

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

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TYLER, SIMMS & ST. SAUVEUR, P.C.
Certified Public Accountants & Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Littleton Consumer Cooperative Society, Inc.:

We have audited the accompanying balance sheets of Littleton Consumer Cooperative Society, Inc. as of December 31, 2010 and 2009, and the related statements of operations, members' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Littleton Consumer Cooperative Society, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Littleton Consumer Cooperative Society, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Tyler, Simms and St. Sauveur, CPAs, P.C.

Lebanon, New Hampshire
March 25, 2011

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 97,656	\$ 100,593
Receivables	4,083	5,033
Inventory	314,072	289,294
Prepaid expenses	25,203	7,956
Total current assets	<u>441,014</u>	<u>402,876</u>
PROPERTY AND EQUIPMENT, at cost	3,778,624	3,778,560
Less: Accumulated depreciation	<u>(285,609)</u>	<u>(102,735)</u>
Property and equipment, net	<u>3,493,015</u>	<u>3,675,825</u>
OTHER ASSETS:		
Investments in other cooperatives	44,658	11,222
Financing costs, net	48,939	61,740
Deposits and other	-	6,950
Deferred income taxes	12,437	100,439
Total other assets	<u>106,034</u>	<u>180,351</u>
TOTAL ASSETS	\$ <u>4,040,063</u>	\$ <u>4,259,052</u>
<u>LIABILITIES AND MEMBERS' DEFICIT</u>		
CURRENT LIABILITIES:		
Line of credit	\$ 88,000	\$ 50,000
Accounts payable	172,938	211,278
Accrued expenses and other current liabilities	150,981	103,496
Income taxes payable	2,500	1,500
Current deferred income taxes	1,347	3,274
Current portion of long-term debt	144,308	212,975
Total current liabilities	<u>560,074</u>	<u>582,523</u>
LONG-TERM LIABILITIES:		
Long-term debt, excluding current portion	3,239,196	3,228,684
Member loans	483,500	483,500
Total long-term liabilities	<u>3,722,696</u>	<u>3,712,184</u>
Total liabilities	<u>4,282,770</u>	<u>4,294,707</u>
COMMITMENTS AND CONTINGENCIES	-	-
MEMBERS' DEFICIT:		
Capital stock of \$25 par value; authorized 40,000 shares with 8,825 and 7,788 issued and outstanding as of December 31, 2010 and 2009, respectively	220,625	194,700
Donated capital	1,505	1,505
Deficit	<u>(464,837)</u>	<u>(231,860)</u>
Total members' deficit	<u>(242,707)</u>	<u>(35,655)</u>
TOTAL LIABILITIES AND MEMBERS' DEFICIT	\$ <u>4,040,063</u>	\$ <u>4,259,052</u>

The accompanying notes to financial statements are an integral part of these statements.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
NET SALES	\$ 6,779,534	\$ 3,650,513
COST OF GOODS SOLD	<u>4,640,952</u>	<u>2,623,229</u>
GROSS PROFIT	<u>2,138,582</u>	<u>1,027,284</u>
COSTS AND EXPENSES:		
Wages and benefits	1,280,821	916,368
Facilities costs	223,307	162,779
Equipment costs	2,806	5,579
Insurance	5,526	16,560
Supplies	99,717	101,776
Professional fees	64,371	177,754
Other operating costs	124,782	99,627
Depreciation expense	<u>183,089</u>	<u>102,735</u>
Total costs and expenses	<u>1,984,419</u>	<u>1,583,178</u>
INCOME (LOSS) FROM OPERATIONS	<u>154,163</u>	<u>(555,894)</u>
OTHER INCOME (EXPENSE):		
Interest income	64	994
Interest expense	(273,897)	(190,521)
Amortization expense	(12,801)	(11,866)
Grant income	-	470,000
Miscellaneous, net	<u>(3,321)</u>	<u>(3,521)</u>
Other income (expense), net	<u>(289,955)</u>	<u>265,086</u>
LOSS AVAILABLE FOR PATRONAGE REFUND BEFORE TAXES	<u>(135,792)</u>	<u>(290,808)</u>
OTHER EXPENSE (NOT AVAILABLE FOR PATRONAGE REFUND):		
Loss on disposal of fixed assets	(1,236)	(358)
Involuntary loss	<u>-</u>	<u>(4,865)</u>
Other expense, net	<u>(1,236)</u>	<u>(5,223)</u>
LOSS BEFORE PROVISION (BENEFIT) FOR STATE AND FEDERAL INCOME TAXES	<u>(137,028)</u>	<u>(296,031)</u>
PROVISION (BENEFIT) FOR STATE AND FEDERAL INCOME TAXES:		
Current	9,874	7,500
Deferred	<u>86,075</u>	<u>(97,165)</u>
Provision (benefit) for state and federal income taxes, net	<u>95,949</u>	<u>(89,665)</u>
NET LOSS	<u>\$ (232,977)</u>	<u>\$ (206,366)</u>

The accompanying notes to financial statements are an integral part of these statements.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
STATEMENTS OF MEMBERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>Capital Stock</u>	<u>Donated Capital</u>	<u>Deficit</u>	<u>Total</u>
BALANCE, January 1, 2009	\$ 96,726	\$ 1,504	\$ (25,494)	\$ 72,736
Net loss	-	-	(206,366)	(206,366)
Shares issued (canceled), net	97,974	-	-	97,974
Donated capital	-	<u>1</u>	-	<u>1</u>
BALANCE, December 31, 2009	194,700	1,505	(231,860)	(35,655)
Net loss	-	-	(232,977)	(232,977)
Shares issued (canceled), net	<u>25,925</u>	-	-	<u>25,925</u>
BALANCE, December 31, 2010	<u>\$ 220,625</u>	<u>\$ 1,505</u>	<u>\$ (464,837)</u>	<u>\$ (242,707)</u>

The accompanying notes to financial statements are an integral part of these statements.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (232,977)	\$ (206,366)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	183,089	102,735
Amortization	12,801	11,866
Loss on disposal of fixed assets	1,236	358
Deferred income taxes	86,075	(97,165)
Donated capital	-	1
(Increase) decrease in the following asset accounts:		
Receivables	950	(5,033)
Inventory	(24,778)	(164,294)
Prepaid expenses	(17,247)	(7,956)
Increase (decrease) in the following liability accounts:		
Accounts payable	1,764	211,278
Accrued expenses and other current liabilities	47,485	94,743
Income taxes payable	1,000	1,500
Net cash provided by (used in) operating activities	<u>59,398</u>	<u>(58,333)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of equipment	50	-
Purchase of property and equipment	(1,565)	(194,239)
Purchase of investments	(33,436)	(11,222)
(Increase) decrease in deposits and other	6,950	(6,950)
Net cash used in investing activities	<u>(28,001)</u>	<u>(212,411)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from line of credit	38,000	50,000
Proceeds from long-term debt	-	349,107
Financing costs incurred on debt issuance	-	(72,906)
Principal payments on long-term debt	(98,259)	(97,841)
Net proceeds from issuance of capital stock and partial shares	25,925	97,974
Net cash provided by financing activities	<u>(34,334)</u>	<u>326,334</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,937)	55,590
CASH AND CASH EQUIVALENTS, beginning of year	<u>100,593</u>	<u>45,003</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 97,656</u>	<u>\$ 100,593</u>

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING TRANSACTIONS

During 2009, the Cooperative purchased property and equipment in exchange for a note payable in the amount of \$1,618,108.

During 2009, the Cooperative received inventory in exchange for a note payable for \$125,000.

During 2010, a payable to a related party was converted to a note payable (see Note 14).

The accompanying notes to financial statements are an integral part of these statements.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business – The Littleton Consumer Cooperative Society, Inc. (the Cooperative) was incorporated in New Hampshire in 2006. The Cooperative, located in Littleton, NH, operates a member owned food store, open to its members and the general public.

Summary of Significant Accounting Policies:

The financial statements of the Cooperative are prepared using the accrual basis of accounting. The accounting and reporting policies of the Cooperative conform to accounting principles generally accepted in the United States of America. In order to facilitate a more complete understanding of the data included in the financial statements, the more significant of these accounting policies are summarized below:

Cash and Cash Equivalents – The Cooperative considers as cash and cash equivalents all highly liquid investments with a maturity of three months or less at the date of purchase and proceeds due from credit and debit card transactions with settlement terms of less than five days.

Concentration of Credit Risk – The Cooperative maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Cash is maintained at high-quality financial institutions, and the Cooperative has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments in Other Cooperatives – The Cooperative accounts for its investments in other cooperatives under the cost method of accounting.

Inventory – The Cooperative uses a combination of the retail inventory method ("RIM") and replacement cost method ("RCM") to determine the current cost of its inventory. Under RIM, the current cost of inventories and the gross margins are calculated by applying a cost-to-retail ratio to the current retail value of inventories. Under the RCM, the most current unit purchase cost is used to calculate the current cost of inventories.

Property and Equipment – The cost of property and equipment is depreciated over the estimated useful lives of the related assets using various straight-line and accelerated methods. Expenditures for repairs and maintenance are expensed when incurred and betterments are capitalized. When assets are no longer in service, the related costs and reserves are removed. Property and equipment is recorded at cost less accumulated depreciation. The ranges of estimated useful lives are as follows:

	<u>YEARS</u>
Furniture and equipment	5 – 10
Land improvements	15 – 39
Building	39

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued):

Income Taxes – Deferred taxes are provided based on a liability method whereby deferred tax assets and liabilities are recognized for deductible temporary differences. Temporary differences are the differences between the financial and tax-reporting basis for specific items. Deferred taxes are recorded at the enacted tax rates. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Revenue Recognition – Revenue is recognized at the point of sale for retail sales. Customer returns are immaterial. Sales discounts are recorded as a reduction of sales at the time of purchase.

Receivables – The carrying value of accounts receivable approximates fair value due to their short-term nature. Management determines the allowance for doubtful accounts based on historical experience and application of the specific identification method. There was no allowance for doubtful accounts as of December 31, 2010 or 2009.

Advertising – Advertising costs are charged to operations when incurred. Advertising costs were \$23,161 and \$26,660 for the years ended December 31, 2010 and 2009, respectively.

Business Reporting Segments – The Cooperative has determined that its operations are within one reportable segment. Accordingly, financial information on industry segments is omitted because, apart from the principal business of operating a retail store, the Cooperative has no other industry segments.

Fair Value of Financial Instruments – The Cooperative's financial instruments consist of cash, short-term trade receivables and payables, accrued expenses and long-term debt. The carrying value of all instruments approximates their fair value.

Impairment of Long-Lived Assets – The Cooperative periodically assesses the likelihood of recovering the cost of long-lived assets based on its expectations of future profitability and undiscounted cash flows of the related business operations. These factors, along with management's plans with respect to the operations, are considered in assessing the recoverability of property and equipment.

2. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Land	\$ 778,131	\$ 778,131
Buildings and improvements	2,127,533	2,127,533
Equipment	<u>872,960</u>	<u>872,896</u>
	3,778,624	3,778,560
LESS: accumulated depreciation	<u>(285,609)</u>	<u>(102,735)</u>
Property and equipment, net	\$ <u>3,493,015</u>	\$ <u>3,675,825</u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

3. INVESTMENTS IN OTHER COOPERATIVES:

Investments are recorded at cost or net realizable value and consisted of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Associated Grocers of New England, Inc.		
1 share of Class A stock	\$ 5,000	\$ 5,000
Class B stock investment	<u>39,658</u>	<u>6,222</u>
	\$ <u>44,658</u>	\$ <u>11,222</u>

The Cooperative holds shares of Associated Grocers (AG) Class B stock. This stock is not publicly traded and carries restricted conditions under which it may be transferred. The amount of Class B stock required to be owned by each member is dependent on annual purchases from AG and is charged weekly as ½ of 1% of sales until the obligation is met. AG allocates its earnings to its members 50% in cash and the remaining 50% in a certificate of indebtedness and patronage shares.

4. OTHER ASSETS:

Included in other assets at December 31, 2010 and 2009 is \$77,319 in financing costs associated with the construction loan and equipment loans. The costs are amortized over the lives of the loans. Amortization expense was \$12,801 and \$11,866 for the years ended December 31, 2010 and 2009, respectively.

5. LINE OF CREDIT:

The Cooperative has a line of credit of \$150,000. The line of credit is through the Cooperative Fund of New England, Inc. (CFNE), carries an interest rate of 7.5% and is due on demand. The line expires November 18, 2012. At December 31, 2010 and 2009, there was \$88,000 and \$50,000, respectively, outstanding on the line of credit. The line of credit is guaranteed by the Hanover Consumer Cooperative Society, Inc. (see Note 14).

6. MEMBER LOANS:

The Cooperative helped fund a building project by entering into loan agreements with members, totaling \$483,500 at December 31, 2010 and 2009. The loans vary in amounts ranging from \$1,000 to \$50,000 and bear interest at 4% for loans under \$10,000 and 5% for loans over that amount. No payments are required on the loans until 2012, when principal and accrued interest will be paid in three annual installments. Accordingly, member loans are shown on the accompanying balance sheet as long term.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

7. LONG-TERM DEBT:

Long-term debt consisted of the following as of December 31:

	<u>2010</u>	<u>2009</u>
7% mortgage payable, secured by assets and guaranteed by the State of NH, in monthly installments of \$18,608, interest only allowed March through August 2010, and six payments of \$16,500 principal and interest beginning November 2010, returning to original payments of \$18,608, with a balloon payment at September 8, 2014.	\$ 2,361,464	\$ 2,385,980
7.5% note payable, secured by equipment and guaranteed by the State of NH, in monthly installments of \$7,594, interest only allowed March through August 2010, and six payments of \$5,500 beginning November 2010, returning to original payments of \$7,594 principal and interest, with a balloon payment at June, 2014.	442,824	466,969
8% note payable, secured by land, no payments until September 1, 2011, monthly installments then of \$860 principal and interest, with a balloon payment at September 1, 2014.	90,000	90,000
8% note payable, interest only through March 2009 then monthly installments of \$836 principal and interest, interest only payments allowed March 2010 through April 2011, then resuming regular payments with a balloon payment at September 18, 2014.	99,139	99,487
7% note payable, in monthly installments of \$581 principal and interest, interest only payments allowed March through August 2010 and November 2010 through April 2011, then resuming regular payments with a balloon payment at September 1, 2014.	73,990	74,562
8% note payable, in monthly installments of \$1,520 principal and interest, interest only payments allowed March 2010 through April 2011, reduced payments of \$584 principal and interest starting May 2011, due September 14, 2014.	69,858	71,914
8% note payable, in monthly installments of \$418 principal and interest, interest only payments allowed March through August 2010 and November 2010 through April 2011, then resuming regular payments with a balloon payment at September 1, 2014.	49,406	49,741

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

7. LONG-TERM DEBT (continued):

	<u>2010</u>	<u>2009</u>
8.25% note payable, secured by equipment, in monthly installments of \$1,963 principal and interest, interest only payments allowed March 2010 through April 2011, reduced payments of \$1,823 principal and interest starting May 2011, due June 15, 2016.	116,022	118,274
6.5% note payable with AG, secured by inventory, weekly installments of \$1,282 principal and interest, payments reduced to \$372 weekly principal and interest, extended through August 2013.	48,124	84,732
Non-interest bearing note with a related party (see Note 14) Monthly installments of \$1,021, due August, 2013	<u>32,677</u>	<u>-</u>
	3,383,504	3,441,659
LESS: Current portion	<u>144,308</u>	<u>212,975</u>
Long-term debt, excluding current portion	<u>\$ 3,239,196</u>	<u>\$ 3,228,684</u>

Future minimum payments on long-term debt at December 31, 2010 were as follows:

<u>Years</u>	
2011 (included in current liabilities)	\$ 144,308
2012	179,158
2013	183,805
2014	2,574,229
2015	104,654
Thereafter	<u>197,350</u>
	<u>\$ 3,383,504</u>

In connection with certain of the above agreements, the Cooperative must comply with certain financial covenants prior to any repayment on the member loans (see Note 6). The Cooperative had not commenced payment on member loans as of December 31, 2010.

The Cooperative is in compliance with all other covenants related to the above agreements as of December 31, 2010.

8. RETIREMENT PLAN:

During 2010, the Cooperative began a sponsored SIMPLE IRA plan for eligible employees. The Cooperative matches up to 3% of employees' wages based on employee contribution. Retirement plan expense for the year ended December 31, 2010 was \$13,996.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

9. PATRONAGE REFUNDS:

According to the Cooperative's bylaws, the patronage refund rate cannot exceed the rate of net earnings before provision for income taxes, expressed as a percent of total sales. In addition, the Cooperative may retain 5% of earnings to be allocated to an education reserve. During 2010 and 2009, there were no net earnings to distribute through patronage refunds.

10. DEFERRED TAXES:

The Cooperative's method of accounting for income taxes conforms to the requirements of Accounting Standards Codification Topic 740, *Accounting for Income Taxes*.

Components of deferred taxes are as follows:

	<u>2010</u>	<u>2009</u>
Current deferred tax liability		
Liability arising from temporary differences related to accrued vacation	\$ <u>(1,347)</u>	\$ <u>(3,274)</u>
Total current deferred tax liability	\$ <u><u>(1,347)</u></u>	\$ <u><u>(3,274)</u></u>
Non-current deferred tax benefit		
Liability arising from temporary differences relating to depreciation	\$ (18,412)	\$ (11,056)
Benefit arising from net operating loss carryforward	68,349	111,495
Less: Valuation allowance	<u>(37,500)</u>	<u>-</u>
Total non-current deferred tax benefit	\$ <u><u>12,437</u></u>	\$ <u><u>100,439</u></u>

11. CASH FLOW INFORMATION:

Cash paid for interest and income taxes was as follows for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Interest	\$ <u><u>244,619</u></u>	\$ <u><u>231,917</u></u>
Income taxes	\$ <u><u>8,874</u></u>	\$ <u><u>6,000</u></u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

12. MEMBERS' EQUITY:

Capital Stock – Capital stock of the Cooperative is restricted in transferability. It is redeemable with the Cooperative at par value. A member must own a minimum of 4 shares in order to become a voting member. Anyone owning less than 4 shares is deemed a subscriber, and still has rights to patronage refunds.

13. COMMITMENTS AND CONTINGENCIES:

Litigation – The Cooperative is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Cooperative's future financial position or results from operations.

14. RELATED PARTY:

The Cooperative owns shares of AG (See Note 3). During the years ended December 31, 2010 and 2009, the Cooperative purchased \$2,050,691 and \$1,236,059 of goods and groceries from AG, respectively, which represents 44% and 42% of the Cooperatives total purchases for the year, respectively. The Cooperative recorded a liability to AG of \$37,777 and \$29,482 as of December 31, 2010 and 2009, respectively.

The Cooperative has an agreement with the Hanover Consumer Cooperative Society, Inc. whereby in the event of default by the Cooperative on the line of credit, the Hanover Consumer Cooperative Society, Inc. would purchase sellable inventory from CFNE at 50% of invoice price up to \$150,000. During the year ended December 31, 2009, the Cooperative received consulting services from Hanover Consumer Cooperative Society, Inc. in the amount of \$102,188, of which \$33,628 was remaining as a payable at year end. During the year ended December 31, 2010, the payable was converted to a non-interest bearing note, payable over 36 months. The balance of this note at December 31, 2010 was \$32,677.

15. SUBSEQUENT EVENTS:

These statements have been prepared in accordance with Accounting Standards Codification Topic 855, *Subsequent Events*. Topic 855 requires the Cooperative to recognize the effect of the events that occur after the balance sheet date, December 31, 2010, but before the financial statements are available to be issued only if they provide additional evidence about a condition that existed as of December 31, 2010. In addition, Topic 855 requires disclosure consideration of significant subsequent events related to conditions that did not exist as of the balance sheet date but in effect make the financial statements misleading if not disclosed to the user. Topic 855 requires the Cooperative to disclose the date at which the financial statements were issued or were made available for issue (March 25, 2011) and how the date was determined.

The Cooperative has reviewed events occurring after December 31, 2010 through March 25, 2011, the date that management accepted the final draft of the financial statements and made them available to be issued. The Cooperative has not reviewed events occurring after the report date for their potential impact on the information contained in these financial statements.