

STONEGATE COOPERATIVE DISCLOSURE STATEMENT

PURPOSE

This statement is meant to assist you in understanding how Stonegate Cooperative is organized, the rights of the cooperative, your rights as a member of the cooperative, and the nature and condition of the property the Cooperative owns.

COOPERATIVE OWNERSHIP

We are providing you with this notice so that you may make an informed decision regarding joining the cooperative. Membership in a cooperative involves different rights and responsibilities from those involved in renting a home site in a manufactured home park or in owning a home. This statement outlines those differences.

Stonegate Cooperative is a legal entity owned and controlled by its members. The members of the Cooperative work together through a democratic process to make decisions affecting the community. Each household that purchases a membership will have a vote in the Cooperative affairs and will own one membership. Each household that owns a membership will have the right to occupy one manufactured home site in the cooperative property. Because the members own and control the Cooperative, monthly housing charges paid by members do not include profit to a third-party owner and increases in monthly housing charges can be limited to actual increases in operating costs and other increases approved by the members.

SETTING UP STONEGATE COOPERATIVE

Northcountry Cooperative Foundation (“NCF”) is the sponsor of Stonegate Cooperative. NCF is a nonprofit organization that provides development services, technical assistance to housing cooperatives, and operates programs that strengthen manufactured housing cooperatives. As sponsor of Stonegate Cooperative, NCF met with community residents, helped negotiate the purchase of the cooperative property, prepared budgets for the property purchase and its operation as a resident-owned cooperative, helped negotiate and arrange financing, oversaw preparation of reports and research for the Cooperative to obtain financing, drafted this disclosure statement and other organizational documents for Stonegate Cooperative, and arranged for the provision of training and technical assistance to residents.

Stonegate Cooperative is organized under Minnesota Statutes § Chapter 308B. Under this statute, a Cooperative can have a non-patron member, in addition to its resident-members (also called “patron members”). Patron members are the residents for whose benefit the community operates; they are so called because patron members

can receive a patronage dividend, which is a surplus from operations of the community, with lender approval. Your non-patron member is a third-party organization which has limited rights under certain circumstances. Your Cooperative's non-patron member is ROC USA, LLC, an organization devoted to resident ownership to enable long-term preservation of affordable housing. Details about your non-patron member's limited rights and the circumstances under which the non-patron member can exercise its limited powers are outlined in your Bylaws.

PROPERTY AND RELATED SERVICES

Stonegate Cooperative owns or will own real property in Lindstrom, Minnesota, which is legally described in the attached legal description. Total = 11.1 acres. Home sites vary somewhat in size. Each member in the cooperative is entitled to install or keep an installed a manufactured home owned by the member on a particular home site in the Cooperative pursuant to an Occupancy Agreement as discussed below. Residents of the park at the time of park purchase may choose to join the Cooperative or remain in the park as tenants of the Cooperative. Per the Bylaws, each departing resident will be replaced by a new Cooperative member. Stonegate Cooperative must oversee the community in a manner consistent with Minnesota State Statute Chapter 327C and all other applicable laws, rules, and regulations.

Stonegate Cooperative is a 50-unit manufactured home development located in Lindstrom, Minnesota. Stonegate Cooperative consists of two (2) properties totaling 11.1 acres. The site address is 11940 Lake Lane, Lindstrom, Minnesota.

Stonegate Cooperative is located approximately 0.8 miles west of downtown Lindstrom, approximately 1/2 mile from North and South Lindstrom Lakes. Surrounding land use is residential and commercial to the west, residential to the north, residential and wetland to the east and residential to the south. Commercial property is located at the southwest corner of Stonegate Cooperative. The site has direct access to Lake Lane, which connects to MnDOT Highway 8.

The site is in the B-1 zoning district as a conditional use. There is no overlay zoning district.

The site is served by a community well. The well is located along the eastern side of the property near unit 50. The well water is pumped to the water supply room via a 1-1/2" plastic pipe, located in the north end of the community building approximate 130 feet to the west of the well. The well is 550 feet deep. The distribution line is 1-1/2" plastic pipe and each service line is 3/4" plastic pipe. All water quality tests have passed. There are currently no fire hydrants within the community but there are two (2) fire hydrants on Lake Lane near the entrance to Stonegate Cooperative.

The sanitary sewer system connects to an 8" sanitary sewer in Lake Lane owned by the City of Lindstrom. Each household is served by a 4" sanitary sewer service. The system is all served by gravity - there are no lift stations or pumps.

The property is served by one roadway: Stonegate Terrace. Stonegate Terrace is a two-way, asphalt paved road with no curb and gutter. There are five speed bumps along the length of roadway. The width of Stonegate Terrace varies from 22 feet to 39 feet.

The site drains to four storm sewer inlets and pipe centrally located along Stonegate Terrace. The storm sewer drains from west to east and discharges untreated into a wetland east of Stonegate Cooperative.

The site has one (1) common building, the community building. It is a wood frame structure approximately 40 feet x 24 feet. The structure has a masonry block basement. The building uses include mail drop room (northwest corner), water supply room (northeast corner), two (2) partially finished rooms, and additional unfinished space. The basement is the storm shelter for Stonegate Cooperative. Access to the basement is via stairs on the south side of the building.

A capital improvements program for the community has been developed and is projected to deliver approximately \$250,000 in capital improvements and infrastructure maintenance over the next 28 years. The capital improvement plan anticipates, but does not rely exclusively on, a successful application for a grants from the Minnesota Department of Employment and Economic Development and/or the local watershed district. The program has been developed and informed by an evaluation of the property by qualified engineers. The report has been made available to the initial Cooperative Board, and should be passed on to successive Cooperative Boards so to enable pursuit of these improvements. In addition, replacement and operating reserves have been established pursuant to lender requirements. The Cooperative will be required to maintain balances in all of these accounts at least as long as the initial term of the initial financing. Future lenders to the Cooperative may impose similar requirements.

ECONOMIC EFFECTS OF COOPERATIVE MEMBERSHIP

A result of a change in Minnesota laws governing homestead tax treatment made in the 2010 Legislative Session, manufactured housing cooperatives with a membership rate in excess of 50% will have a tax classification rate of 0.75%. This contrasts with the 1.25% tax classification rate that applies to investor-owned manufactured home communities. The effect of this change is that a resident-owned manufactured home community will have a tax rate, everything else equal, 40% less than that of an investor-owned manufactured home community. In so doing, the Legislature recognized the resident ownership dimension of a manufactured housing

cooperative, comparable to that of a homesteaded private property or of other common interest communities, like apartment-style cooperatives, condominium or townhome associations.

Another economic effect of Cooperative membership is that members, unlike tenants of the Cooperative, are eligible for any patronage dividends. Patronage dividends are a rebate of surplus (profit) from the Cooperative's operations. Under the terms of its financing agreements, the Cooperative's cash flow is largely committed to external second and third mortgage lenders. After those lenders' financing has been retired, however, and provided that the community is otherwise funding its capital reserves and meeting its other operating obligations, there is a possibility that resident-members (patron members) would receive a patronage dividend distribution and/or a lot rent holiday, subject to lender approval.

SUBSCRIPTION OR MEMBERSHIP PRICE

Residents purchase a membership in the Cooperative by paying a subscription price of \$200. This is much like the amount which would ordinarily be paid for a down payment on a home. When a member leaves the cooperative, the membership may be purchased back by the Cooperative as provided for in the Bylaws. The purchase price of the membership may be reduced for amounts owed to the Cooperative.

FINANCING

The acquisition and improvement of Stonegate Manufactured Housing Community by Stonegate Cooperative was financed from the following sources and as follows:

1. First mortgage in the amount of \$1,430,000 from ROC USA Capital® to be secured by the manufactured home community. This loan will bear an interest rate of up to 6.20% with a term of 10 or 15 years with debt service calculated on a 30-year amortization schedule;
2. Co-op Member Equity. Membership fees of \$200 paid by the roughly 51% of the members will contribute to financing the community;

The Cooperative is responsible for making payments on the financing described above. Failure to make a required payment could result in foreclosure of the mortgage securing the applicable loan. Accordingly, the obligation of Cooperative members and tenants of the Cooperative is to make their monthly housing charge or rent payments to the Cooperative.

IMPORTANT DOCUMENTS

There are several important documents you should know about when you join a cooperative:

1. The Articles of Incorporation of the cooperative.
2. The Bylaws of the cooperative.
3. The Membership Agreement for joining the cooperative.
4. The Occupancy Agreement you sign as a member of the cooperative.
5. The community rules and regulations, which set forth the obligations of all households with residing on property owned by the cooperative.

Copies of these documents accompany this disclosure statement, and additional copies can be obtained upon written request to the Cooperative. If you ask for an additional set of documents, you will receive one additional copy free of charge. You can request your copy from the Cooperative Secretary.

1. Articles of Incorporation. The Articles establish the cooperative as a legal entity and state the basic rules that govern the cooperative.

2. Bylaws. The Bylaws of the cooperative set out more extensive rules for managing the cooperative, including voting for a board of directors and choosing officers.

3. Membership Agreement. The Membership Agreement of the cooperative, together with subscription price, is your application to join the Cooperative.

4. Occupancy Agreement. The Occupancy Agreement, as noted earlier is much like an ordinary manufactured home park lease. However, the landlord under the lease is the Cooperative, which is owned and controlled by its members. It describes what you must do and what you may not do in order to live in the Cooperative.

5. Community Rules and Regulations. Stonegate Cooperative begins ownership and operation of the park with these community rules, which have been approved by a majority of members. These rules and regulations will be updated and kept current by the Cooperative. All such rules apply equally to Cooperative members and tenants alike and are enforced by the Cooperative's Management Agent on its behalf.