DISCLOSURE STATEMENT

Crystal Valley Cooperative
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DEBT PLACEMENT OFFERING
CONSISTING OF

UNSECURED CERTIFICATES OF INDEBTEDNESS WITH VARIABLE INTEREST
COMPOUNDED BI-ANNUALLY

SEPTEMBER 2024

THE CERTIFICATES OF INDEBTEDNESS BEING OFFERED HAVE NOT BEEN REGISTERED WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES REGULATORY AUTHORITIES BUT ARE OFFERED PURSUANT TO CLAIMED EXEMPTIONS FROM REGISTRATION PROVIDED BY APPLICABLE FEDERAL AND STATE SECURITIES LAWS. SPECIFICALLY, THESE FUNDS ARE EXEMPT FROM REGISTRATION WITH THE STATE OF MINNESOTA BY VIRTUE OF SECTION 80A.46(25)((B)) OF THE MINNESOTA CODE AND EXEMPT FROM REGISTRATION AT THE FEDERAL LEVEL BY VIRTUE OF THE EXEMPTION PROVIDED BY SECTION 3(a)(11) OF THE SECURITIES ACT OF 1933, AS AMENDED. HOWEVER, NEITHER THE SEC NOR ANY STATE REGULATORY AUTHORITY HAS MADE AN INDEPENDENT DETERMINATION THAT THE CERTIFICATES OF INDEBTEDNESS ARE EXEMPT FROM REGISTRATION. THE CERTIFICATES OF INDEBTEDNESS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE REGULATORY AUTHORITY, NOR HAS THE SEC OR ANY STATE REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Read Attachments. It is advised that potential purchasers of the Certificates of Indebtedness read and review Crystal Valley Cooperatives's ("CV") Annual Report to the Stockholders and CV's Articles and Bylaws, which are attached and a part of this disclosure.

FINANCING TERMS AND USE OF PROCEEDS. The proceeds from this offering will be used as working capital for the financing of accounts receivable and inventories, operating costs, and capital expenditures. Historically, CV has used short term debt to finance working capital shortages and operating costs during the months of September through March, and late summer/early fall when CV's gross revenue is generally inadequate to cover all of CV's operating expenses. CV will pursue conventional financing through CoBank or other lenders, which will likely be at higher interest rates.

Calculation of Interest Rate. Interest on the 3-Year and 5-Year Certificates shall be paid at the respective rate set forth below. The variable interest rates paid on the Standard Demand and $5,000 Demand Certificates stated below are the rates in effect as of the issuance of the Certificate but such rates are variable and likely to change while the Certificate is outstanding. The variable interest rates are reviewed in tandem with movements in the of the Seasonal Interest Rate charged by CV's primary lender, CoBank, on the first day of each month or the nearest business day thereto, and CV reserves the right to change the interest rate paid on variable rate certificates on a monthly basis, without prior notice to the Holder. Interest shall accrue daily on the outstanding principal balance of the Certificate and all computations of interest hereunder shall be made on the basis of a year of 365 days. Accrued and unpaid interest shall be added to the outstanding principal balance bi-annually on each of June 30th and December 31st, and all future accrual of interest shall thereafter be based on the compounded total. Accrued interest may be alternatively be paid to Holder on each anniversary of the Certificate.

Type of Certificate	**Minimum Amount**	**Current Rate**	**Cost of Early Demand**
Standard Demand Less than $5000	None Initial Deposit	____% variable	None
$5,000 Demand Greater than $5000	$5,000.00 Initial Deposit & Maintain	____% variable	None
3-Year	$5,000.00 Initial Deposit & Maintain	____% Fixed	6 Months Interest
5-Year	$10,000.00 Initial Deposit & Maintain	____% Fixed	6 Months Interest

ORGANIZATION AND CURRENT BUSINESS. CRYSTAL VALLEY (CV) is a farmer-owned cooperative organized in 1949 under Chapter 308B of the Code of Minnesota, with its general office located in Mankato, Minnesota. CV is governed by nine directors elected by the members who review CV financial statements and operations. Day to day management of operations is carried out by the general manager, who is subject to the direction of the Board of Directors. Department heads manage various business divisions and report to the general manager. CV developed into a full supply and grain cooperative with total sales and operating receipts for fiscal year ending August 31, 2024 of $428,995.568. Retail farm supply outlets are located in Lake Crystal, LaSalle, Darfur, Madelia, Vernon Center, Waldorf, Janesville, Elysian, Nicollet, Hope, Hayward, Jackson, Lakefield, Round Lake, and Trimont Minnesota.

CV is a large grain handler in the areas around Lake Crystal, LaSalle, Jackson, Trimont, Madelia, Vernon Center, Waldorf, Janesville, Elysian, Nicollet, and Hope, Minnesota. CV is also involved in the manufacturing, distribution and sale of feed and agronomy products, selling of propane and farm delivered fuel, retail sales and custom application of dry and liquid fertilizers, anhydrous ammonia, crop chemicals, and seed sales. CV offers other services such as fee-based farmer marketing grain risk management programs, and producer financing.

EQUITY STRUCTURE. CV's equity structure shall have at least one class of members, who shall be those who patronize CV in an amount of at least $10,000.00 annually, and who are approved by the Board of Directors. No member may hold more than one share of voting common stock nor be entitled to more than one vote at any stockholders' meeting.

As of August 31, 2024, there were 2,058 voting members, representing the total number of CV members. Crystal Valley's equity structure as of August 31, 2024, consisted of: Revolving Fund, $27,052,998.; and Capital Reserve – Unallocated, $83,691,962. The directors annually distribute the earnings of the association in excess of its operating expenses, after providing a reasonable reserve for depreciation, obsolescence, bad debts, or contingent losses or expenses. The directors may use the reserves to pay obligations, including these Certificates of Indebtedness offered by CV in addition to adding to the capital of CV, retiring any revolving fund or allocated capital reserve outstanding, or retiring its certificates of indebtedness. The payment of principal and interest on the Certificates of Indebtedness offered under this offering will be paid prior to any patron being paid patronage.

RISK FACTORS TO BE CONSIDERED. The unsecured Certificates of Indebtedness offered by CV involve a degree of risk and may not be appropriate for prospective certificate holder members who cannot afford to lose interest and principal of the Certificates of Indebtedness. Prospective purchasers of the Certificates of Indebtedness should consider the following risk factors, as well as the information and risks contained and discussed elsewhere in this Disclosure Statement, before investing.

1) Payment of Earned Interest. Crystal Valley Cooperative reserves the right to pay the interest on the Certificates of Indebtedness at any time prior to the time that payment is demanded by the holder. In the event that CV has not paid the interest due on the certificate prior to its maturity and is unable to pay the interest earned on the certificate on the date of maturity, interest will continue to accrue on outstanding and unpaid interest on a non-compounded basis.

2) Payment of Principal. Crystal Valley Cooperative reserves the right to prepay (in whole or in part) the certificate at any time prior to the holder demanding payment of the certificate by paying its face amount plus any accrued interest, or, on the other hand, to lower the face amount of the certificate in proportion to payments of principal made to the certificate holder. In the event that CV has not paid the certificate in whole or in part prior to the holder making demand for payment at its maturity and is unable to pay the certificate in whole upon demand for payment, the face amount of the certificate less any payments made to the certificate holder will be automatically renewed for another year and will continue to be renewed annually until paid in full.

3) Ability to Repay Interest and Principal. Several factors will determine CV's ability to repay either the interest or the principal on the Certificates of Indebtedness being offered. By offering these Certificates of Indebtedness, CV is increasing its debt-to-equity ratio from the debt-to-equity ratio based on its August 31, 2024, Audited Financial Statements. This increased debt burden negatively affects CV's ability to repay both the long and short-term Certificates of Indebtedness. Moreover, since CV is a farmer-owned supply cooperative, a substantial portion of its customers' ability to pay their accounts is dependent upon the agribusiness economic sector.

4) Payment in Event of Liquidation. If the assets of CV are liquidated, the priority to distribute proceeds is for CV to: (i) pay all liquidation expenses; (ii) pay obligations to creditors in the order of priority thereof or security thereof as provided by law will be paid; and (iii) pay the unsecured Certificates of Indebtedness being offered under this offering on a pro rata basis with other unsecured creditors after all liquidation expenses and secured creditor obligations have been satisfied. Therefore, in the event of liquidation, it is unlikely outstanding certificate balances and accumulated interest will be fully paid and potentially none of the certificate balance or accumulated interest will be paid unless sufficient funds are available.

5) Competition and Business Risks. CV's businesses are operated in a very competitive environment. There are no assurances that CV can successfully compete in its business or that businesses with greater financial resources will not enter into competition with CV in its trade territory. Accordingly, CV may not be as profitable in the future due to a variety of factors including increased competition. CV's business is subject to federal and state regulations regarding the care, containment, and delivery of products including, hazardous substances which it handles. Liability may arise from accidents, operations related to associated costs, environmental laws may exceed any applicable insurance limits. As a result, potential purchasers of Certificates of Indebtedness should not rely on the past performance of CV in deciding whether to purchase the Certificates of Indebtedness being offered by CV as payment of principal and interest is dependent on future performance of CV. Future performance is subject to business risks and operational risks uniquely related to the products handled by CV.

6) Unsecured Certificates of Indebtedness/General Creditor Treatment. The certificates of indebtedness offered by CV are unsecured. Unlike a secured creditor, the holder of these certificates of indebtedness does not have recourse against a specific asset belonging to CV. Payment of both principal and interest on the certificates of indebtedness issued by CV will be subordinated to the prior payment of the principal and, interest on all existing or future obligations to secured creditors. Further, should CV's business fail resulting in a sale of all or substantially all of its assets, no amount will be paid in respect to the principal and interest then owed to holders of certificates of indebtedness until and unless CV's secured indebtedness is paid in full. Accordingly, holders have no greater rights in the assets of CV than general creditors.

7) Uninsured Certificates of Indebtedness. The certificates of indebtedness offered by CV are not insured or guaranteed by any Federal, State, Local, or private entity. If dishonor occurs, holders of CV's certificates will not have recourse against a third-party insurer or guarantor. An investment in CV Certificate program, unlike an investment in a federal or state bank, is not insured by the Federal Deposit Insurance Corporation (FDIC). CV does not own any insurance which would protect an investor's investment in the Certificates in the event a default was to occur.

8) Run. CV does not anticipate that it will have sufficient cash or other quickly liquidated assets to pay all the outstanding certificates of indebtedness sold pursuant to this offering on any given date. In the event all the holders of CV's Certificates were to seek redemption at the same time, it is likely that CV would not be able to honor the majority of the demand because of CV's cash position unless CV is able to obtain additional cash from its lenders. There is no guarantee that, in such a situation, the lenders of CV would loan CV sufficient funds to satisfy all certificate holders.

9) **Lenders.** CV requires seasonal operating loans and other credit extensions during its fiscal year in order to meet its obligations and operate successfully. CV also requires, from time to time, certain extensions of long-term debt financing. If CV's business relationship with its lenders and other creditors were to deteriorate, CV could encounter cash shortages and other financial problems which would adversely affect CV's financial condition. In addition, if CV's financial condition were to deteriorate for other reasons, CV could have difficulty obtaining the debt financing and credit it requires for ongoing operations. Such a financing and credit shortage could adversely affect CV's financial condition and ability to pay the certificates of indebtedness when presented for payment.

10) Costs. The financial success of CV is dependent upon fluctuating economic factors, such as the rate of interest CV pays for its debt and the prices CV pays for inventories of sale goods. Any increase in CV's costs not matched by an increase in revenue would negatively impact CV's financial condition.

11) Preferential Taxation. CV benefits from favorable tax treatment under Subchapter T of the Internal Revenue Code. If the current income tax laws, regulations and interpretations concerning cooperative taxes were to change, those changes could affect CV's cash position and its ability to honor its obligations to its member investors. If CV fails to qualify its patronage refund for a tax deduction, that failure could impose a large tax obligation on CV.

12) Legal Compliance. CV is subject to federal, state, and local regulation. If CV were to fall out of compliance with any governmental regulation, it could incur significant civil penalties and legal costs. For example, CV routinely handles hazardous materials such as fertilizer, chemicals, and petroleum, all of which are regulated by state and federal law. If CV were to become liable for a hazardous materials spill, it would incur clean-up and legal expenses which would affect CV's financial condition.

13) Management. CV depends upon competent and qualified management in order to operate successfully. If CV were to become poorly managed, or managed ineptly, CV's financial condition would be adversely affected.

14) **Discretionary Proceeds.** The proceeds from the offering of the Certificates will inure to the general benefit of CV and will be expended according to the broad discretion of management. Although management currently intends to use the

proceeds of the offering to finance current operations, management may re-direct the use of the proceeds to other purposes, according to its discretion.

15) **Accounts Receivable Management.** CV extends credit for purchases, most of which is unsecured. Its credit policy requires payment within thirty (30) days of billing. Patrons are placed on COD after sixty (60) days. If credit is extended to a farmer who fails to pay his account, CV could sustain a large loss on that sale. If either a single large receivable or several smaller receivables become uncollectible, CV's financial position could become adversely affected.

16) **Non-Traditional Business Ventures.** Currently CV is not involved in any non-traditional business ventures.

17) Restriction of Sale. The certificates of indebtedness are non-negotiable to insure that the exemption from registration afforded by the Federal Securities Act of 1993 continues throughout this offering. Accordingly, a certificate of indebtedness holder will not be able to sell the certificates at any time. Return of principal and payment of interest earned will be through and by CV only.

18) Use Of Estimates And Accrual Accounting System Inaccuracies. CV is required by law and generally accepted accounting principles to use an accrual accounting system in and for the preparation of its books and financial statements. The preparation of CV's financial statements requires management to make estimates and assumptions that affect amounts reported in its consolidated financial statements and accompanying notes. If the estimates and assumptions were incorrect, CV’s financial status as reported herein could differ from its actual status.

19) Government Policies And Programs That Protect Commodity Prices. Government policies concerning price supports for small grains and sugar are a risk factor because the programs that arise from those policies are budgetary items ultimately controlled by the political process. The nature and scope of future legislation affecting the sugar and small grain markets cannot be predicted and there can be no assurance that the price supports will continue in their present form. If the price support programs were eliminated in their entirety, or if the protection of the United States price support program provides from foreign competitors was materially reduced, CV could be materially and adversely affected. If the company was then unable to adopt strategies that would allow it to compete effectively and significantly change markets for farm products grown by CV’s voting stockholders and patrons, the company's continued viability could be at risk, which, in turn, might cause CV to fail to repay the certificates of indebtedness hereunder.

20) Supply And Demand Of Commodities/Inputs Produced/Required By Farmers. CV may be adversely affected by supply and demand relationships, both domestic and international. CV requires a regular supply of wholesale goods for resale in order to be successful. These supplies are in turn affected by factors over which CV has no control, such as price, the success or failure of CV's suppliers, and other conditions, both worldwide and domestic. Likewise, demand for the products and services sold by CV may be adversely affected by weather, disease, insect damage, acreage planted, government regulation and policies and commodity price levels. For instance, higher commodity prices might cause greater consumption of crop inputs, but the present low commodity prices may discourage consumption of crop inputs. A warm winter might decrease CV's sales of home heating fuel and LP gas.

21) **Seasonal Business.** The primary business of CV is the retail sale of agricultural inputs to its members and others. As is generally true of many agriculture cooperatives, most of CV's earnings are generated in the spring months. Revenues during the months of August through March are often insufficient to pay operational expenses. Historically, CV has borrowed short term debt (debt to be repaid within one year) to finance working capital shortages during these periods. Generally, such borrowing is at a higher rate of interest then CV will pay on the certificates of indebtedness. Financing the seasonal working capital shortages with the use of the proceeds received from the purchase of certificates of indebtedness hereunder allows CV to reduce its annual interest expense from what it would otherwise be without the option of issuing certificates of indebtedness.

22) Agricultural Business. The financial position of CV may be impacted by ongoing developments agricultural businesses, including the trend among farmers to integrate production agriculture into larger and more complex operations. This trend is visibly evident in Minnesota. If integration and technological improvements occur to the exclusion of CV, such as through the organization of large corporate farms whose buying power causes it to bypass CV, then CV's financial condition could be adversely affected.

In addition, ongoing technological improvements in agriculture, such as improvements in precision agriculture through global positioning and soil mapping with satellites, artificial intelligence and other computer-aided analysis, improvements in medical technology and biotechnology, and other chemical and genetic science advancements, could cause certain goods and services offered by CV to become obsolete. Such obsolescence could adversely affect CV's financial position and its ability to repay debt, including the debt held by CV's members.

23) Weather And Natural Disaster. The market for CV's products and services is dependent upon demand created by agricultural producers. If agricultural producers were unable to farm during any given year, due to weather changes or other natural disasters, including insect infestation and disease, CV's financial position would be adversely affected. Other changing weather patterns, such as the global warming theory. The El Ninõ season or its colder counterpart La Ninä, may also affect CV's financial condition.

24) Lack Of Liquidity Of Investments In Other Cooperatives. CV receives a portion of its patronage refunds from regional cooperatives in the form of script. The script is called investments in other cooperatives, and the investments are recorded as a non-current asset on CV's balance sheet. Investments in cooperatives cannot readily be turned into cash. Redemption of those investments is subject to each regional cooperative's stock revolvement policies, respectively, which is in each regional co-op's complete discretion to establish and change. CV is powerless to modify or control those policies.

On August 31,2024, total investments in other cooperatives were $25,749,277 (12% of the Coop's total assets). Based on the present revolvement policies of the regional co-ops in whom CV owns investments, these funds could only be turned into cash over many years. Therefore, CV's investments in other cooperatives are not a ready source of funds to repay the certificates of indebtedness.

25) Board of Directors. The directors of CV do not have significant experience operating a retail business, and that lack of experience might contribute to the Board of Directors either over-reacting or under-reacting to information. It is very common that directors of farm supply and grain cooperatives do not have significant experience in managing or governing the operations of a retail business; those directors are experienced in managing and governing the day to day operations of their farms, but those businesses are far different than the operations of a retail farm supply and grain business.

26) **Unit Train Loading Capability.** CV loads one hundred (110) car unit trains at its Madelia and Hope grain facility. The availability of rail cars for shipping grain, and the pricing of rail freight for one hundred (110) car unit trains affects CV's ability to

compete against other grain buyers in CV's trade territory, and ultimately its ability to attract sufficient grain purchases at sufficient margins to operate at a profit. Changes in the availability of rail transportation could affect CV's success.

27) **Right to Setoff**. In the event Holder is in default on any separate payment obligation owed to CV, then CV may (without prior notice and when permitted by law) set off funds owed pursuant to this Certificate (regardless of whether a demand is made or the Certificate has reached its Maturity Date) against any due and payable debt owed or guaranteed by Holder to CV now or in the future.