contract employees.

Membership Requirements & Patronage Return

[Provide the requirements for membership in the Co-operative. If the Co-operative uses a formula for the payment of patronage or if patronage is declared and paid at the

discretion of the board of directors it should be disclosed here. Bylaw provisions such as the payment of patronage and obligatory patronage loans should also be disclosed in this section.] For a history of patronage dividends see page • .

[Also, provide the percentage of business done with members for each of the past three years.]

Business Operations

[Note the following section is provided by way of example only. You will need to prepare a similar section which summarizes your particular Co-operative's business activities.]

The business operations of the Co-operative are comprised of crop inputs, feed, retail, and energy and related services. The crop inputs division supplies crop inputs and provides programs and services required for general crop production including seeds, pesticides and fertilizers. The Co-operative's feed division provides a complete range of feeds and nutritional products for all classes of livestock and poultry, including specialty feeds for household pets, horses and fish. The retail division, [through its • stores], offers farm inputs and merchandise for the farm and home to the Co-operative's members and other customers. The Co-operative operates as a reseller of petroleum and petroleum products, including gasoline, diesel fuel, and stove and motor oil, pursuant to a joint venture agreement with UPI Inc.

[You may choose to disclose gross margin, but if you believe that this disclosure would cause a competitive disadvantage to the Co-operative it may be omitted.]

Membership in Other Co-operatives

The Co-operative is a member of • / a number of regional Co-operatives. The following is a summary of the regional Co-operatives of which the Co-operative is a member:

GROWMARK

[Co-operatives which do not have a significant investment in Growmark shares should only include the following two paragraphs. A significant investment in Growmark is defined as an investment equal to or greater than 10% of assets or equal to or greater than 20% of equity.]

Since • , • has been a member of Growmark, a regional Co-operative <u>incorporated in Delaware, USA</u> which permits the Co-operative to purchase products at competitive wholesale prices. The Co-operative also receives patronage dividends, as and when declared, in proportion to its purchases from Growmark. These patronage dividends are payable in cash or in Class D, Series O preference shares of Growmark, at the sole discretion of the Board of Directors of Growmark.

As of • , • holds $ • in Class D, Series O preference shares of Growmark. The Class D, series O preference shares of Growmark do not pay a dividend and are redeemable only at the option of Growmark.

[Co-operatives with significant investments in Growmark shares should include the above two paragraphs plus the following two paragraphs.]

In accordance with the Stock Redemption Policy adopted by the Board of Directors of Growmark on February 6, 1987, Growmark shares may be redeemed in any fiscal year, at the sole discretion of the Board, if Growmark's operations are profitable, patronage refunds are paid, and cash flow (prior to the redemption of any shares) is positive.

Since the adoption of its Stock Redemption Policy in 1987, Growmark has redeemed approximately $ • million in shares. No shares were redeemed by Growmark in the 1994, 1995, 1996, 1997 fiscal years (ended at August 31 of each year) because of negative cash flow resulting from its expansion into Ontario and its investments in other companies to support its core operations. In Growmark, Growmark redeemed $ • in Class D, Series O preferred shares, representing less than • % of issued and outstanding class D, Series O preference shares.

[Other Regional Co-operatives]

Authorizations, Licenses & Permits

The sector is highly regulated.... ***[if this sentence is included it must be explained. For example if there are ongoing tests that the Co-operative should meet to retain its licenses and there is a possibility that the Co-operative will not pass these tests it should be disclosed or if for example the Co-operative does not have the expertise required to acquire a license or there is a risk that it will no longer be complying with these requirements because the regulations are changing, it should also be disclosed.]***

The Board of Directors of the Co-operative believes that all licenses and permits required by the Co-operative to continue its supply of agricultural goods and services to its members and customers are currently in good standing.

[Note: If the Co-operative does not possess all required licences and permits to carry on business or if any of such licences or permits are not in good standing, these facts should be identified in this section.]

Environmental Compliance

The Board of Directors of the Co-operative believes that all hazardous materials are stored in compliance with applicable legislation. In addition, the Co-operative is insured against environmental liability. See "Insurance”.

Real Estate

[Set out all of the Co-operative' s significant properties, whether owned or leased. Set forth the term of any leases. Significant leases should also be included in the section titled “Material Contracts”.] See “Material Contracts”.

Insurance

[Note: Review insurance policies and determine if the following statement is applicable to your Co-operative. If not, describe the insurance policies that your Co-operative does not have which it should have or the reason why any policy is not in force.]

The Board of Directors of the Co-operative believes that the Co-operative has property, general liability, environmental and casualty insurance in amounts and for the types of risks which are customary in the industry.

Recent Developments

[In this section, you will tell prospective investors about your Co-operative's financial performance and its outlook. When preparing this section, keep in mind that you will be summarizing the Co-operative's business plan in the next section. The main purpose of the business plan section is to address the Co-operative's strengths, weaknesses, and opportunities identified in this section.]

<u>Results of Operations & Material Variations</u>

[Using your Co-operative's financial statements, you should tell investors about the Co-operative's financial performance over the past three fiscal years. You should provide the information in a table format and where necessary briefly discuss areas which need additional explanation. It is also important to indicate briefly <u>why</u> you believe your Co-operative has or has not done well in any specific area.

You should discuss increase or decrease in gross margins, expenses, cash flow/net earnings compared to the previous fiscal year (What factors are responsible for any changes?)];

[This section should discuss, in some detail, material variations in operating results over the preceding three years. The discussion should include a consideration of sales, profits, and cash flows as well as addressing write-downs, divestitures, and other

extraordinary items. Any other significant change in the Co-operative's business or in factors affecting the Co-operative's performance over the past three fiscal years. (e.g., increased interest expense due to purchase of new facilities, inability to dispose of inventory, new competition).

Note: If cash flow is negative or insufficient to meet your Co-operative's debt obligations, this fact must be stated in the section on Risk Factors.

Note: Significant changes that you expect will continue to affect your Co-operative adversely must also be stated in the Risk Factors section.

Brief statements about your Co-operative's plans to improve its operating results.]

[The following is an example of how a Co-operative's operating results could be presented. This is only an example; the information you present will depend on your Co-operative's unique situation. The Co-operative should include a list of items it views as important highlights of operating results and material variations. For example sales, gross margins, cash flow, net income and working capital . The categories utilized in the chart below have been selected only as examples]

Consolidated Operating Results

	1999	1998	1997	% change (1999/1998)
Divisions				
Crop				
Feed				
Retail				
Petroleum				
Total Sales				
Gross Margin				
Expenses				
Net Income				

[To help explain the changes identified in the above table you might wish to add some qualitative information as provided in the example below.]

Increase in revenue is mainly due to the opening of the Co-operative's new location in April 1998 and the introduction of a new line of consumer goods. The change in gross margin is mainly due to a small increase in freight costs associated with the Co-operative's feed business. Increased expenses were incurred mainly in advertising the Co-operative's new store and employing the necessary additional staff. The negative change in cash flow is mainly due to the expenses associated with purchasing and opening the Co-operative's new store. As a result, the Co-operative plans on making greater use of its operating line of credit with the ABC Bank in order to purchase inventory for the next fiscal year.

Outlook

[In this section, management discusses the Co-operative's prospects. You should briefly identify any problems, trends, or opportunities that could materially affect the Co-operative's business. If some of these issues have been identified in the previous section, you should repeat them here in order to give investors a complete picture of your Co-operative's prospects. Please list these factors in order of importance. For Example:]

In management's opinion, the most significant factors affecting the Co-operative's business during the next fiscal year are:

- negative cash flow, requiring a greater use of the Co-operative's line of credit to purchase sufficient inventory;
- maturing of the Co-operative's Series A Debentures;
- advertising of the Co-operative's new store;
- increased demand for the Co-operative's consumer goods;
- competitors setting up operations in areas currently served by the Co-operative;
- turnover of senior management;
- dependence on regional Co-operatives (Example Growmark) of which the Co-operative is a member.

4. BUSINESS PLAN

[In this section, you should address the problems and opportunities identified in the preceding "Recent Developments" section. For example, if you stated that your Co-operative had a problem with inventory control in the "Recent Developments" section, you should outline what your Co-operative plans to do about it in this section. Your Co-operative may be planning, for example, to purchase a new computer and have existing staff trained in its use.

It is not necessary to summarize your Co-operative's entire business plan. Please focus on stating your Co-operative's objectives and summarizing those parts of the business plan that relate to how the Co-operative plans to achieve them.]

[If your Co-operative does not have a business plan, you should not prepare one solely for the purpose of summarizing it in this offering statement. Instead, state in bold type: "The Co-operative does not have a business plan; however, its current objectives are: (state objectives and outline how the Co-operative plans to achieve them).]

Management of the Co-operative has prepared a business plan to assist the Co-operative in meeting its goals. Management has established the following goals for the Co-operative. ***[Insert principal goals of business plan.]***

[Summarize other material portions of the current business plan: e.g. current objectives, changes in business such as changes in the number of outlets, products, or size of operations, any requirement for new facilities, equipment, human resources or financial resources needed to implement the business plan, etc. Describe the market for the Co-operative's products or services and how you intend to attract and serve your trading area.]

5. RISK FACTORS

[The risk factors section is intended to advise potential investors of the risks that affect or could potentially affect any investment in the Co-operative. Each of the negative factors identified in the Outlook section should be repeated here and you should identify any risks relating to the initiatives discussed under the business plan section. Any other risks affecting or potentially affecting an investment in the Co-operative should also be disclosed in this section. Discuss the risks in order of importance. As well, any other risks affecting or potentially affecting an investment in the Co-operative must be set out in this section.]

Investment in the Membership Loans ***[Demand Loans and Secured Debentures]*** involves certain risks. As described below, a number of factors could adversely affect the value of the Membership ***[Demand Loans and Secured Debentures].*** **Before investing, prospective purchasers should carefully consider, in light of their own financial**

circumstances, the factors set forth below as well as the other information contained in this Offering Statement.

[The following two risk factors should form part of all Offering Statements]

Market for Securities

There is presently no market for the Securities being issued nor is a market expected to develop. Purchasers may not be able to resell Securities purchased pursuant to the Offering Statement. Transfers of Membership Loans ***[Term Loans, Secured Debentures and Demand Loans (where applicable according to the Co-operative's Bylaws)]*** require Board approval. Management will use its best efforts to match buyers and sellers, but no guarantee is offered that holders of the Securities will be able to sell them.

Long Term Investment

Purchases of the Securities offered herein should be considered long term investments which may not be suitable for investors who may need to sell their Securities quickly in order to raise money. Investors who require regular returns from their investments should seriously consider whether or not to purchase the Securities offered herein.

[The following Risk Factors are provided by way of example only. You should consider which of the following Risk Factors are applicable to your Co-operative and whether your Co-operative's unique situation requires that other Risk Factors be disclosed.]

Sinking Fund

No sinking fund or reserve has been established to redeem maturing debentures or membership loans. The Co-operative will endeavour to redeem maturing debentures and membership loans out of its operating income or by using its bank's own line of credit. There is no guarantee that these funds will be sufficient to redeem all debentures and membership loans as they come due.

Investment in Growmark Shares

The investment in Growmark should be regarded by investors as an illiquid, long-term investment. There is no assurance that Growmark will redeem the Class D, Series O preference shares held by • . • is not entitled to demand the redemption of these shares. Any redemption of these shares will occur at the sole discretion of the Board of Directors of Growmark. No reserve or sinking fund has been established by Growmark for the redemption of any of its shares. Growmark's ability to redeem its Class D, Series O preference shares depends upon its ongoing profitability. Class D, Series O preference shares cannot be sold or transferred without the consent of the Board of Directors of Growmark.

Accounts Receivable

As of January 31, 1998 the Co-operative had $ • in accounts receivables. Based on past experience, the Co-operative has taken a provision of $ • for doubtful accounts. The process for setting the allowance is based upon the opinion of management as to future development and involves the risk that the actual results may vary materially from the best estimates made.

Profitability and cash flow

There is no certainty that the Co-operative will continue to be profitable and able to pay patronage returns. The Co-operative has experienced negative cash flow in • of $ • as compared to a positive cash flow in • of $ • . The continuing profitability of the Co-operative depends upon its ability to maintain positive cashflow, control expenditures, maintain operating margins and reduce overall debt load.

Profitability and Solvency

There is no certainty that the Co-operative will be profitable and able to pay patronage dividends. In addition, there can be no assurance that the Co-operative will be able to meet the solvency tests mandated by the *Co-operative Corporations Act (Ontario)* when a request is made by a member to redeem all amounts held to the member's credit excluding Term Loans. As such, there can be no assurance that the Co-operative will be able to redeem Securities when so requested.

Ratios

[If your Co-operative is not complying with its financial institution's requirements set out in its loan approvals it should be discussed in this section. If this applies to your Co-operative you should provide whatever ratios it is in noncompliance with your financial institution's requirements.]

[The following risk factor should be included in all offering statements- however the points listed may vary based on your Co-operative's business.]

Other Risk Factors

The Co-operative may also be subject to other risk factors that could potentially affect its profitability and solvency. Some of these risk factors could include (but are not limited to) the following:

- failure to comply with governing statutes
- increased competition
- commodity prices

While the Board of directors does not view these risk factors as of immediate concern at this time, potential adverse changes in these areas may limit the Co-operative's ability to pay dividends and redeem securities.

6. USE OF PROCEEDS OF THE OFFERING

[This section relates directly to the initiatives outlined in the business plan section. For example, if in that section you stated that your Co-operative will try to increase sales by offering additional grain storage facilities . the need to build a silo would have been identified. In the "use of Proceeds" section, you would then state that $ • amount of the funds raised under the offering will be used to make that purchase. Use of proceeds should be listed in order of priority.

If there is a minimum and maximum offering, please discuss how the proceeds will be used if the minimum amount is raised and how they will be used if the maximum amount is raised. You should note that a "Use of Proceeds" section indicating that funds will be used in a way that does not support your Co-operative's business plan will generally note be acceptable. The following is an example of the type of information you should present in this section.]

The Co-operative will use the proceeds of this Offering ($ • if the minimum offering is raised and $ • if the maximum offering is raised) for the following purposes, in order of priority if applicable:

Purchase of • at a cost of $ • ;

Repayment of bank debt in an amount not to exceed $ • ;

Repayment of principal on the Note Payable to • in the amount of $ • ; and

Balance, if any, for working capital.

[Where the amount of working capital being raised exceeds the Co-operative's normal requirements for working capital the Co-operative should provide an explanation.]

[It must be clear that the Co-operative is raising sufficient funds to satisfy the objectives. This is a requirement of clause 36 (1) b of the Co-operative Corporations Act.]

7. CAPITAL STRUCTURE

[As an example] The Co-operative is a Co-operative without share capital. Its capital at January 31, 1999 is as follows:

Retained Earnings	[General reserves]	$
Contributed Surplus		$
Total		$

Member Entitlements [You may wish to provide the following paragraph as an explanation.]

The Canadian Institute of Chartered Accountants (CICA) recently issued handbook section 3860 "Financial Instruments - Disclosure and Presentation". Effective January 31, 1998 the standard requires the Co-operative to classify its financial instruments as either debt or equity in accordance with whether the terms of the instruments require the Co-operative to settle instruments either in cash at its maturity or at the option of the holder. Long Term Loans from members which are classified as debt under this guideline will be shown on the financial statements of the Co-operative as Member Entitlements.

As of January 31, 1999 the Member Entitlements and Members Equity of the Co-operative were as follows:

Member Entitlements	
Membership Loans	$
Member Secured Debentures	$
Member Term Loans	$
Patronage Loans	$
Members' Equity	
Retained Earnings [General Reserves]	$
Contributed Surplus	$
Total Member Entitlements & Members' Equity	$

[The amount listed as Member Entitlements must exclude the current portion of the debt which is current. This amount will be set out separately on the financial statement of the Co-operative. The amount listed as Member Entitlements & members' equity should reflect the amounts shown under these headings on the financial statements of the Co-operative .]

8. DESCRIPTION OF THE SECURITIES TO BE ISSUED

<u>Membership Loans</u>

These loans are a condition of membership in the Co-operative.

Issue:	A minimum of $50,000 and a maximum of $75,000 aggregate principal amount of Member Loans due • .
Price:	Par
Interest Rate:	•% per annum, payable semi-annually on the 1st day of • and • in each year, commencing • .
Ranking:	The Member Loans will be direct unsecured obligations of the Co-operative and will rank pari passu [equally] with each other and with all other unsecured indebtedness of the Co-operative.
Redemption:	Subject to applicable law, the Member Loans must be repaid by the Co-operative upon the holder of such Member Loans ceasing to be a member of the Co-operative.

ALL TRANSFERS OF MEMBERSHIP ARE SUBJECT TO THE APPROVAL OF THE BOARD OF DIRECTORS. ***[Outline mechanism for applying to the Board for approval of a proposed transfer.]***

<u>Term Loans</u>

These loans are not a condition of membership in the Co-operative.

[Not all Co-operatives use the same terminology to describe " Term Loans". They may be called Unsecured Debentures, Member loans or by some other designation. In preparing an offering statement a Co-operative should replace "Term Loans" with the name used by the Co-operative.]

Issue:	A minimum of none and a maximum of $75,000 aggregate principal amount of Term Loans due • .
Price:	Par

Term: Available in 2, 3, 5 years.

Interest Rate: Term deposit rate of ABC Bank for the comparable term plus 1% for 2 year term, plus 1 ½% for 3 years and 1 ½% for 5 years. The Interest rate is fixed for the entire term of the debenture based on the prime rate at the date of issue of the Term Loan.

As of January 31, 1999 the ABC Bank term deposit rates, premium and Term Loan rates were as follows :

Term	ABC Bank Term Deposit Rates	Premiums	Term Loan Rates
2 years		1%	
3 years		1 ½%	
5 years		1 ½%	

Interest on these Term Loans is accumulated and paid annually on • of each year. [or interest on these Term Loans is either accumulated to and paid annually on • or compounded annually on • until maturity as elected by the lender at the time of making the loan.

[Interest on compound interest loan must be reported annually for income tax purposes.]

Ranking: The Term Loans will be direct unsecured obligations of the Co-operative and will rank *pari passu* (equally) with each other and with all other unsecured indebtedness of the Co-operative.

Redemption: Subject to applicable law, if the holder of the Term Loan is a member of the Co-operative, the Term Loans do not have to be repaid by the Co-operative upon the holder of such Term Loans ceasing to be a member of the Co-operative, until such time that the Term Loan come due.

Demand Loans

These loans are not a condition of membership in the Co-operative.

Issue: A minimum of none and a maximum of $75,000 aggregate principal amount of Demand Loans due • .

Price: Par

Interest Rate: •% per annum, payable semi-annually on the 1st day of • and • in each year, commencing • .

Ranking: The Demand Loans will be direct unsecured obligations of the Co-operative and will rank *pari passu* (equally) with each other and with all other unsecured indebtedness of the Co-operative.

Redemption: Subject to applicable law, if the holder of the Demand Loan is a member of the Co-operative, the Demand Loans must be repaid by the Co-operative upon the holder of such Demand Loans ceasing to be a member of the Co-operative.

Secured Debentures

These loans are not a condition of membership in the Co-operative.

Issue: A minimum of $75,000 and a maximum of $125,000 aggregate principal amount of Secured debentures due • .

Security: The Debenture will be a direct secured obligation of the Co-operative. The security for the Debenture will be a first mortgage on certain land situated at • . The Security will be held in trust for the Debenture holders by XYZ Trust Company.

Term: The Debenture shall have a 5 year term and shall be due and payable on • .

Price: Par

Interest Rate: • % per annum, payable annually on the 1st day of • in each year, commencing • .

Ranking: The Debenture will rank in priority to Unsecured Debentures, Demand loans, Patronage loans and Membership loans of the Co-operative.

Redemption: Subject to the applicable law if the holder of the Debenture is a member of the Co-operative, the Debenture does not have to be repaid by the Co-operative upon the holder of such Debenture ceasing to be a member of the Co-operative, until such time that the Debenture comes due.

[Please forward a copy of the Trust Indenture Agreement (debenture agreement) to the Credit Unions & Co-operatives Branch of the Financial Services Commission of Ontario along with the Offering Statement. This agreement should deal with how the security for the debenture is to be held, the rules and the recourse available to the debenture holders, the person (trustee) appointed to hold the security for the debenture holders and the procedures for the debenture holders to make a claim under the debenture.]

[Is the property in question subject to the credit union's or bank's general security agreement? If so, has the credit union or bank consented to a first mortgage being granted to the debenture holders? A letter of waiver from the Co-operative's financial institution in which it waives its rights under the general security agreement and consents to a first mortgage being granted to the debenture holders on the property in question must also be attached.]

[Also attach a copy of the Secured Debenture Certificate]

9. DESCRIPTION OF THE GENERAL EFFECT OF A PLAN OF REORGANIZATION

[Only include this section if the Offering is being undertaken in connection with a reorganization, including a plan of reorganization, purchase and sale or amalgamation. If the Offering is being undertaken in connection with a reorganization, describe the general effect of the proposed changes and when such changes will be made.]

10. METHOD OF SALE OF SECURITIES, AND ANY COMMISSION PAYABLE OR DISCOUNT ALLOWABLE

[Insert statement as to whether securities are being sold to members only or also non-members. Also specify by whom the securities will be sold (for example: management, employees, board of directors)]

There are no commissions payable or discounts allowed.

[OR]

The Co-operative has retained agents to solicit subscriptions for the Securities offered hereby. In no case will the commission payable exceed 5% of the value of each subscription price.

11. DESCRIPTION OF THE MARKET ON WHICH THE SECURITIES MAY BE SOLD

There is no market through which these Securities may be sold and none is expected to develop. Management will use its best efforts to match buyers and sellers but there can be no guarantee that holders of Membership Loans will be able to sell them. ***[Note: If transfer of the securities requires Board approval, disclose that such is the case and describe method by which a holder may obtain Board approval.]***

Membership Loans, except where prohibited by law, shall be repurchased upon the withdrawal, death or expulsion of a member or when a member exercises the rights of a dissenting member pursuant to the *Co-operative Corporations Act (Ontario)*. The Act prohibits the repurchase of the Membership Loans if the Co-operative is or would be, as a result of such repurchase, insolvent or if such repurchase would in the opinion of the board of directors be detrimental to the financial stability of the Co-operative.

12. STATEMENT OF MINIMUM AND MAXIMUM AMOUNT OF THE OFFERING AND MINIMUM AND MAXIMUM AMOUNT OF ANY INDIVIDUAL SUBSCRIPTION

Minimum and Maximum Offering

Unless minimum subscriptions of $ • are received, none of the securities offered hereby will be sold. Pending receipt of the minimum subscriptions, all funds received will be held in escrow in an interest bearing account. Upon receipt of the minimum subscriptions, such funds shall be released to the Co-operative against issuance of the securities thereby subscribed for. In the event that the minimum subscriptions are not received, any subscription funds which have been received will be returned.

[Note: This section is often not applicable. If it is not applicable to the offering by your Co-operative, do not include it in your Co-operative's offering statement.]

Minimum and Maximum Amount of Any Individual Subscription

Each prospective member must offer to purchase a minimum of $500 in Membership Loans before any such offer will be accepted. No purchaser will be permitted to purchase securities representing a total purchase equal to or exceeding $ • in this Offering.

13. AMOUNT AND PARTICULARS OF ANY SECURITIES, MORTGAGES, BONDS, DEBENTURES OR OTHER DEBT OBLIGATIONS

The Co-operative currently has no debt obligations.

[OR]

[Describe amounts, particulars and current portion of any indebtedness of Co-operative. Include a description of all debt identified in the financial statements of the Co-operative. For example:]

SUMMARY

As at *[date]* , the Co-operative's total debt excluding Member Entitlements was as follows:

Short term bank debt	$ XXXX
Long term debt	$ XXXX

Unsecured promissory notes	$ XXXX
Current Portion of Member Term Loans	$ XXXX
Member Demand Loans	$ XXXX
Total debt excluding Member Entitlements:	$ XXXXX
Total Member Entitlements:[See section 7 for components]	$ XXXXX
Total Debt and Member Entitlements	$ XXXXX

PARTICULARS

The Co-operative is up to date in the payment of all of its obligations with respect to the payment of interest and principal on its indebtedness. The following are the particulars of the Co-operative's indebtedness outstanding:

	Amount Outstanding as at , 200
Bank Borrowing	
The Co-operative's operating line of credit of $XXXXX with is due on demand and bears interest at prime. The operating line of credit is secured by a general assignment agreement covering all equipment, inventory, accounts receivable plus assignment of book debts, inventory security under Section 427 of the Bank Act, a first mortgage on all real estate and proceeds from insurance.	$ XXXX
Long Term Debt	
Term Loan, with bears interest at • % repayable monthly principal payments of $XXXX plus interest. The Co-operative has arranged for $ • in term debt with the Bank. The loan is secured by a general assignment agreement covering all equipment, inventory, accounts receivable plus assignment of book debts, inventory security under Section 427 of the *Bank Act (Canada)*, a first mortgage on all real estate and proceeds from insurance.	$ XXXX

Unsecured promissory notes (Describe)	$ XXXX
Member Demand Loans	
(Describe the interest rates payable on the loans. This description could be similar to the description of the interest rates payable on these loans contained in the notes to the financial statements.)	
Current portion of Term Loans	$ XXXX
	$ XXXX
Total debt excluding Member Entitlement:	$ XXXXX
Total Member Entitlements	$ XXXXX
Total Debt and Member Entitlements	$ XXXXX

14. MATERIAL LEGAL PROCEEDINGS TO WHICH THE Co-operative OR ITS SUBSIDIARY IS A PARTY

None.

[OR]

[Disclose any material actions to which the Co-operative is a party. In particular, disclose any actions which are referenced in the notes to the financial statements of the Co-operative. For example:]

The Co-operative is a party to a number of legal actions arising out of the ordinary course of its business and is defending all proceedings of which it has notice. The Co-operative's liability, if any, in a number of such actions is covered under one or more of its insurance policies.

Action No. 685/97 in the Ontario Court (General Division) is a claim by DBD Inc. against the Co-operative for $1,000,000 arising from the deficiency of sodium and calcium elements in feed purchased from the Co-operative. The action is being defended by the Co-operative. Discoveries have begun. In management's opinion it is too early to give a definitive appraisal of the Co-operative's liability and potential exposure to damages. This matter is not insured.

Other claims for uninsured matters have been received by the Co-operative which the Board of Directors and management of the Co-operative believes, individually and in the aggregate, are not material.

15. MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES OF THE Co-operative OR ITS SUBSIDIARIES

In the Operation of the Co-operative

[Disclose any material interests which directors, officers and employees may have in the Co-operative. The determination whether the interest of a director, officer or employee is material will be a matter of fact. Generally, however, any arrangement whereby purchases from the Co-operative or sales to the Co-operative by any of the persons mentioned above constitutes more than 10% of the Co-operative's total purchases or total sales, as the case may be, in any given fiscal period will constitute a material interest. Similarly if an interested person holds the mortgage on any property held by the Co-operative that will also constitute a material interest. The following disclosure is provided by way of example only. Please carefully consider the unique situation of your Co-operative.]

Each of the Directors of the Co-operative is a shareholder and member of the Co-operative. Each of the Directors is a holder of Membership loans in the aggregate principal amount of $500.

In 1998, the Co-operative made sales of $ • to directors and employees of the Co-operative. These sales were transacted on the same terms as are available to other members. Included in Accounts Receivable at the fiscal year end is $ • due from directors and employees.

No director, officer or employee has a material interest in the business or operations of the Co-operative other than disclosed herein.

In the Securities Offered Herein

Each director, officer and employee will be encouraged to subscribe for the securities offered hereby.

16. MATERIAL CONTRACTS ENTERED INTO IN THE <u>TWO (2)</u> YEARS PRECEDING THIS OFFERING STATEMENT

[Disclose all material contracts entered into by the Co-operative within the previous two years. As before, the determination of whether a contract is material will generally be a question of fact. However, contracts to supply or purchase goods which

constitutes more than 10% of the Co-operative's sales or purchases, as the case may be, in any given fiscal period will generally be material. In addition, contracts or agreements which impose an obligation on the Co-operative which will extend for a period of more than five years will generally be material. The following disclosure is provided by way of example only. Please carefully consider the unique situation of your Co-operative.]

[The confidentiality provisions of any material contract to be disclosed below should be reviewed prior to disclosure. The prior consent of the other party to such contracts may be required.]

<u>Material Contracts Entered Into in the two Years Preceding</u>

There are no material contracts, other than in the normal course of business within the last two years except as follows:

Agreement dated August 6, 1997, as amended on November 30, 1997, and February 1, 1998, between the Co-operative and STP Inc. under which STP Inc. will provide petroleum product distribution to the Co-operative's customers within the Co-operative's trading area. The duration of the contract is five years with variable payments ranging from three cents per kilometre to fifteen cents per kilometre, depending on the volume of petroleum transported per month and the distances travelled.

An agreement of purchase and sale between the Co-operative and King's Landing Inc. entered into March 5, 1997, for the purchase of a fertilizer facility at Guesswhere, ON. The sale has been completed.

Deed of Trust and Mortgage dated July 1, 1998 between the Co-operative and The Money Trust Company, as trustee, as amended and supplemented from time to time, securing twenty and three-quarter percent (20 ¾%) First Mortgage Sinking Fund Bonds, Series "A", issued in connection with construction by the Co-operative of its feed manufacturing facility in Nowhere, Ontario with a $3,000,000 principal amount outstanding as of January 30, 1999.

<u>Other Material Contracts</u>

[Other contracts that are still current and the Board of Directors feels are still relevant should be included under this heading.]

17. DIVIDENDS, PATRONAGE RETURNS, OR OTHER DISTRIBUTIONS PAID, DECLARED, OR ACCUMULATED BUT UNPAID DURING THE FIVE (5) YEARS PRECEDING THIS OFFERING STATEMENT

Patronage Returns

[Where the Co-operative has paid patronage to its members in any of the preceding five years, such fact should be disclosed here in a table format.]

Other Distributions

18. ANY OTHER MATERIAL FACTS

A copy of this Offering Statement must be given to each investor before any payment is legally accepted by the Co-operative.

None of the securities issued by the Co-operative pursuant to this Offering Statement will be in bearer form.

This Offering Statement will expire on *[month, date, year]*, after which date no further sales of Securities shall occur, unless a new Offering Statement has been filed and receipted.

19. CERTIFICATE OF DISCLOSURE

THE FOREGOING CONSTITUTES FULL, TRUE AND PLAIN DISCLOSURE OF ALL MATERIAL FACTS RELATING TO THE SECURITIES OFFERED BY THIS OFFERING STATEMENT AS REQUIRED BY SECTION 35 OF THE *CO-OPERATIVE CORPORATIONS ACT*

DATED this • day of • , 200•

____
Chair of the Board

____
President

____
Treasurer

[Regulation 178 under the Co-operative Corporations Act prescribes in s. 12(1.1) that:

An offering statement shall contain a certificate in conspicuous type, signed by the chair of the board, the president and the treasurer and indicating when it was signed by each of them.]

[Section 173 of the Co-operative Corporations Act provides that:

Every person who makes or assists in making a statement in any document required by or for the purposes of this Act or the regulations that, at the time and in the light of the circumstances under which it was made, is false or misleading in respect of any material fact or that omits to state any material fact the omission of which makes the statement false or misleading is guilty of an offence and on conviction is liable to a fine of not more than $10,000 or to imprisonment for a term of not more than one year, or to both.

Section 176 of the Co-operative Corporations Act provides that:

Except as otherwise provided, every person who commits an act contrary to or fails or neglects to comply with any provision of this Act or the regulations is guilty of an offence and on conviction is liable to a fine of not more than $5,000 or, if such person is a corporation, to a fine of not more than $100,000.]

APPENDICES

A. Financial Statements

B. Interim Financial Statements ***[The presentation must be consistent with year end audited financial statements.]***

** C. Secured Debenture:
Trust Indenture Agreement (debenture agreement)
letter of waiver from the Co-operative's financial institution
Secured Debenture Certificate

[Only if applicable]

OFFERING STATEMENT TEMPLATE
FOR SHARE CAPITAL CO-OPERATIVE

After completing the Offering Statement, please forward it to:

Senior Manager, Licensing & Analysis
Licensing & Enforcement Division
Financial Services Commission of Ontario
Box 85
5160 Yonge Street
North York, ON
M2N 6L9

OFFERING STATEMENT TEMPLATE FOR SHARE CAPITAL CO-OPERATIVE

Draft: *[month, date, year]*

Ontario Corporation No. •

This document contains important information about the shares offered for sale by the Co-operative named below. You should read the entire Offering Statement before deciding whether or not to buy these shares. All prospective purchasers of these shares must receive this Offering Statement before completing their purchase.

OFFERING STATEMENT of

[NAME OF CO-OPERATIVE]

Dated *[month, date, year]*

The Co-operative is offering to sell MEMBERSHIP SHARES AND PREFERENCE SHARES:

Membership Shares: **Total Minimum Offering $50,000 [*If no minimum offering insert none]***

Total Maximum Offering $75,000

Preference Shares: **Total Minimum Offering none**
Total Maximum Offering $75,000

[Total Minimum Offering of Membership & Preference Shares (to be used if minimum offering maybe raised by any combination of membership shares & preference shares)]

Amount to be Raised by this Offering Not to Exceed $150,000.00

Minimum Individual purchase: **25 Membership Shares at $100 per share ($2,500)**

Maximum Individual purchase: **• (comprised of any combination of Membership Shares and Preference Shares, provided that a purchaser subscribes for the minimum number of Membership Shares).**

Both Membership Shares and Preference Shares are being offered (the "Offering"). This Offering is limited in that in the event that subscriptions for Membership Shares *[and Preference Shares]* totalling $50,000 are not received, no Membership Shares or Preference

Shares will be sold pursuant to this Offering Statement and any subscription funds which have been received will be returned.

Each purchaser must offer to purchase a minimum of 25 Membership Shares (representing a total purchase of $2,500) before any such offer will be accepted. No purchaser in this Offering may purchase shares representing a total purchase exceeding $ •.

[There is no requirement to specify a minimum/maximum number of shares each purchaser may purchase. All members must purchase the required numbers of membership shares as set out in the Articles. Similarly, there is no requirement to specify a maximum number of shares which a purchaser may purchase. In addition, care should be taken that the authorized capital of the Co-operative specified in the Co-operative's articles is not exceeded if the Offering is fully subscribed.]

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this Offering Statement. Neither the Ministry of Finance nor any other ministry or agency of the Government of Ontario assumes any liability or obligation to anyone who purchases the shares offered under this Offering Statement.

There is no established public market through which these shares may be sold. Due to the characteristics of the shares offered by this Offering Statement, restrictions on their transfer, and the fact that significant resale restrictions may apply, no such market is likely to develop. The directors of the Co-operative have determined the price of these shares. ***[If the Articles of Incorporation of the Co-operative provide that Membership Shares may be redeemed, specify how such redemption may occur, including how the redemption price is to be established.]***

Investors should not rely on any information other than what is contained in this Offering Statement. An investment in the Membership Shares involves certain risks. ***[You may wish to briefly summarize each of the key Risk Factors applicable to the Co-operative. A full description of the Risk Factors must appear as Item 5 of this Offering Statement.]*** See "Risk Factors".

[If the Offering Memorandum contains: (i) pro-forma financial statements; (ii) forecast financial statements; or (iii) projections, then include the following legend:
The information in any projections or *pro forma* financial statements contained in this Offering Statement may vary materially from actual results.]

This Offering Statement expires on *[month, date, year]*. ***[Note: the Offering Statement will expire one year from the date appearing on the cover page.]*** No further shares may be issued after this date unless a new Offering Statement is filed and receipted.

TABLE OF CONTENTS

APPENDICES

OFFERING STATEMENT

1. ***[Full legal name of Co-operative]***,

Incorporation #*[Incorporation number*]

***[incorporated/amalgamated/continued]* on *[month, date, year]*.**

Registered head office address is • *[Head Office Address]*

The Co-operative's Auditors are *[Name and address of auditors]*

Registrar & Transfer Agent *[Name and address of registrar or transfer agent]*, if any

Most recent fiscal year end *[Date]*

2. DIRECTORS AND OFFICERS

[Note: The Co-operative may be authorized to have a fixed number of directors or a minimum and maximum number of directors. Determine which is applicable in the case of your Co-operative and select the applicable wording below.]

[Variable Sized Board]

The **[articles of incorporation/amalgamation/continuance] [letters patent]** of the Co-operative provide that it **[may have a minimum of • and a maximum of • directors]**. There are presently • directors. The directors and officers are as follows:

[Fixed Sized Board]

The **[articles of incorporation/amalgamation/continuance] [letters patent]** of the Co-operative provide that it [shall have • directors]. There are presently • directors. The directors and officers are as follows:

[Note: Use full legal name including full middle name]

NAME & TITLE	**RESIDENCE ADDRESS**	**PRINCIPAL OCCUPATION**
John Robert Doe President & Director	R.R. #3 Blackacre ON L5H 1J5	Farmer
Richard Peter Grain First Vice-President & Director	R.R. #5 Whiteacre ON J9N 2R4	Farmer

Marie Jean Berg Director	R.R. #1 Redacre ON L4A 2T5	Farmer
Harold Francis Parkins Officer	R.R. #4 Anytown ON K3Y 4H3	Manager

[Where the Co-operative is comprised of a number of stakeholders, identify, if applicable, the number of directors which each stakeholder may elect.]

3. DESCRIPTION OF THE BUSINESS OR UNDERTAKING OF THE CO-OPERATIVE [AND ITS SUBSIDIARIES]

[Item 3 is intended to provide potential investors with a description of the business in which the Co-operative is engaged. This section need not be lengthy but should, at a minimum, identify each of the Co-operative's business segments, operating groups or divisions, including a brief description of the customer base, products and activities associated with each such business segment, operating group or division. In addition, all "material facts" relating to the Co-operative's business must be set out in this section. Please consult the memo which accompanies this sample Offering Statement for a further discussion of what constitutes a material fact. PLEASE NOTE THAT THE FOLLOWING IS PROVIDED BY WAY OF EXAMPLE ONLY. PLEASE CONSIDER CAREFULLY THE BUSINESS OF YOUR CO-OPERATIVE IN PREPARING THE FOLLOWING SECTION AS NOT EACH OF THE TYPES OF OPERATIONS ADDRESSED IN THIS EXAMPLE MAY APPLY TO YOU.]

History and Operations

The Co-operative is a farm supply and marketing co-operative carrying on business primarily in the Counties of • , in the Province of Ontario. ***[Insert restrictions, if any, which the articles of the Co-operative place on its business activities or operations.]***

The Co-operative presently has • members and employs • persons, • of which • are full-time employees and • of which are either part-time or contract employees.

Membership Requirements & Patronage Return

[Provide the requirements for membership in the Co-operative. If the Co-operative uses a formula for the payment of patronage or if patronage is declared and paid at the discretion of the board of directors it should be disclosed here. Bylaw provisions such as the payment of patronage and obligatory patronage loans should also be disclosed in this section.] For a history of patronage dividends see page • .

[Also, provide the percentage of business done with members for each of the past three years.]

Business Operations

[Note the following section is provided by way of example only. You will need to prepare a similar section which summarizes your particular Co-operative's business activities.]

The business operations of the Co-operative are comprised of crop inputs, feed, retail, and energy and related services. The crop inputs division supplies crop inputs and provides programs and services required for general crop production including seeds, pesticides and fertilizers. The Co-operative's feed division provides a complete range of feeds and nutritional products for all classes of livestock and poultry, including specialty feeds for household pets, horses and fish. The retail division, [through its • stores], offers farm inputs and merchandise for the farm and home to the Co-operative's members and other customers. The Co-operative operates as a reseller of petroleum and petroleum products, including gasoline, diesel fuel, and stove and motor oil, pursuant to a joint venture agreement with UPI Inc.

[You may choose to disclose gross margin, but if you believe that this disclosure would cause a competitive disadvantage to the Co-operative it may be omitted.]

Membership in Other Co-operatives

The Co-operative is a member of • / a number of regional Co-operatives. The following is a summary of the regional Co-operatives of which the Co-operative is a member:

GROWMARK

[Co-operatives which do not have a significant investment in Growmark shares should only include the following two paragraphs. A significant investment in Growmark is defined as an investment equal to or greater than 10% of assets or equal to or greater than 20% of equity.]

Since , has been a member of Growmark, a regional Co-operative <u>incorporated in Delaware, USA</u> which permits the Co-operative to purchase products at competitive wholesale prices. The Co-operative also receives patronage dividends, as and when declared, in proportion to its purchases from Growmark. These patronage dividends are payable in cash or in Class D, Series O preference shares of Growmark, at the sole discretion of the Board of Directors of Growmark.

As of , holds $ in Class D, Series O preference shares of Growmark. The Class D, series O preference shares of Growmark do not pay a dividend and are redeemable only at the option of Growmark.

[Co-operatives with significant investments in Growmark shares should include the above two paragraphs plus the following two paragraphs.]

In accordance with the Stock Redemption Policy adopted by the Board of Directors of Growmark on February 6, 1987, Growmark shares may be redeemed in any fiscal year, at the sole discretion of the Board, if Growmark's operations are profitable, patronage refunds are paid, and cash flow (prior to the redemption of any shares) is positive.

Since the adoption of its Stock Redemption Policy in 1987, Growmark has redeemed approximately $ • million in shares. No shares were redeemed by Growmark in the 1994, 1995, 1996, 1997 fiscal years (ended at August 31 of each year) because of negative cash flow resulting from its expansion into Ontario and its investments in other companies to support its core operations. In Growmark, Growmark redeemed $ • in Class D, Series O preferred shares, representing less than •% of issued and outstanding class D, Series O preference shares.

[Other Regional Co-operatives]

Authorizations, Licenses & Permits

The sector is highly regulated.... ***[If this sentence is included it must be explained. For example, if there are ongoing tests that the co-operative should meet to retain its licenses and there is a possibility that the Co-operative will not pass these tests it should be disclosed, or, if for example the co-operative does not have the expertise required to acquire a license or there is a risk that it will no longer be complying with these requirements because the regulations are changing, it should also be disclosed.]*** The Board of Directors of the Co-operative believes that all licenses and permits required by the Co-operative to continue its supply of agricultural goods and services to its members and customers are currently in good standing.

[Note: If the Co-operative does not possess all required licences and permits to carry on business or if any of such licences or permits are not in good standing, these facts should be identified in this section.]

Environmental Compliance

The Board of Directors of the Co-operative believes that all hazardous materials are stored in compliance with applicable legislation. In addition, the Co-operative is insured against environmental liability. See "Insurance".

Real Estate

[Set out all of the Co-operative's significant properties, whether owned or leased. Set forth the term of any leases. Significant leases should also be included in the section titled "Material Contracts".] See "Material Contracts".

Insurance

[Note: Review insurance policies and determine if the following statement is applicable to your Co-operative. If not, describe the insurance policies that your Co-operative does not have which it should have or the reason why any policy is not in force.]

The Board of Directors of the Co-operative believes that the Co-operative has property, general liability, environmental and casualty insurance in amounts and for the types of risks which are customary in the industry.

Recent Developments

[In this section, you will tell prospective investors about your Co-operative's financial performance and its outlook. When preparing this section, keep in mind that you will be summarizing the Co-operative's business plan in the next section. The main purpose of the business plan section is to address the Co-operative's strengths, weaknesses, and opportunities identified in this section.**]**

<u>Results of Operations & Material Variations</u>

[Using your Co-operative's financial statements, you should tell investors about the Co-operative's financial performance over the past three fiscal years. You should provide the information in a table format and where necessary briefly discuss areas which need additional explanation. It is also important to indicate briefly <u>why</u> you believe your Co-operative has or has not done well in any specific area.]

[You should discuss increase or decrease in gross margins, expenses, cash flow/net earnings compared to the previous fiscal year (What factors are responsible for any changes?)];

[This section should discuss, in some detail, material variations in operating results over the preceding three years. The discussion should include a consideration of sales, profits, and cash flows as well as addressing write-downs, divestitures, and other extraordinary items. Any other significant change in the Co-operative's business or in factors affecting the Co-operative's performance over the past <u>three</u> fiscal years. (e.g., increased interest expense due to purchase of new facilities, inability to dispose of inventory, new competition).]

Note: If cash flow is negative or insufficient to meet your Co-operative's debt obligations, this fact must be stated in the section on Risk Factors.

Note: Significant changes that you expect will continue to affect your Co-operative adversely must also be stated in the Risk Factors section.

Brief statements about your Co-operative's plans to improve its operating results.

[The following is an example of how a Co-operative's operating results could be presented. <u>This is only an example; the information you present will depend on your Co-operative's unique situation</u>. The Co-operative should include a list of items it views as important highlights of operating results and material variations. For example sales, gross margins, cash flow, net income and working capital . The categories utilized in the chart below have been selected only as examples]

Consolidated Operating Results

	1999	1998	1997	% change (1999/1998)
Divisions				
Crop				
Feed				
Retail				
Petroleum				
Total Sales				
Gross Margin				
Expenses				
Net Income				

[To help explain the changes identified in the above table you might wish to add some qualitative information as provided in the example below.]

Increase in revenue is mainly due to the opening of the Co-operative's new location in April 1998 and the introduction of a new line of consumer goods. The change in gross margin is mainly due to a small increase in freight costs associated with the Co-operative's feed business. Increased expenses were incurred mainly in advertising the Co-operative's new store and employing the necessary additional staff. The negative change in cash flow is mainly due to the expenses associated with purchasing and opening the Co-operative's new store. As a result, the Co-operative plans on making greater use of its operating line of credit with the ABC bank in order to purchase inventory for the next fiscal year.

Outlook

[In this section, management discusses the Co-operative's prospects. You should <u>briefly</u> identify any problems, trends, or opportunities that could materially affect the Co-operative's business. If some of these issues have been identified in the previous section, you should repeat them here in order to give investors a complete picture of your Co-operative's prospects. Please list these factors in order of importance. For example:]

In management's opinion, the most significant factors affecting the Co-operative's business during the next fiscal year are:

- negative cash flow, requiring a greater use of the Co-operative's line of credit to purchase sufficient inventory;
- maturing of the Co-operative's Series A Debentures;
- advertising of the Co-operative's new store;
- increased demand for the Co-operative's consumer goods;
- competitors setting up operations in areas currently served by the Co-operative;
- turnover of senior management;
- dependence on a regional co-operatives (Example Growmark) of which the Co-operative is a member.

4. BUSINESS PLAN

[In this section, you should address the problems and opportunities identified in the preceding "Recent Developments" section. For example, if you stated that your Co-operative had a problem with inventory control in the "Recent Developments" section, you should outline what your Co-operative plans to do about it in this section. Your Co-operative may be planning, for example, to purchase a new computer and have existing staff trained in its use.

It is not necessary to summarize your Co-operative's entire business plan. Please focus on stating your Co-operative's objectives and summarizing those parts of the business plan that relate to how the Co-operative plans to achieve them.]

[If your Co-operative does not have a business plan, you should not prepare one solely for the purpose of summarizing it in this offering statement. Instead, state in bold type: " The Co-operative does not have a business plan; however, its current objectives are: (state objectives and outline how the Co-operative plans to achieve them).]

Management of the Co-operative has prepared a business plan to assist the Co-operative in meeting its goals. Management has established the following goals for the Co-operative. ***[Insert principal goals of business plan.]***

[Summarize other material portions of the current business plan: e.g., current objectives, changes in business such as changes in the number of outlets, products, or size of operations, any requirement for new facilities, equipment, human resources or financial resources needed to implement the business plan, etc. Describe the market for the Co-operative's products or services and how you intend to attract and serve your trading area.]

5. RISK FACTORS

[The risk factors section is intended to advise potential investors of the risks that affect or could potentially affect any investment in the Co-operative. Each of the negative factors identified in the Outlook section should be repeated here and you should identify any risks relating to the initiatives discussed under the business plan section. Any other risks affecting or potentially affecting an investment in the Co-operative should also be disclosed in this section. Discuss the risks in order of importance. As well, any other risks affecting or potentially affecting an investment in the Co-operative must be set out in this section.]

Investment in the Membership Shares **[and Preference Shares]** involves certain risks. As described below, a number of factors could adversely affect the value of the Membership Shares **[and Preference Shares]**. Before investing, prospective purchasers should carefully consider, in light of their own financial circumstances, the factors set forth below as well as the other information contained in this Offering Statement.

[The following two risk factors should form part of all Offering Statements]

Market for Shares

There is presently no market for the shares being issued nor is a market expected to develop. Purchasers may not be able to resell shares purchased pursuant to the Offering Statement. Transfers of Membership Shares **[and Preference Shares]** require Board approval. Management will use its best efforts to match buyers and sellers, but no guarantee is offered that holders of the shares will be able to sell them.

Long Term Investment

Purchases of the shares offered herein should be considered long term investments which may not be suitable for investors who may need to sell their shares quickly in order to raise money. Investors who require regular returns from their investments should seriously consider whether or not to purchase the shares offered herein.

[The following Risk Factors are provided by way of example only. You should consider which of the following Risk Factors are applicable to your Co-operative and whether your Co-operative's unique situation requires that other Risk Factors be disclosed.]

Sinking Fund

No sinking fund or reserve has been established to redeem maturing debentures or membership loans." The Co-operative will endeavour to redeem maturing debentures and membership loans out of its operating income or by using its bank's own line of credit. There is no guarantee that these funds will be sufficient to redeem all debentures and membership loans as they come due.

Investment in Growmark Shares

The investment in Growmark should be regarded by investors as an illiquid, long-term investment. There is no assurance that Growmark will redeem the Class D, Series O preference shares held by • . • is not entitled to demand the redemption of these shares. Any redemption of these shares will occur at the sole discretion of the Board of Directors of Growmark. No reserve or sinking fund has been established by Growmark for the redemption of any of its shares. Growmark's ability to redeem its Class D, Series O preference shares depends upon its ongoing profitability. Class D, Series O preference shares cannot be sold or transferred without the consent of the Board of Directors of Growmark.

Accounts Receivable

As of January 31, 1998 the Co-operative had $ • in accounts receivables. Based on past experience, the Co-operative has taken a provision of $ • for doubtful accounts. The process for setting the allowance is based upon the opinion of management as to future development and involves the risk that the actual results may vary materially from the best estimates made.

Profitability and cash flow

There is no certainty that the Co-operative will continue to be profitable and able to pay patronage returns. The Co-operative has experienced negative cash flow in • of $ • as compared to a positive cash flow in • of $ • . The continuing profitability of the Co-operative depends upon its ability to maintain positive cashflow, control expenditures, maintain operating margins and reduce overall debt load.

Profitability and Solvency

There is no certainty that the Co-operative will be profitable and able to pay patronage dividends or regular dividends on shares of the Co-operative. In addition, there can be no assurance that the Co-operative will be able to meet the solvency tests mandated by the *Co-operative Corporations Act (Ontario)* when a request is made by a holder to redeem his or her shares. As such, there can be no assurance that the Co-operative will be able to redeem shares when so requested.

Ratios

[If your Co-operative is not complying with its financial institution's requirements set out in its loan approvals it should be discussed in this section. If this applies to your co-operative you should provide whatever ratios it is in noncompliance with your financial institution's requirements.]

[The following risk factor should be included in all offering statements- however the points listed may vary based on your co-operative's business.]

Other Risk Factors

The Co-operative may also be subject to other risk factors that could potentially affect its profitability and solvency. Some of these risk factors could include (but are not limited to) the following:

- failure to comply with governing statutes
- increased competition
- commodity prices

While the Board of Directors does not view these risk factors as of immediate concern at this time, potential adverse changes in these areas may limit the Co-operative's ability to pay dividends and redeem shares.

6. USE OF PROCEEDS OF THE OFFERING

[This section relates directly to the initiatives outlined in the business plan section. For example, if in that section you stated that your Co-operative will try to increase sales by offering additional grain storage facilities . the need to build a silo would have been identified. In the "Use of Proceeds" section, you would then state that $ • amount of the funds raised under the offering will be used to make that purchase. Use of proceeds should be listed in order of priority.

If there is a minimum and maximum offering, please discuss how the proceeds will be used if the minimum amount is raised and how they will be used if the maximum amount is raised. You should note that a "Use of Proceeds" section indicating that funds will be used in a way that does not support your Co-operative's business plan will generally note be acceptable. The following is an example of the type of information you should present in this section.]

The Co-operative will use the proceeds of this Offering ($ • if the minimum offering is raised and $ • if the maximum offering is raised) for the following purposes, in order of priority if applicable:

Purchase of • at a cost of $ • ;

Repayment of bank debt in an amount not to exceed $ • ;

Repayment of principal on the Note Payable to • in the amount of $ • ; and

Balance, if any, for working capital.

[Where the amount of working capital being raised exceeds the Co-operative's normal requirements for working capital the Co-operative should provide an explanation.]

[It must be clear that the Co-operative is raising sufficient funds to satisfy the objectives. This is a requirement of clause 36(1)(b) of the Co-operative Corporations Act.]

7. CAPITAL STRUCTURE

[As an example] at January 31, 1999 the Capital of the Co-operative for purpose of the Co-operative Corporations Act is as follows:

	Par Value	Authorized	Issued
Membership shares	$100.00	$10,000,000	$3,000,300
Class A Preference Shares	$ 10.00	$ 5,000,000	-Nil-
Class B Preference Shares	$ 50.00	$10,000,000	$5,350,650

Material Attributes of Authorized Capital

[Insert description of material attributes of the Membership Shares and the Preference Shares. The following disclosure is illustrative of the terms and conditions that should be addressed. Please carefully review the Co-operative's Articles prior to completing this section as the terms and conditions attaching to the shares set forth in the Offering Statement must be an accurate summary of the terms and conditions prescribed by the Articles.]

<u>Class A Preference Shares</u>

Par Value:	$10.00
Dividend Rate:	Class A preference shares are entitled to a non-cumulative dividend of 5%. The dividends on these shares will be calculated annually and will accrue from the date on which the shares are issued. If a dividend is to be declared for one year, it must be declared within three months of the Co-operative's fiscal year end. ***[Note: Be sure to distinguish between the dividend rate specified in the articles of the Co-operative and the Board of Directors' policy or historical practice with respect to the payment of dividends.]***
Rank:	Class A preference shares are entitled to receive dividends in priority to Class B preference shares, Membership shares and to the payment of patronage returns.
Redemption by Co-operative:	The Co-operative may redeem all or part of the Class A preference shares, without the consent of the shareholders, upon the payment of the par value of the Class A preference and any unpaid dividends.
Purchase for Cancellation:	The Co-operative may at any time or times purchase for cancellation all or any of the outstanding Class A preference shares if it determines that it is in its best interest to do so. It may do so by purchasing the Class A preference shares for cancellation at a price not exceeding the par value of the Class A preference shares and any unpaid dividends.

Voting Rights:	The holders of the Class A preference shares do not have a right to vote at meetings of members of the Co-operative. Under the *Co-operative Corporations Act*, Class A preference shareholders have the right to receive notice of any meetings of members and the right to vote at all meetings of Class A Preference shareholders called for the purpose of amending the terms of the Class A preference shares. Each shareholder is entitled to one vote for each share held.
Transfer:	No transfer of Class A preference shares shall be effective until the consent of the Board of Directors is received.
Priority in liquidation and dissolution:	In the event of dissolution, liquidation or winding-up of the Co-operative, the holders of Class A preference shares shall be entitled to receive , before any distribution of any part of the assets of the Co-operative to holders of Class B preference shares or membership shares, the amount of $10.00 per share plus any unpaid dividend. The holders of Class B preference shares shall not be entitled to any further distribution of the assets of the Co-operative.

<u>Membership Shares</u>

[Insert disclosure similar to that set forth above under the heading "Preference Shares".]

Capital for Accounting Purposes

[You may wish to provide the following paragraph as an explanation.]

The Canadian Institute of Chartered Accountants (CICA) recently issued handbook section 3860 “Financial Instruments - Disclosure and Presentation”. Effective January 31, 1998 the standard requires the Co-operative to classify its financial instruments as either debt or equity in accordance with whether the terms of the instruments require the Co-operative to settle instruments either in cash at its maturity or at the option of the holder. The classification will result in the Co-operatives [shares, loans and/or debentures] being reclassified as debt. Dividends declared on shares will be treated as interest expense. Shares which are classified as debt under this guideline will be shown on the financial statements of the co-operative as member entitlements.

Under this guideline the capital and member equity of the Co-operative as at the last fiscal year is as follows:

Member Entitlements	
Membership Shares	$
Preference Shares	$
Patronage Loans	$
Member Debentures	$
Equity	
Retained Earnings	$
Contributed Surplus	$
Total Member Entitlements & Equity	$

8. DESCRIPTION OF THE SHARES TO BE ISSUED

The Membership Shares and Preference Shares have attaching to them, the rights, conditions and restrictions described under "Material Attributes of Authorized Capital" at item 6 in this Offering Statement.

All issues or transfers of membership shares are subject to the approval of the board of directors. ***[Outline mechanism for applying to the Board for approval of a proposed transfer.]***

9. DESCRIPTION OF THE GENERAL EFFECT OF A PLAN OF REORGANIZATION

[Only include this section if the Offering is being undertaken in connection with a reorganization, including a plan of reorganization, purchase and sale or amalgamation. If the Offering is being undertaken in connection with a reorganization, describe the general effect of the proposed changes and when such changes will be made.]

10. METHOD OF SALE OF SHARES, AND ANY COMMISSION PAYABLE OR DISCOUNT ALLOWABLE

[Insert statement as to whether shares are being sold to members only or also non-members. Also specify by whom the shares will be sold (for example: management, employees, board of directors)]

There are no commissions payable or discounts allowed.

[OR]

The Co-operative has retained agents to solicit subscriptions for the Membership Shares offered hereby. In no case will the commission payable exceed 5% of the value of each subscription price.

11. DESCRIPTION OF THE MARKET ON WHICH THE SHARES MAY BE SOLD

There is no market through which the Membership Shares or the Preference Shares may be sold and none is expected to develop. Management will use its best efforts to match buyers and sellers but there can be no guarantee that holders of Membership Shares will be able to sell them. ***[Note: If transfer of the shares requires Board approval, disclose that such is the case and describe method by which a holder may obtain Board approval.]***

The Membership Shares, except where prohibited by law, shall be repurchased upon the withdrawal, death or expulsion of a member or when a member exercises the rights of a dissenting member pursuant to the *Co-operative Corporations Act (Ontario)*. The Act prohibits the repurchase of the Membership Shares if the Co-operative is or would be, as a result of such repurchase, insolvent or if such repurchase would in the opinion of the board of directors be detrimental to the financial stability of the Co-operative.

[Insert description of redemption feature, either by holder or Co-operative if either Membership Shares or Preference Shares carry such feature]

12. STATEMENT OF MINIMUM AND MAXIMUM AMOUNT OF THE OFFERING AND MINIMUM AND MAXIMUM AMOUNT OF ANY INDIVIDUAL SUBSCRIPTION

Minimum and Maximum Offering

Unless minimum subscriptions of $ • are received, none of the shares offered hereby will be sold. Pending receipt of the minimum subscriptions, all funds received will be held in escrow in an interest bearing account. Upon receipt of the minimum subscriptions, such funds shall be released to the Co-operative against issuance of the shares thereby subscribed for. In the event that the minimum subscriptions are not received, any subscription funds which have been received will be returned.

[Note: This section is often not applicable. If it is not applicable to the offering by your Co-operative, do not include it in your Co-operative's offering statement.]

Minimum and Maximum Amount of Any Individual Subscription

Each prospective member must offer to purchase a minimum of 25 Membership Shares (representing a total purchase of $2,500) before any such offer will be accepted. No purchaser will be permitted to purchase shares representing a total purchase equal to or exceeding $ • in this Offering. ***[There is no requirement to specify a minimum/maximum number of shares each purchaser may purchase. However, care should be taken to ensure that a purchaser of Membership Shares purchases that number of Membership Shares required to become a member of the Co-operative as specified in the Co-operative's articles. Similarly, there is no requirement to specify a maximum number of shares which a purchaser may purchase. In addition, care should be taken that the authorized capital of the Co-operative specified in the Co-operative's articles is not exceeded if the Offering is fully subscribed.]***

13. AMOUNT AND PARTICULARS OF ANY SECURITIES, MORTGAGES, BONDS, DEBENTURES OR OTHER DEBT OBLIGATIONS

The Co-operative currently has no debt obligations.

[OR]

[Describe amounts, particulars and current portion of any indebtedness of Co-operative. Include a description of all debt identified in the financial statements of the Co-operative. For example:]

SUMMARY

As at *[date]* , the Co-operative's total debt excluding member entitlements was as follows:

Short term bank debt	$ XXXX
Long term debt	$ XXXX
Unsecured promissory notes to Growmark	$ XXXX
Current Portion of Member debentures	$ XXXX
Member demand loans	$ XXXX

Total debt excluding Member Entitlements:	$ XXXXX
Total Member Entitlements:	$ XXXXX
Total Debt and Member Entitlements	$ XXXXX

[If the membership shares and preferences shares of the Co-operative are classified as debt based on the standards set out in section 3860 of the CICA handbook it should be disclosed under members entitlement.]

PARTICULARS

The Co-operative is up to date in the payment of all of its obligations with respect to the payment of interest and principal on its indebtedness. The following are the particulars of the Co-operative's indebtedness outstanding:

	Amount Outstanding as at , 19
Bank Borrowing	
The Co-operative's operating line of credit of $ • with • is due on demand and bears interest at prime. The operating line of credit is secured by a general assignment agreement covering all equipment, inventory, accounts receivable plus assignment of book debts, inventory security under Section 427 of the *Bank Act (Canada)*, a first mortgage on all real estate and proceeds from insurance.	$ XXXX
Long Term Debt	
Term Loan, with • bears interest at • % repayable monthly principal payments of $ • plus interest. The Co-operative has arranged for $ • in term debt with the Bank. The loan is secured by a general assignment agreement covering all equipment, inventory, accounts receivable plus assignment of book debts, inventory security under Section 427 of the *Bank Act (Canada)*, a first mortgage on all real estate and proceeds from insurance.	$ XXXX
Unsecured promissory notes to Growmark (Describe)	$ XXXX

Member Demand Loans	
(Describe the interest rates payable on the loans should be described. This description could be similar to the description of the interest rates payable on these loans contained in the notes to the financial statements.)	$ XXXX
Current Portion of Member Debentures	$ XXXX
Total debt excluding Member Entitlement:	$ XXXXX
Total Member Entitlements	$ XXXXX
Total Debt and Member Entitlements	$ XXXXX

14. MATERIAL LEGAL PROCEEDINGS TO WHICH THE CO-OPERATIVE OR ITS SUBSIDIARY IS A PARTY

None.

[OR]

[Disclose any material actions to which the Co-operative is a party. In particular, disclose any actions which are referenced in the notes to the financial statements of the Co-operative. For example:]

The Co-operative is a party to a number of legal actions arising out of the ordinary course of its business and is defending all proceedings of which it has notice. The Co-operative's liability, if any, in a number of such actions is covered under one or more of its insurance policies.

Action No. 685/97 in the Ontario Court (General Division) is a claim by DBD Inc. against the Co-operative for $1,000,000 arising from the deficiency of sodium and calcium elements in feed purchased from the Co-operative. The action is being defended by the Co-operative. Discoveries have begun. It is too early to give a definitive appraisal of the Co-operative's liability and potential exposure to damages. This matter is not insured.

Other claims for uninsured matters have been received by the Co-operative which the Board of Directors and management of the Co-operative believes, individually and in the aggregate, are not material.

15. MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES OF THE CO-OPERATIVE OR ITS SUBSIDIARIES

In the Operation of the Co-operative

[Disclose any material interests which directors, officers and employees may have in the Co-operative. The determination whether the interest of a director, officer or employee is material will be a matter of fact. Generally, however, any arrangement whereby purchases from the Co-operative or sales to the Co-operative by any of the persons mentioned above constitutes more than 10% of the Co-operative's total purchases or total sales, as the case may be, in any given fiscal period will constitute a material interest. Similarly if an interested person holds the mortgage on any property held by the Co-operative that will also constitute a material interest. The following disclosure is provided by way of example only. Please carefully consider the unique situation of your Co-operative.]

Each of the Directors of the Co-operative is a shareholder and member of the Co-operative. Each of the Directors owns 25 Membership Shares, but two directors own 50 Membership Shares.

In 1998, the Co-operative made sales of $ • to directors and employees of the Co-operative. These sales were transacted on the same terms as are available to other members. Included in Accounts Receivable at the fiscal year end is $ • due from directors and employees.

No director, officer or employee has a material interest in the business or operations of the Co-operative other than disclosed herein.

In the Securities Offered Herein

Each director, officer and employee will be encouraged to subscribe for the shares offered hereby.

16. MATERIAL CONTRACTS ENTERED INTO IN THE TWO (2) YEARS PRECEDING THIS OFFERING STATEMENT

[Disclose all material contracts entered into by the Co-operative within the previous two years. As before, the determination of whether a contract is material will generally be a question of fact. However, contracts to supply or purchase goods which constitutes more than 10% of the Co-operative's sales or purchases, as the case may be, in any given fiscal period will generally be material. In addition, contracts or agreements which impose an obligation on the Co-operative which will extend for a period of more than five years will generally be material. The following disclosure is provided by way of example only. Please carefully consider the unique situation of your Co-operative.]

[The confidentiality provisions of any material contract to be disclosed below should be reviewed prior to disclosure. The prior consent of the other party to such contracts may be required.]

<u>Material Contracts Entered Into in the two Years Preceding</u>

There are no material contracts, other than in the normal course of business within the last two years except as follows:

Agreement dated August 6, 1997, as amended on November 30, 1997, and February 1, 1998, between the Co-operative and STP Inc. under which STP Inc. will provide petroleum product distribution to the Co-operative's customers within the Co-operative's trading area. The duration of the contract is five years with variable payments ranging from three cents per kilometre to fifteen cents per kilometre, depending on the volume of petroleum transported per month and the distances travelled.

An agreement of purchase and sale between the Co-operative and King's Landing Inc. entered into March 5, 1997, for the purchase of a fertilizer facility at Guesswhere, ON. The sale has been completed.

Deed of Trust and Mortgage dated July 1, 1998 between the Co-operative and The Money Trust Company, as trustee, as amended and supplemented from time to time, securing twenty and three-quarter percent (20 ¾%) First Mortgage Sinking Fund Bonds, Series "A", issued in connection with construction by the Co-operative of its feed manufacturing facility in Nowhere, Ontario with a $3,000,000 principal amount outstanding as of January 30, 1999.

<u>Other Material Contracts</u>

[Other contracts that are still current and the Board of Directors feels are still relevant should be included under this heading.]

17. DIVIDENDS, PATRONAGE RETURNS, OR OTHER DISTRIBUTIONS PAID, DECLARED, OR ACCUMULATED BUT UNPAID DURING THE FIVE (5) YEARS PRECEDING THIS OFFERING STATEMENT

Dividends

[Describe any restrictions on the payment of dividends.]

[Where the Co-operative has paid dividends in any of the preceding five years, such fact should be disclosed here in a table format. Where the Co-operative has more than one class of shares issued and outstanding and has paid dividends on those shares you should use a chart format setting forth, in one column, the type of shares issued and

outstanding and, in the other column, the dividends paid in respect of each of those classes of shares over the preceding 5 years.]

Patronage Returns

[Where the Co-operative has paid patronage to its members in any of the preceding 5 years, such fact should be disclosed here in a table format.]

Other Distributions

18. ANY OTHER MATERIAL FACTS

A copy of this Offering Statement must be given to each investor before any payment is legally accepted by the Co-operative.

None of the shares issued by the Co-operative pursuant to this Offering Statement will be in bearer form.

This Offering Statement will expire on •, 19•, after which date no further sales of Membership Shares, shall occur, unless a new Offering Statement has been filed and receipted.

19. CERTIFICATE OF DISCLOSURE

THE FOREGOING CONSTITUTES FULL, TRUE AND PLAIN DISCLOSURE OF ALL MATERIAL FACTS RELATING TO THE SHARES OFFERED BY THIS OFFERING STATEMENT AS REQUIRED BY SECTION 35 OF THE *CO-OPERATIVE CORPORATIONS ACT*

DATED this • day of • , 200•

____
Chair of the Board

____
President

____
Treasurer

[Regulation 178 under the Co-operative Corporations Act prescribes in s. 12(1.1) that:

An offering statement shall contain a certificate in conspicuous type, signed by the chair of the board, the president and the treasurer and indicating when it was signed by each of them.]

[Section 173 of the Co-operative Corporations Act provides that:

Every person who makes or assists in making a statement in any document required by or for the purposes of this Act or the regulations that, at the time and in the light of the circumstances under which it was made, is false or misleading in respect of any material fact or that omits to state any material fact the omission of which makes the statement false or misleading is guilty of an offence and on conviction is liable to a fine of not more than $10,000 or to imprisonment for a term of not more than one year, or to both.

Section 176 of the Co-operative Corporations Act provides that:

Except as otherwise provided, every person who commits an act contrary to or fails or neglects to comply with any provision of this Act or the regulations is guilty of an offence and on conviction is liable to a fine of not more than $5,000 or, if such person is a corporation, to a fine of not more than $100,000.]

APPENDICES

A. Financial Statements

B. Interim Financial Statements ***[The presentation must be consistent with year end audited financial statements.]***

OFFERING STATEMENT TEMPLATE
FOR START-UP SHARE CAPITAL CO-OPERATIVE

After completing the Offering Statement, please forward it to:

Senior Manager, Licensing & Analysis
Licensing & Enforcement Division
Financial Services Commission of Ontario
Box 85
5160 Yonge Street
North York, ON
M2N 6L9

OFFERING STATEMENT TEMPLATE FOR START-UP SHARE CAPITAL CO-OPERATIVE

Draft: ***[month, date, year]***

Ontario Corporation No. •

This document contains important information about the shares offered for sale by the Co-operative named below. You should read the entire Offering Statement before deciding whether or not to buy these shares. All prospective purchasers of these shares must receive this Offering Statement before completing their purchase.

OFFERING STATEMENT of

[NAME OF CO-OPERATIVE]

Dated [month, date, year]

The Co-operative is offering to sell MEMBERSHIP SHARES AND PREFERENCE SHARES:

Membership Shares:	**Total Minimum Offering $50,000** ***[If no minimum offering insert "none"]*** **Total Maximum Offering $125,000**
Preference Shares:	**Total Minimum Offering "none"** **Total Maximum Offering $125,000**

[Total Minimum Offering of Membership & Preference Shares (to be used if minimum offering maybe raised by any combination of membership shares and preference shares)]

Amount to be Raised by this Offering Not to Exceed $250,000.00

[If more than two securities are being offered you may wish to put this information in table format]

Minimum Individual purchase: 25 Membership Shares at $100 per share ($2,500)

Maximum Individual purchase: • (comprised of any combination of Membership Shares and Preference Shares, provided that a purchaser subscribes for the minimum number of Membership Shares).

Both Membership Shares and Preference Shares are being offered (the "Offering"). This Offering is limited in that in the event that subscriptions for Membership Shares *[and Preference Shares]* totalling $50,000 are not received, no Membership Shares or Preference Shares will be sold pursuant to this Offering Statement and any subscription funds which have been received will be returned.

Each prospective purchaser must subscribe for a minimum of 25 Membership Shares (representing a total purchase of $2,500) before any such offer will be accepted. No purchaser may purchase more than $ • in shares.

[There is no requirement to specify a minimum/maximum number of shares each purchaser may purchase. All members must purchase the required numbers of membership shares as set out in the Articles. Similarly, there is no requirement to specify a maximum number of shares which a purchaser may purchase. In addition, care should be taken that the authorized capital of the Co-operative specified in the Co-operative's articles is not exceeded if the Offering is fully subscribed.]

This co-operative has never conducted operations and is in the development stage. Purchase of shares in such start-up ventures involves a high degree of risk, and subscribers should view this subscription as speculative and not invest any funds in this offering unless they can afford to lose their entire investment.

No official of the Government of the Province of Ontario has considered the merits of the matters addressed in this Offering Statement. Neither the Ministry of Finance nor any other ministry or agency of the Government of Ontario assumes any liability or obligation to anyone who purchases the shares offered under this Offering Statement.

There is no established public market through which these shares may be sold. Due to the characteristics of the shares offered by this Offering Statement, restrictions on their transfer, and the fact that significant resale restrictions may apply, no such market is likely to develop. The directors of the Co-operative have determined the price of these shares. ***[If the Articles of Incorporation of the Co-operative provide that Membership Shares may be redeemed, specify how such redemption may occur, including how the redemption price is to be established.]***

Investors should not rely on any information other than what is contained in this Offering Statement. An investment in the Membership Shares involves certain risks. ***[<u>You may summarize briefly each of the Risk Factors applicable to the Co-operative, particularly those attributable to the start-up.</u> The Risk Factors must appear as Item 5 of this Offering Statement.]*** See "Risk Factors".

Forecast information in any projections or *pro forma* financial statements contained in this Offering Statement may vary materially from actual results.
This Offering Statement expires on • , 200•. ***[Note: the Offering Statement will expire one year from the date appearing on the cover page.]*** No further shares may be issued after this date unless a new Offering Statement is filed and receipted.

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APPENDICES

OFFERING STATEMENT

1. ***[Full legal name of Co-operative]***,

Incorporation #*[Incorporation number]*

***[incorporated/amalgamated/continued]* on *[month, date, year]* .**

Registered head office address is • *[Head Office Address]*

The Co-operative's Auditors are *[Name and address of auditors]*

Registrar & Transfer Agent *[Name and address of registrar or transfer agent, if any]*

Most recent fiscal year end *[Date]*

2. DIRECTORS AND OFFICERS

[Note: The Co-operative may be authorized to have a fixed number of directors or a minimum and maximum number of directors. Determine which is applicable in the case of your Co-operative and select the applicable wording below.]

[Variable Sized Board]

The **[articles of incorporation/amalgamation/continuance] [letters patent]** of the Co-operative provide that it **[may have a minimum of • and a maximum of • directors]** . There are presently • directors. The directors and officers are as follows:

[Fixed Sized Board]

The **[articles of incorporation/amalgamation/continuance] [letters patent]** of the Co-operative provide that it [shall have • directors]. There are presently • directors. The directors and officers are as follows:

[Note: Use full legal name including full middle name]

NAME & TITLE	RESIDENCE ADDRESS	PRINCIPAL OCCUPATION
John Robert Doe President & Director	R.R. #3 Blackacre ON L5H 1J5	Teacher
Marie Anne Martin First Vice-President & Director	350 Ontario Street Whiteacre ON L4A 2T5	Retired, Accountant

Jean Marian Johnson Director	590 Batten Drive Redacre ON J9N 2R4	Potter
Harold Francis Parkins Officer	65 Weston Road Anytown ON K3Y 4H3	Manager

[Where the Co-operative is comprised of a number of stakeholders, identify, if applicable, the number of directors which each stakeholder may elect]

3. DESCRIPTION OF THE BUSINESS OR UNDERTAKING OF THE CO-OPERATIVE [AND ITS SUBSIDIARIES]

[Item 3 intends to engage potential investors with a description of the business in which the Co-operative intends to engaged. This section need not be lengthy but should, at a minimum:

- ***Describe in detail what business the co-operative proposed to do, including what products or goods will be produced or services will be rendered.***
- ***Describe how these products or services are to be produced or rendered and how and when the co-operative intends to carry out its activities. For example, if the co-operative is expected to be dependent upon one supplier for essential raw materials or one buyer for its products, describe.***
- ***Set forth restrictions, if any, which the articles of the Co-operative place on its business activities or operations.]***

History and Operations

The Co-operative is a • co-operative carrying on business primarily in the Counties of • , in the Province of Ontario. ***[Insert restrictions, if any, which the articles of the Co-operative place on its business activities or operations***].

Industry

- ***Describe the industry in which the Co-operative expects to sell its product or services and, where applicable, any recognized trends within that industry.***
- ***Discuss the competitive environment.***
- ***Name the principal competitors that the co-op expects to have in its area of competition. Indicate the relative size and financial and market strengths of the Co-operative's competitors if known.***

- ***State why the co-op believes that it can effectively compete with these and other companies.***

- ***You may choose to omit certain information which may result in a competitive disadvantage. If you decide to do this you must include a statement to that effect and this must also be disclosed in the "Risk Factor" section***

Marketing

- ***Describe the market for the Co-operative's product or services and how the co-operative intends to attract and serve this trading area.***

- ***How much of this market does the Co-operative have to capture to be viable?***

- ***If the Co-operative has undertaken a market study please describe the highlights of the study. You may choose not to disclose this information. If you decide to do this you must include a statement to that effect. This must also be disclosed in the "Risk Factor" section.***

Management/Human Resources

[Note: If the Board of Directors has relevant experience needed to manage or supervise the management of the Co-operative, described under this heading. If the Board of Directors does not have the relevant experience necessary, use the wording below.]

The Board of Directors of the Co-operative has no previous experience in this type of business.

[If management is in place please disclose and provide key information such as relevant experience . Typically management will not be in place. You will need to state whether the Co-operative will hire professional management or whether the Board of Directors' intends to manage the day to day affairs of the Co-operative.]

Staffing

- ***State the number of employees it anticipates it will have within the next 12 months.***

- ***Indicate whether any of the Co-operative's employees are subject to collective bargaining agreements or if it is anticipating that it may happen. Also provide the expiration dates of the bargaining agreements. This should also appear as a risk factor if deemed to be a risk.***

Membership Requirements & Patronage Return

[Provide the requirements for membership in the Co-operative. If the Co-operative uses a formula for the payment of patronage or if patronage is declared and paid at the discretion of the board of directors it should be disclosed here. Bylaw provisions such as the payment of patronage and obligatory patronage loans should also be disclosed in this section.]

[Also disclose if there is a the supply agreement between members and the Co-operative if so provide the highlights of the agreement in this section.]

Membership in Other Co-operatives [If applicable]

The Co-operative is a member of • / a number of regional Co-operatives. The following is a summary of the regional Co-operatives of which the Co-operative is a member or intends to join:

Since *[date]* , • has been a member of ABC Co-operative , a regional Co-operative incorporated in • , which permits the Co-operative to purchase products at competitive wholesale prices. The Co-operative also receives patronage dividends, as and when declared, in proportion to its purchases from ABC Co-operative . These patronage dividends are payable in cash or in Class X preference shares of ABC Co-operative , at the sole discretion of the Board of Directors of ABC Co-operative .

As of *[date]* , • holds $ • in Class X preference shares of ABC Co-operative . The Class X preference shares of ABC Co-operative do not pay a dividend and are redeemable only at the option of ABC Co-operative.

Authorizations, Licenses & Permits

If there are ongoing tests that the co-operative will have to meet to retain its licenses and there is a possibility that the Co-operative will not pass these tests it should be disclosed or if for example the co-operative does not have the expertise required to acquire a license or there is a risk that it will no longer be complying with these requirements because the regulations are changing, it should also be disclosed. The following note should complete this section: The Board of Directors of the Co-operative believes that all licenses and permits required by the Co-operative to continue its supply of agricultural goods and services to its members and customers are currently in good standing.

[Note: If the Co-operative does not possess all required licences and permits to carry on business, these facts should be identified in this section.]

Environmental Compliance

The Board of Directors of the Co-operative believes that all hazardous materials will be stored in compliance with applicable legislation. In addition, the Co-operative is insured (or will acquire the necessary insurance) against environmental liability. See "Insurance".

Real Estate

Indicate in general terms the sort of real estate the Co-operative intends to acquire in the immediate future, the price range of such acquisitions and the sources of financing it expects to use in obtaining these properties, whether by purchase, lease or otherwise.". See "Material Contracts".

Insurance

Describe the insurance policies that your Co-operative must hold in order to protect its assets.

4. BUSINESS PLAN

[Summarizing material portions of your Co-operative's current business plan.]

Management of the Co-operative has prepared a business plan to assist the Co-operative in meeting its goals. Management has established the following goals for the Co-operative. ***[Insert principal goals of business plan]***

[Summarize other material portions of the current business plan: e.g. current objectives, such as human resources or financial resources needed to implement the business plan, etc.]

5. RISK FACTORS

[The risk factors section is intended to advise potential investors of the risks that affect or could potentially affect any investment in the Co-operative. You should identify any risks relating to the initiatives discussed under the business plan section. Any other risks affecting or potentially affecting an investment in the Co-operative should also be disclosed in this section. Discuss the risks in order of importance. As well, any other risks affecting or potentially affecting an investment in the Co-operative must be set out in this section.]

Investment in the Membership Shares **[and Preference Shares]** involves certain risks. As described below, a number of factors could adversely affect the value of the Membership Shares **[and Preference Shares]**. Before investing, prospective purchasers should carefully consider, in light of their own financial circumstances, the factors set forth below as well as the other information contained in this Offering Statement.

[The following two risk factors should form part of all Offering Statements]

Market for Shares

There is presently no market for the shares being issued nor is a market expected to develop. Purchasers may not be able to resell shares purchased pursuant to the Offering Statement. Transfers of Membership Shares **[and Preference Shares]** require Board approval. Management will use its best efforts to match buyers and sellers, but no guarantee is offered that holders of the shares will be able to sell them.

Long Term Investment

Purchases of the shares offered herein should be considered long term investments which may not be suitable for investors who may need to sell their shares quickly in order to raise money. Investors who require regular returns from their investments should seriously consider whether or not to purchase the shares offered herein.

[The following Risk Factors are provided by way of example only. You should consider which of the following Risk Factors are applicable to your Co-operative and whether your Co-operative's unique situation requires that other Risk Factors be disclosed.]

Sinking Fund

No sinking fund or reserve has been established to redeem maturing debentures or membership shares." The Co-operative will endeavour to redeem maturing debentures and membership shares out of its operating income or by using its bank's own line of credit. There is no guarantee that these funds will be sufficient to redeem all debentures and membership loans as they come due.

Investment in ABC Co-operative Shares

The investment in ABC Co-operative should be regarded by investors as an illiquid, long-term investment. There is no assurance that ABC Co-operative will redeem the Class X preference shares held by • . • is not entitled to demand the redemption of these shares. Any redemption of these shares will occur at the sole discretion of the Board of Directors of ABC Co-operative . No reserve or sinking fund has been established by ABC Co-operative for the redemption of any of its shares. ABC Co-operative 's ability to redeem its Class X preference shares depends upon its ongoing profitability. Class X preference shares cannot be sold or transferred without the consent of the Board of Directors of ABC Co-operative .

Profitability and Solvency

There is no certainty that the Co-operative will be profitable and able to pay patronage dividends or regular dividends on shares of the Co-operative. In addition, there can be no assurance that the Co-operative will be able to meet the solvency tests mandated by the *Co-operative Corporations Act* (Ontario) when a request is made by a holder to redeem his or her shares or when membership ceases. As such, there can be no assurance that the Co-operative will be able to redeem shares when so requested or when membership ceases.

Restriction on dividends and Payment of Shares

[Certain bank covenants may restrict your co-operative's ability to pay dividends or redeem shares. Discuss.]

[The following risk factor should be included in all offering statements- however the points listed may vary based on your co-operative's business]

Other Risk Factors

The Co-operative may also be subject to other risk factors that could potentially affect its profitability and solvency. Some of these risk factors could include (but are not limited to) the following:

- failure to comply with governing statutes
- increased competition
- commodity prices

While the Board of directors does not view these risk factors as of immediate concern at this time, potential adverse changes in these areas may limit the Co-operative's ability to pay dividends and redeem shares.

6. USE OF PROCEEDS OF THE OFFERING

[Note: The following should precede this section:]

Potential subscribers should carefully review the net amount to be raised by this offering and should consider whether this amount is sufficient to meet the objectives of this offering and the plans as expressed by the co-operative.

OPTION 1

The following table sets forth the costs of the offering and the use of proceeds:

	If Minimum Sold ($)	**If Maximum Sold($)**
Total Proceeds		
Less:		
Offering Expenses		
Legal		
Consulting		
Other (Specify)		
Commission		
Net Proceeds from Offering		
Use of Net Proceeds		
Total Use of Net Proceeds		

OPTION 2

[If there is a minimum and maximum offering, please discuss how the proceeds will be used if only the minimum amount is raised and how the proceeds will be used if the maximum amount is raised. The following is an example of the type of information you should present in this section.]

The Co-operative will use the proceeds of this Offering ($• if the minimum offering is raised and $• if the maximum offering is raised) for the following purposes, in order of priority:

Purchase of • at a cost of $•;

Repayment of bank debt in an amount not to exceed $•;

Balance, if any, for working capital.

Where the amount of working capital being raised exceeds the Co-operative's normal requirements for working capital the Co-operative should provide an explanation.

It must be clear that the Co-operative is raising sufficient funds to satisfy the objectives. This is a requirement of clause 36 (1) b of the Co-operative Corporations Act.]

[This section relates directly to the initiatives outlined in the business plan section. For example, if in that section you stated that your Co-operative will try to increase sales by offering additional grain storage facilities . the need to build a silo would have been identified. In the "Use of Proceeds" section, you would then state that $ • amount of the funds raised under the offering will be used to make that purchase. Use of proceeds should be listed in order of priority.

7. CAPITAL STRUCTURE

[As an example] At April 20, 1999 the Capital of the Co-operative for purpose of the Co-operative Corporations Act is as follows:

	Par Value	Authorized	Issued
Membership shares	$100.00	$10,000,000	$3,000
Class A Preference Shares	$ 10.00	$ 5,000,000	-Nil-
Class B Preference Shares	$ 50.00	$10,000,000	-Nil-

Material Attributes of Authorized Capital

[Insert description of material attributes of the Membership Shares and the Preference Shares. The following disclosure is illustrative of the terms and conditions that should be addressed. Please carefully review the Co-operative's Articles prior to completing this section as the terms and conditions attaching to the shares set forth in the Offering Statement must be an accurate summary of the terms and conditions prescribed by the Articles.]

Class A Preference Shares

Par Value:	$ 10.00
Dividend Rate:	Class A preference shares are entitled to a non-cumulative dividend of 5%. The dividends on these shares will be calculated annually and will accrue from the date on which the shares are issued. If a dividend is to be declared for a year, it must be declared within three months of the Co-operative's fiscal year end.
Rank:	Class A preference shares are entitled to receive dividends in priority to Class B preference shares, Membership shares and to the payment of patronage returns dividends.
Redemption by Co-operative:	The Co-operative may redeem all or part of the Class A preference shares, without the consent of the shareholders, upon the payment of the par value of the Class A preference share and any unpaid dividends.
Purchase for Cancellation:	The Co-operative may at any time or times purchase for cancellation all or any of the outstanding Class A preference shares if it determines that it is in its best interest to do so. It may do so by purchasing the Class A preference shares for cancellation at a price not exceeding the par value of the Class A preference shares and any unpaid dividends.
Voting Rights:	The holders of the Class A preference shares do not have a right to vote at meetings of members of the Co-operative. Under the Co-operative Corporations Act, Class A preference shareholders have the right to receive notice of any meetings of members and the right to vote at all meetings of Class A Preference shareholders called for the purpose of amending the terms of the Class A preference shares. Each shareholder is entitled to one vote for each share held.

Transfer:	No transfer of Class A preference shares shall be effective until the consent of the Board of Directors is received.
Priority in liquidation and dissolution:	In the event of dissolution, liquidation or winding-up of the Co-operative, the holders of Class A preference shares shall be entitled to receive , before any distribution of any part of the assets of the Co-operative to holders of Class B preference shares or membership shares, the amount of $10.00 per share plus any unpaid dividend. The holders of Class B preference shares shall not be entitled to any further distribution of the assets of the Co-operative.

Membership Shares

[Insert disclosure similar to that set forth above under the heading "Preference Shares".]

Capital for Accounting Purposes

[You may wish to provide the following paragraph as an explanation]

The Canadian Institute of Chartered Accountants (CICA) recently issued handbook section 3860 "Financial Instruments - Disclosure and Presentation". Effective January 31, 1998 the standard requires the Co-operative to classify its financial instruments as either debt or equity in accordance with whether the terms of the instruments require the Co-operative to settle instruments either in cash at its maturity or at the option of the holder. The classification will result in the Co-operatives [shares, loans and/or debentures], other than non-redeemable preference shares being reclassified as debt. Dividends declared on shares will be treated as interest expense. Shares which are classified as debt under this guideline will be shown on the financial statements of the co-operative as member entitlements.

8. DESCRIPTION OF THE SHARES TO BE ISSUED

The Membership Shares and Preference Shares have attaching to them, the rights, conditions and restrictions described under "Authorized Capital" at item 6 in this Offering Statement.

All issues *[and, if transfers of membership shares are permitted:]* or transfers of membership shares are subject to the approval of the board of directors. *[Outline mechanism for applying to the Board for approval of a proposed transfer.]*

9. METHOD OF SALE OF SHARES, AND ANY COMMISSION PAYABLE OR DISCOUNT ALLOWABLE

[Insert statement as to whether shares are being sold to members only or also non-members. Also specify by whom the shares will be sold (for example: management, employees, board of directors)]

There are no commissions payable or discounts allowed.

[OR]

The Co-operative has retained agents to solicit subscriptions for the Membership Shares offered hereby. In no case will the commission payable exceed 5% of the value of each subscription price.

10. DESCRIPTION OF THE MARKET ON WHICH THE SHARES MAY BE SOLD

There is no market through which the Membership Shares or the Preference Shares may be sold and none is expected to develop. Management will use its best efforts to match buyers and sellers but there can be no guarantee that holders of Membership Shares will be able to sell them.

The Membership Shares, except where prohibited by law, shall be repurchased upon the withdrawal, death or expulsion of a member or when a member exercises the rights of a dissenting member pursuant to the *Co-operative Corporations Act (Ontario)*. The Act prohibits the repurchase of the Membership Shares if the Co-operative is or would be, as a result of such repurchase, insolvent or if such repurchase would in the opinion of the board of directors be detrimental to the financial stability of the Co-operative.

11. STATEMENT OF MINIMUM AND MAXIMUM AMOUNT OF THE OFFERING AND MINIMUM AND MAXIMUM AMOUNT OF ANY INDIVIDUAL SUBSCRIPTION

Minimum and Maximum Offering

Unless minimum subscriptions of $ • are received, none of the shares offered hereby will be sold. Pending receipt of the minimum subscriptions, all funds received will be held in escrow in an interest bearing account. Upon receipt of the minimum subscriptions, such funds shall be released to the Co-operative against issuance of the shares thereby subscribed for. In the event that the minimum subscriptions are not received, any subscription funds which have been received will be returned.

[Note: This section is often not applicable. If it is not applicable to the offering by your Co-operative, <u>do not</u> include it in your Co-operative's offering statement]

Minimum and Maximum Amount of Any Individual Subscription

Each prospective member must offer to purchase a minimum of 25 Membership Shares (representing a total purchase of $2,500) before any such offer will be accepted. No purchaser will be permitted to purchase shares representing a total purchase equal to or exceeding $ • in this Offering. ***[There is no requirement to specify a minimum/maximum number of shares each purchaser may purchase. However, care should be taken to ensure that a purchaser of Membership Shares purchases that number of Membership Shares required to become a member of the Co-operative as specified in the Co-operative's by-laws. Similarly, there is no requirement to specify a maximum number of shares which a purchaser may purchase. In addition, care should be taken that the authorized capital of the Co-operative specified in the Co-operative's articles is not exceeded if the Offering is fully subscribed.]***

12. AMOUNT AND PARTICULARS OF ANY SECURITIES, MORTGAGES, BONDS, DEBENTURES OR OTHER DEBT OBLIGATIONS

The Co-operative currently has no debt obligations. ***[If the Co-operative has any debt please disclose the information here.]***

13. MATERIAL LEGAL PROCEEDINGS TO WHICH THE CO-OPERATIVE OR ITS SUBSIDIARY IS A PARTY

None.

14. MATERIAL INTERESTS OF DIRECTORS, OFFICERS AND EMPLOYEES OF THE CO-OPERATIVE OR ITS SUBSIDIARIES

In the Operation of the Co-operative

[Disclose any material interests which directors, officers and employees may have in the Co-operative. The determination whether the interest of a director, officer or employee is material will be a matter of fact. Generally however any arrangement whereby purchases from the Co-operative or sales to the Co-operative by any of the persons mentioned above constitutes more than 10% of the Co-operative's total purchases or total sales, as the case may be, in any given fiscal period will constitute a material interest. Similarly if an interested person holds the mortgage on any property held by the Co-operative that will also constitute a material interest. The following disclosure is provided by way of example only. Please carefully consider the unique situation of your Co-operative.]

Each of the Directors of the Co-operative is a shareholder and member of the Co-operative. Each of the Directors owns 25 Membership Shares, but two directors own 50 Membership Shares.

No director, officer or employee has a material interest in the business or operations of the Co-operative other than disclosed herein.

In the Shares Offered Herein

Each director, officer and employee will be encouraged to subscribe for the shares offered hereby.

15. MATERIAL CONTRACTS ENTERED INTO IN THE <u>TWO</u> YEARS PRECEDING THIS OFFERING STATEMENT

[Disclose all material contracts entered into by the Co-operative within the previous two years. As before, the determination of whether a contract is material will generally be a question of fact. However, contracts to supply or purchase goods which constitutes more than 10% of the Co-operative's sales or purchases, as the case may be, in any given fiscal period will generally be material. In addition, contracts or agreements which impose an obligation on the Co-operative which will extend for a period of more than five years will generally be material. The following disclosure is provided by way of example only. Please carefully consider the unique situation of your Co-operative.]

[The confidentiality provisions of any material contract to be disclosed below should be reviewed prior to disclosure. The prior consent of the other party to such contracts may be required.]

<u>**Material Contracts Entered Into in the two Years Preceding**</u>

There are no material contracts, other than in the normal course of business within the last two years except as follows:

Agreement dated April 15, 1999 between the Co-operative and STP Inc. under which STP Inc. will provide petroleum product distribution to the Co-operative's customers within the Co-operative's trading area. The duration of the contract is five years with variable payments ranging from three cents per kilometre to fifteen cents per kilometre, depending on the volume of petroleum transported per month and the distances travelled.

An agreement of purchase and sale between the Co-operative and King's Landing Inc. entered into March 5, 1999, for the purchase of a fertilizer facility at Guesswhere, ON. The sale has been completed.

16. DIVIDENDS, PATRONAGE RETURNS, OR OTHER DISTRIBUTIONS PAID, DECLARED, OR ACCUMULATED BUT UNPAID DURING THE FIVE (5) YEARS PRECEDING THIS OFFERING STATEMENT

[Describe any restrictions on the payment of dividends].

17. ANY OTHER MATERIAL FACTS

A copy of this Offering Statement must be given to each investor before any payment is legally accepted by the Co-operative.

None of the shares issued by the Co-operative pursuant to this Offering Statement will be in bearer form.

This Offering Statement will expire on •, 200•, after which date no further sales of Membership Shares, shall occur, unless a new Offering Statement has been filed and receipted.

18. CERTIFICATE OF DISCLOSURE

THE FOREGOING CONSTITUTES FULL, TRUE AND PLAIN DISCLOSURE OF ALL MATERIAL FACTS RELATING TO THE SHARES OFFERED BY THIS OFFERING STATEMENT AS REQUIRED BY SECTION 35 OF THE *CO-OPERATIVE CORPORATIONS ACT*

DATED this • day of • , 200•

____
Chair of the Board

____
President

____
Treasurer

[Regulation 178 under the Co-operative Corporations Act prescribes in s. 12(1.1) that:

An offering statement shall contain a certificate in conspicuous type, signed by the chair of the board, the president and the treasurer and indicating when it was signed by each of them.]

[Section 173 of the Co-operative Corporations Act provides that:

Every person who makes or assists in making a statement in any document required by or for the purposes of this Act or the regulations that, at the time and in the light of the circumstances under which it was made, is false or misleading in respect of any material fact or that omits to state any material fact the omission of which makes the statement false or misleading is guilty of an offence and on conviction is liable to a fine of not more than $10,000 or to imprisonment for a term of not more than one year, or to both.

Section 176 of the Co-operative Corporations Act provides that:

Except as otherwise provided, every person who commits an act contrary to or fails or neglects to comply with any provision of this Act or the regulations is guilty of an offence and on conviction is liable to a fine of not more than $5,000 or, if such person is a corporation, to a fine of not more than $100,000.]

APPENDICES

A. Financial Statements

B. Interim Financial Statements ***[The presentation must be consistent with year end audited financial statements]***