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CENEX HARVEST STATES COOPERATIVES

Form S-2

July 18, 2001

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON July 18, 2001

Registration No. 333-_____

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CENEX HARVEST STATES COOPERATIVES
(Exact name of Registrant as specified in its charter)

MINNESOTA
(State or other jurisdiction of
incorporation or organization)

41-0251095
(I.R.S. Employer
Identification Number)

5500 CENEX DRIVE
INVER GROVE HEIGHTS, MINNESOTA 55077
(651) 451-5151

(Address, including zip code, and telephone number, including
area code, of Registrant's principal executive offices)

DAVID KASTELIC
SENIOR VICE PRESIDENT AND GENERAL COUNSEL
CENEX HARVEST STATES COOPERATIVES
5500 CENEX DRIVE
INVER GROVE HEIGHTS, MINNESOTA 55077
(651) 451-5151

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

COPIES TO:

William B. Payne
Dorsey & Whitney LLP
220 South Sixth Street
Minneapolis, Minnesota 55402
(612) 340-2722

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a
delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box. [X]

If the registrant elects to deliver its latest annual report to security
holders, or a complete and legible facsimile thereof, pursuant to Item
(11) (a) (1) of this Form, check the following box. []

If this Form is filed to register additional securities for an offering pursuant
to Rule 462(b) under the Securities Act, please check the following box and list
the Securities Act registration statement number of the earlier effective
registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under
the Securities Act, please check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. []

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

----- CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to Be Registered | Amount to Be Registered(1) | Proposed Maximum Offering Price Per Share | Proposed Maximum Aggregate Offering Price(1) | Amount of Registration Fee |
|--|----------------------------|---|--|----------------------------|
| 8% Preferred Stock | 50,000,000 shares | \$1.00 | \$50,000,000 | \$12,500 |

(1) Estimated solely for the purposes of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

Up to 50,000,000 Shares of 8% Preferred Stock

CENEX HARVEST STATES COOPERATIVES

\$1.00 per share
(a minimum investment of \$1,000 is required)

We are offering 50,000,000 shares of preferred stock designated as 8% Preferred Stock. Your purchase of the preferred stock requires a minimum investment of \$1,000. Holders of the preferred stock will be entitled to receive cash dividends at an annual rate of 8% per share. If you hold 10,000 shares or more of preferred stock, dividends will be payable monthly, when declared; otherwise you will receive quarterly dividends when declared. Dividends payable on the preferred stock are cumulative. The preferred stock is being issued in book-entry form only.

Investing in our preferred stock involves certain risks. See "Risk Factors" beginning on page 5.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

| | Per Share | Total |
|-----------------------------------|-----------|---------------|
| Public Offering Price | \$ 1.00 | \$ 50,000,000 |
| Sales Commission* | \$.03 | \$ 1,500,000 |
| Proceeds to CHS (before expenses) | \$.97 | \$ 48,500,000 |

*You will not incur a direct sales charge. All commissions will be paid by

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CHS. See "Plan of Distribution."

Miller & Schroeder Financial, Inc. will act as our agent in selling the preferred stock. It is not required to sell any specific number or dollar amount of preferred stock but will use its best efforts to sell the preferred stock offered.

MILLER & SCHROEDER FINANCIAL, INC.

The date of this prospectus is _____, 2001

| | NINE MONTHS ENDED MAY 31, | | YEARS ENDED AUGUST 31, | | THREE MONTHS ENDED | YEARS ENDED MAY 31, | | |
|--|------------------------------|--------------|---------------------------|--------------|--------------------------|------------------------|--------------|---------------|
| | 2001 | 2000 | 2000 | 1999 | AUGUST 31, 1998 (1) | 1998 | 1997 | 1996 |
| | (UNAUDITED) | (UNAUDITED) | | | | | | |
| (DOLLARS IN THOUSANDS, EXCEPT FOR RATIOS) | | | | | | | | |
| Income Statement Data: | | | | | | | | |
| Revenues: | | | | | | | | |
| Net sales | \$ 5,903,801 | \$ 6,227,645 | \$ 8,435,805 | \$ 6,328,618 | \$ 1,518,253 | \$ 8,345,175 | \$ 9,658,052 | \$ 10,361,315 |
| Patronage dividends | 5,621 | 5,019 | 5,494 | 5,876 | 5,111 | 70,387 | 71,070 | 47,170 |
| Other revenues | 94,519 | 83,360 | 103,199 | 85,128 | 18,290 | 89,785 | 77,440 | 73,361 |
| | 6,003,941 | 6,316,024 | 8,544,498 | 6,419,622 | 1,541,654 | 8,505,347 | 9,806,562 | 10,481,846 |
| Costs and expenses: | | | | | | | | |
| Cost of goods sold | 5,688,252 | 6,112,181 | 8,240,415 | 6,144,519 | 1,463,120 | 8,149,251 | 9,475,367 | 10,183,141 |
| Marketing, general and administrative | 135,199 | 118,857 | 159,028 | 152,031 | 34,998 | 126,061 | 126,297 | 130,274 |
| Interest | 49,283 | 43,008 | 57,566 | 42,438 | 12,311 | 34,620 | 33,368 | 46,450 |
| Equity (income) loss from investments | (13,519) | (21,238) | (28,325) | (22,363) | 9,142 | (8,381) | (7,635) | (6,216) |
| Minority interests | 25,517 | 4,487 | 24,546 | 10,017 | 3,252 | 6,880 | 7,984 | (147) |
| | 5,884,732 | 6,257,295 | 8,453,230 | 6,326,642 | 1,522,823 | 8,308,431 | 9,635,381 | 10,353,502 |
| Income before income taxes and cumulative effect of accounting change | 119,209 | 58,729 | 91,268 | 92,980 | 18,831 | 196,916 | 171,181 | 128,344 |
| Income taxes | (34,338) | 2,576 | 3,880 | 6,980 | 2,895 | 19,615 | 19,280 | 13,139 |
| Net income before cumulative effect of accounting change | 153,547 | 56,153 | 87,388 | 86,000 | 15,936 | 177,301 | 151,901 | 115,205 |
| Cumulative effect of accounting change, net of income tax benefit | (3,263) | | | | | | | |
| Net income | \$ 150,284 | \$ 56,153 | \$ 87,388 | \$ 86,000 | \$ 15,936 | \$ 177,301 | \$ 151,901 | \$ 115,205 |
| Balance Sheet Data (at end of period): | | | | | | | | |
| Working capital | \$ 306,572 | \$ 213,317 | \$ 214,223 | \$ 219,045 | \$ 284,452 | \$ 235,721 | \$ 219,395 | \$ 220,581 |
| Net property, plant and equipment | 1,028,481 | 1,025,730 | 1,034,768 | 968,333 | 915,770 | 868,073 | 798,757 | 713,643 |
| Total assets | 3,028,236 | 3,367,586 | 3,172,680 | 2,787,664 | 2,469,103 | 2,436,515 | 2,422,564 | 2,484,006 |
| Long-term debt, including current maturities | 572,058 | 510,961 | 510,500 | 482,666 | 456,840 | 378,408 | 335,737 | 315,985 |
| Total equities | 1,262,743 | 1,148,770 | 1,164,426 | 1,117,636 | 1,065,877 | 1,029,973 | 944,798 | 849,702 |
| Ratio of earnings to fixed charges and preferred dividends (2) | 3.5x | 2.1x | 2.7x | 2.6x | 3.0x | 5.3x | 4.7x | 3.0x |

(1) Reflects the Company's change in fiscal year end from May 31 to August 31.

(2) For purposes of computing the ratio of earnings to fixed charges and preferred dividends, earnings consist of earnings before income taxes and cumulative effect of accounting change on consolidated operations,

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distributed income from equity investees and fixed charges. Fixed charges consist of interest expense and one-third of rental expense, considered representative of that portion of rental expense estimated to be attributable to interest.

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| | NINE MONTHS ENDED MAY 31, | | YEARS ENDED AUGUST 31, | | THREE MONTHS ENDED AUGUST 31, | YEARS ENDED MAY 31, | | |
|--|------------------------------|--------------|---|--------------|--|------------------------|--------------|--------------|
| | 2001 | 2000 | 2000 | 1999 | 1998 (1) | 1998 | 1997 | 1996 |
| | (UNAUDITED) | (UNAUDITED) | (DOLLARS IN THOUSANDS, EXCEPT FOR RATIOS) | | | | | |
| Income Statement Data: | | | | | | | | |
| Revenues: | | | | | | | | |
| Net sales | \$ 5,903,801 | \$ 6,227,645 | \$ 8,435,805 | \$ 6,328,618 | \$ 1,518,253 | \$ 8,345,175 | \$ 9,658,052 | \$10,361,315 |
| Patronage dividends | 5,621 | 5,019 | 5,494 | 5,876 | 5,111 | 70,387 | 71,070 | 47,170 |
| Other revenues | 94,519 | 83,360 | 103,199 | 85,128 | 18,290 | 89,785 | 77,440 | 73,361 |
| | 6,003,941 | 6,316,024 | 8,544,498 | 6,419,622 | 1,541,654 | 8,505,347 | 9,806,562 | 10,481,846 |
| Costs and expenses: | | | | | | | | |
| Cost of goods sold | 5,688,252 | 6,112,181 | 8,240,415 | 6,144,519 | 1,463,120 | 8,149,251 | 9,475,367 | 10,183,141 |
| Marketing, general and administrative | 135,199 | 118,857 | 159,028 | 152,031 | 34,998 | 126,061 | 126,297 | 130,274 |
| Interest | 49,283 | 43,008 | 57,566 | 42,438 | 12,311 | 34,620 | 33,368 | 46,450 |
| Equity (income) loss from investments | (13,519) | (21,238) | (28,325) | (22,363) | 9,142 | (8,381) | (7,635) | (6,216) |
| Minority interests | 25,517 | 4,487 | 24,546 | 10,017 | 3,252 | 6,880 | 7,984 | (147) |
| | 5,884,732 | 6,257,295 | 8,453,230 | 6,326,642 | 1,522,823 | 8,308,431 | 9,635,381 | 10,353,502 |
| Income before income taxes and cumulative effect of accounting change | 119,209 | 58,729 | 91,268 | 92,980 | 18,831 | 196,916 | 171,181 | 128,344 |
| Income taxes | (34,338) | 2,576 | 3,880 | 6,980 | 2,895 | 19,615 | 19,280 | 13,139 |
| Net income before cumulative effect of accounting change | 153,547 | 56,153 | 87,388 | 86,000 | 15,936 | 177,301 | 151,901 | 115,205 |
| Cumulative effect of accounting change, net of income tax benefit | (3,263) | | | | | | | |
| Net income | \$ 150,284 | \$ 56,153 | \$ 87,388 | \$ 86,000 | \$ 15,936 | \$ 177,301 | \$ 151,901 | \$ 115,205 |
| Balance Sheet Data (at end of period): | | | | | | | | |
| Working capital | \$ 306,572 | \$ 213,317 | \$ 214,223 | \$ 219,045 | \$ 284,452 | \$ 235,721 | \$ 219,395 | \$ 220,581 |
| Net property, plant and equipment | 1,028,481 | 1,025,730 | 1,034,768 | 968,333 | 915,770 | 868,073 | 798,757 | 713,643 |
| Total assets | 3,028,236 | 3,367,586 | 3,172,680 | 2,787,664 | 2,469,103 | 2,436,515 | 2,422,564 | 2,484,006 |
| Long-term debt, including current maturities | 572,058 | 510,961 | 510,500 | 482,666 | 456,840 | 378,408 | 335,737 | 315,985 |
| Total equities | 1,262,743 | 1,148,770 | 1,164,426 | 1,117,636 | 1,065,877 | 1,029,973 | 944,798 | 849,702 |
| Ratio of earnings to fixed charges and preferred dividends (2) | 3.5x | 2.1x | 2.7x | 2.6x | 3.0x | 5.3x | 4.7x | 3.0x |

(1) Reflects the Company's change in fiscal year end from May 31 to August 31.

(2) For purposes of computing the ratio of earnings to fixed charges and preferred dividends, earnings consist of earnings before income taxes and cumulative effect of accounting change on consolidated operations, distributed income from equity investees and fixed charges. Fixed charges consist of interest expense and one-third of rental expense, considered representative of that portion of rental expense estimated to be attributable to interest.

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| (DOLLARS IN THOUSANDS) | FOR THE YEAR | FOR THE YEAR | FOR THE | FOR THE YEAR |
|---------------------------------------|--------------|--------------|--------------|--------------|
| | ENDED | ENDED | THREE MONTHS | ENDED |
| | AUGUST 31, | AUGUST 31, | AUGUST 31, | MAY 31, |
| | 2000 | 1999 | 1998 | 1998 |
| Revenues: | | | | |
| Net sales | \$ 8,435,805 | \$ 6,328,618 | \$ 1,518,253 | \$ 8,345,175 |
| Patronage dividends | 5,494 | 5,876 | 5,111 | 70,387 |
| Other revenues | 103,199 | 85,128 | 18,290 | 89,785 |
| | 8,544,498 | 6,419,622 | 1,541,654 | 8,505,347 |
| Costs and expenses: | | | | |
| Cost of goods sold | 8,240,415 | 6,144,519 | 1,463,120 | 8,149,251 |
| Marketing, general and administrative | 159,028 | 152,031 | 34,998 | 126,061 |
| Interest | 57,566 | 42,438 | 12,311 | 34,620 |
| Equity (income) loss from investments | (28,325) | (22,363) | 9,142 | (8,381) |
| Minority interests | 24,546 | 10,017 | 3,252 | 6,880 |
| | 8,453,230 | 6,326,642 | 1,522,823 | 8,308,431 |
| Income before income taxes | 91,268 | 92,980 | 18,831 | 196,916 |
| Income taxes | 3,880 | 6,980 | 2,895 | 19,615 |
| Net income | \$ 87,388 | \$ 86,000 | \$ 15,936 | \$ 177,301 |
| Distribution of net income: | | | | |
| Patronage refunds | \$ 87,400 | \$ 57,500 | \$ 32,650 | \$ 144,578 |
| Nonpatronage refunds | | | | 8,609 |
| Deferred patronage | (24,900) | 21,773 | (24,134) | (2,482) |
| Unallocated capital reserve | 24,888 | 6,727 | 7,420 | 26,596 |
| Net income | \$ 87,388 | \$ 86,000 | \$ 15,936 | \$ 177,301 |

The accompanying notes are an integral part of the consolidated financial statements.

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| (DOLLARS IN THOUSANDS) | CAPITAL EQUITY CERTIFICATES | NONPATRONAGE EQUITY CERTIFICATES | COMMON STOCK | PREFERRED STOCK | WHEAT MILLING EPUS | OILSEED PROCESSING & REFINING EPUS | PATRONAGE REFUNDS |
|--|-----------------------------------|--|-----------------|--------------------|--------------------------|---|----------------------|
| Balances, June 1, 1997 | \$ 267,384 | \$ 15,144 | \$ 20 | \$ 469,201 | \$ 9,574 | \$ 4,296 | \$ 83,420 |
| Patronage determination | | | | | | | 36,061 |
| Patronage distribution | 31,258 | 6,863 | | 52,831 | | | (119,481) |
| Equity retirement determination | | | | 27,453 | | | |
| Equities retired | (9,542) | (520) | | (27,362) | | | |
| Equities issued | 10,561 | | | | | | |
| Other, net | 128 | (178) | | (3,451) | (96) | (96) | |
| Comprehensive income: | | | | | | | |
| Net income | | 8,609 | | | | | 144,578 |
| Other comprehensive loss | | | | | | | |
| Total comprehensive income | | | | | | | |
| Cash patronage and equity retirement provisions | (13,329) | | | (31,273) | | | (44,340) |
| Balances, May 31, 1998 | 286,460 | 29,918 | 20 | 487,399 | 9,478 | 4,200 | 100,238 |
| Results of operations of CENEX, Inc. for the eight months ended May 31, 1998 | (21) | (36) | | 52,639 | | | (23,310) |
| Exchange of equities to effect pooling | 540,058 | | (20) | (540,038) | | | |
| Included with May 31, 1998 equity retirements payable | 4,429 | | | | | | |
| Equities retired | (4,429) | (13) | | | | | |
| Equities issued | 911 | | | | | | |
| Other, net | | (64) | | | (6) | (6) | |
| Comprehensive income: | | | | | | | |

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| | | | | | | | |
|---|------------|-----------|-------|-------|----------|----------|-----------|
| Net income | | | | | | | 32,650 |
| Other comprehensive loss | | | | | | | |
| Total comprehensive income | | | | | | | |
| Cash patronage and equity retirement provisions | 1,832 | | | | | | (9,800) |
| Balances, August 31, 1998 | 829,240 | 29,805 | -- | -- | 9,472 | 4,194 | 99,778 |
| Patronage and equity retirement determination | 19,412 | | | | | | 44,150 |
| Patronage distribution | 99,052 | (612) | | | | | (143,928) |
| Equities retired | (23,700) | (97) | | | | | |
| Equities issued | 14,714 | | | | | | |
| Other, net | (674) | (311) | | | (214) | (6) | |
| Comprehensive income: | | | | | | | |
| Net income | | | | | | | 57,500 |
| Other comprehensive loss | | | | | | | |
| Total comprehensive income | | | | | | | |
| Cash patronage and equity retirement provisions | (25,750) | | | | | | (17,250) |
| Balances, August 31, 1999 | 912,294 | 28,785 | -- | -- | 9,258 | 4,188 | 40,250 |
| Patronage and equity retirement determination | 25,750 | | | | | | 17,250 |
| Patronage distribution | 41,182 | | | | | | (57,500) |
| Equities retired | (28,615) | (82) | | | | | |
| Equities issued | 7,921 | | | | | | |
| Other, net | (178) | (194) | | | (12) | (6) | |
| Comprehensive income: | | | | | | | |
| Net income | | | | | | | 87,400 |
| Other comprehensive loss | | | | | | | |
| Total comprehensive income | | | | | | | |
| Cash patronage and equity retirement provisions | (17,474) | | | | | | (26,220) |
| Balances, August 31, 2000 | \$ 940,880 | \$ 28,509 | \$ -- | \$ -- | \$ 9,246 | \$ 4,182 | \$ 61,180 |

The accompanying notes are an integral part of the consolidated financial statements.

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| DEFERRED PATRONAGE | UNALLOCATED CAPITAL RESERVE | ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) | ALLOCATED CAPITAL RESERVE | TOTAL EQUITIES |
|--------------------|-----------------------------|---|---------------------------|----------------|
| \$ (71,725) | \$ 158,003 | \$ 1,281 | \$ 8,200 | \$ 944,798 |
| | (309) | | | 35,752 |
| | (7,511) | | | (36,040) |
| | | | | 27,453 |
| | | | | (37,424) |
| | | | | 10,561 |
| | 299 | | (6) | (3,400) |
| (2,482) | 26,596 | | | 177,301 |
| | | (86) | | (86) |
| | | | | 177,215 |
| | | | | (88,942) |
| (74,207) | 177,078 | 1,195 | 8,194 | 1,029,973 |
| (13,086) | 13,401 | | | 29,587 |
| | | | | -- |
| | | | | 4,429 |
| | | | | (4,442) |
| | | | | 911 |
| | (1,177) | | (2) | (1,255) |

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| | | | | |
|--------------|------------|------------|----------|--------------------------------|
| (24,134) | 7,420 | (1,294) | | 15,936 (1,294) |
| | | | | ----- 14,642 ----- |
| | | | | (7,968) |
| ----- | ----- | ----- | ----- | ----- |
| (111,427) | 196,722 | (99) | 8,192 | 1,065,877 |
| | 1,738 | | | 63,562 (43,750) (23,797) |
| | 350 | | (44) | 14,714 (899) |
| 21,773 | 6,727 | (1,071) | | 86,000 (1,071) |
| | | | | ----- 84,929 ----- |
| | | | | (43,000) |
| ----- | ----- | ----- | ----- | ----- |
| (89,654) | 205,537 | (1,170) | 8,148 | 1,117,636 |
| | (1,588) | | | 43,000 (17,906) (28,697) |
| | 453 | | (28) | 7,921 35 |
| (24,900) | 24,888 | (1,257) | | 87,388 (1,257) |
| | | | | ----- 86,131 ----- |
| | | | | (43,694) |
| ----- | ----- | ----- | ----- | ----- |
| \$ (114,554) | \$ 229,290 | \$ (2,427) | \$ 8,120 | \$ 1,164,426 |
| ===== | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of the consolidated financial statements.

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| (DOLLARS IN THOUSANDS) | For the year ended August 31, 2000 | For the year ended August 31, 1999 | For the three months ended August 31, 1998 | For the year ended May 31, 1998 |
|---|---|---|---|--|
| Cash flows from operating activities: | | | | |
| Net income | \$ 87,388 | \$ 86,000 | \$ 15,936 | \$ 177,301 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 92,699 | 81,246 | 20,570 | 69,877 |
| Noncash net (income) loss from joint ventures | (28,325) | (22,363) | 9,142 | (8,381) |
| Minority interests | 24,546 | 10,017 | 3,252 | 6,880 |
| Adjustment of inventories to market value | | (35,346) | 12,108 | 10,153 |
| Noncash portion of patronage dividends received | (6,825) | (4,847) | (9,305) | (61,732) |
| Loss (gain) on sale of property, plant and equipment | 1,167 | (1,706) | (458) | (7,487) |
| Other, net | (3,130) | 196 | | (978) |
| Changes in operating assets and liabilities: | | | | |
| Receivables | (229,067) | (133,641) | 92,897 | 63,221 |
| Inventories | 1,717 | (34,623) | 31,178 | 25,753 |
| Other current assets and other assets | (7,508) | (29,483) | (3,441) | 2,929 |
| Customer credit balances | (8,191) | 3,646 | (1,552) | 10,594 |
| Customer advance payments | 4,180 | (20,266) | 39,533 | (45,531) |
| Accounts payable and accrued expenses | 202,980 | 66,968 | (89,932) | (18,215) |
| Other liabilities | (3,244) | 12,383 | 3,968 | 5,196 |
| Net cash provided by (used in) operating activities | 128,387 | (21,819) | 123,896 | 229,580 |
| Cash flows from investing activities: | | | | |

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| | | | | |
|---|-----------|-----------|------------|-----------|
| Acquisition of property, plant and equipment | (153,796) | (124,471) | (41,152) | (145,231) |
| Proceeds from disposition of property, plant and equipment | 7,655 | 6,785 | 824 | 21,877 |
| Investments | (35,297) | (63,324) | (37) | (3,125) |
| Equity investments redeemed | 41,250 | 8,829 | 360 | 12,686 |
| Investments redeemed | 2,638 | 2,412 | 31 | 17,247 |
| Changes in notes receivable | 600 | 334 | 792 | (5,036) |
| Acquisitions of intangibles | (26,513) | | | |
| Distribution to minority owners | (21,089) | (2,255) | (2,809) | (1,892) |
| Other investing activities, net | (339) | 926 | (1,671) | (3,330) |
| Net cash used in investing activities | (184,891) | (170,764) | (43,662) | (106,804) |
| Cash flows from financing activities: | | | | |
| Changes in notes payable | 20,940 | 196,511 | (53,025) | (88,901) |
| Long-term debt borrowings | 49,914 | 40,000 | 359,078 | 83,916 |
| Principal payments on long-term debt | (22,502) | (14,585) | (317,228) | (42,171) |
| Changes in checks and drafts outstanding | 35,481 | (6,137) | (28,141) | (7,548) |
| Retirements of equity | (28,697) | (23,797) | (4,442) | (36,880) |
| Cash patronage dividends paid | (17,906) | (43,750) | | (35,898) |
| Net cash provided by (used in) financing activities | 37,230 | 148,242 | (43,758) | (127,482) |
| Net cash flows of CENEX, Inc. from October 1, 1997 through May 31, 1998 | | | 14,734 | |
| Net (decrease) increase in cash and cash equivalents | (19,274) | (44,341) | 51,210 | (4,706) |
| Cash and cash equivalents at beginning of period | 75,667 | 120,008 | 68,798 | 73,504 |
| Cash and cash equivalents at end of period | \$ 56,393 | \$ 75,667 | \$ 120,008 | \$ 68,798 |

The accompanying notes are an integral part of the consolidated financial statements.

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| | August 31, 2000 | August 31, 1999 | August 31, 1998 |
|---------------------------------------|--------------------|--------------------|--------------------|
| (DOLLARS IN THOUSANDS) | | | |
| Trade | \$ 834,349 | \$ 595,403 | \$ 474,454 |
| Other | 23,643 | 34,493 | 20,377 |
| | 857,992 | 629,896 | 494,831 |
| Less allowances for doubtful accounts | 23,249 | 23,255 | 23,315 |
| | \$ 834,743 | \$ 606,641 | \$ 471,516 |

All export sales are denominated in U.S. dollars. Export sales for the years ended August 31, 2000 and 1999, for the three months ended August 31, 1998 and for the year ended May 31, 1998 are as follows:

| | For the year ended August 31, 2000 | For the year ended August 31, 1999 | For the three months ended August 31, 1998 | For the year ended May 31, 1998 |
|-----------------------|--|--|--|---------------------------------------|
| (DOLLARS IN MILLIONS) | | | | |
| Africa | \$ 191 | \$ 158 | \$ 94 | \$ 280 |
| Asia | 552 | 310 | 149 | 1,217 |
| Europe | 304 | 358 | 79 | 404 |
| North America | 324 | 198 | 104 | 331 |
| South America | 119 | 122 | 10 | 268 |
| | \$ 1,490 | \$ 1,146 | \$ 436 | \$ 2,500 |

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3. INVENTORIES:

Inventories as of August 31, 2000, 1999 and 1998 are as follows:

| (DOLLARS IN THOUSANDS) | August 31, 2000 | August 31, 1999 | August 31, 1998 |
|-----------------------------|-----------------|-----------------|-----------------|
| Energy | \$ 286,276 | \$ 209,661 | \$ 170,544 |
| Grain and oilseed | 215,570 | 202,166 | 153,384 |
| Agronomy | | 69,050 | 67,760 |
| Processed grain and oilseed | 32,993 | 14,342 | 37,464 |
| Feed and farm supplies | 63,909 | 50,908 | 47,842 |
| Other | 3,637 | 3,576 | 2,740 |
| | \$ 602,385 | \$ 549,703 | \$ 479,734 |

As of August 31, 2000, the Company valued approximately 40% of inventories, primarily related to energy, using the lower of cost, determined on the LIFO method, or market (29% and 22% as of August 31, 1999 and 1998, respectively). As of August 31, 2000, 1999 and 1998, reserves amounting to no dollars, \$20.4 million and \$61.7 million, respectively, have been established to reduce energy inventories to estimated market value. If the FIFO method of accounting for inventories had been used, inventories would have been higher than the reported amount by \$86.3 million and \$5.3 million at August 31, 2000 and August 31, 1999, respectively. In fiscal 2000, the liquidation of certain LIFO layers decreased cost of goods sold by \$4.3 million. The inventories in these LIFO layers were acquired in prior years at lower costs.

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| (DOLLARS IN THOUSANDS) | August 31, 2000 | August 31, 1999 | August 31, 1998 |
|---|--------------------|--------------------|--------------------|
| Cooperatives: | | | |
| CF Industries, Inc. | \$152,996 | \$152,996 | \$152,996 |
| National Bank for Cooperatives (CoBank) | 32,817 | 33,942 | 37,630 |
| Ag Processing, Inc. | 23,036 | 23,252 | 19,438 |
| Land O'Lakes, Inc. | 21,967 | 19,256 | 15,489 |
| Joint Ventures: | | | |
| Ventura Foods, LLC | 87,315 | 55,562 | 41,666 |
| Cenex/Land O' Lakes Agronomy Company | | 36,933 | 34,068 |
| Agro Distribution, LLC | | 45,741 | |
| United Country Brands, LLC | 70,099 | | |
| Tacoma Export Marketing Company | 9,378 | 8,821 | 6,849 |
| Other | 53,603 | 51,393 | 39,198 |
| | \$451,211 | \$427,896 | \$347,334 |

In March 2000, the Company purchased an additional 10% interest in Ventura Foods, LLC, its consumer products and packaging joint venture for approximately \$25.6 million. The Company now has a 50% interest in this joint venture.

The following provides summarized financial information for Ventura Foods, LLC as of and for the periods indicated below.

| (DOLLARS IN THOUSANDS) | August 31, 2000 | August 31, 1999 | August 31, 1998 |
|------------------------|--------------------|--------------------|--------------------|
| Current assets | \$133,112 | \$141,763 | \$125,898 |
| Non-current assets | 222,334 | 220,037 | 176,573 |
| Current liabilities | 107,570 | 149,238 | 150,167 |

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| | | | |
|-------------------------|---------|--------|--------|
| Non-current liabilities | 117,822 | 97,232 | 73,689 |
|-------------------------|---------|--------|--------|

| (DOLLARS IN THOUSANDS) | For the 12 months ended August 31, 2000 | For the 12 months ended August 31, 1999 | For the three months ended August 31, 1998 | For the 12 months ended May 31, 1998 |
|------------------------|---|---|--|--|
| Net sales | \$873,922 | \$881,016 | \$208,242 | \$780,501 |
| Gross profit | 143,394 | 107,326 | 17,830 | 83,019 |
| Net income | 55,115 | 30,475 | 2,245 | 17,797 |

Effective January 1, 2000, Cenex Harvest States, Farmland and Land O'Lakes created Agriliance, a distributor of crop nutrients, crop protections products and other agronomy inputs and services. At formation, Agriliance managed the agronomy marketing operations of Cenex Harvest States, Farmland and Land O'Lakes, with the Company exchanging the right to use its agronomy operations for 26.455% of the results of the jointly managed operations.

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| (DOLLARS IN THOUSANDS) | Estimated useful life in years | August 31, 2000 | August 31, 1999 | August 31, 1998 |
|---|--------------------------------------|--------------------|--------------------|--------------------|
| Energy refineries | 3-40 | \$ 682,823 | \$ 660,424 | \$ 633,149 |
| Distribution and general | 3-40 | 323,361 | 298,931 | 283,773 |
| Grain terminals and country elevators | 3-50 | 304,451 | 272,311 | 243,005 |
| Energy pipelines and terminals | 3-40 | 241,687 | 220,367 | 211,781 |
| Grain processing plants | 3-40 | 230,756 | 208,210 | 164,026 |
| Feed plants | 3-40 | 26,630 | 27,216 | 27,081 |
| Construction in progress | | 79,163 | 64,508 | 77,548 |
| | | 1,888,871 | 1,751,967 | 1,640,363 |
| Less accumulated depreciation and amortization | | 854,103 | 783,634 | 724,593 |
| | | \$1,034,768 | \$ 968,333 | \$ 915,770 |

6. OTHER ASSETS:

Other assets as of August 31, 2000, 1999 and 1998 are as follows:

| (DOLLARS IN THOUSANDS) | August 31, 2000 | August 31, 1999 | August 31, 1998 |
|---|--------------------|--------------------|--------------------|
| Intangible assets, less accumulated amortization of \$16,753, \$15,348, and \$20,886, respectively | \$ 44,904 | \$ 21,539 | \$22,888 |
| Prepaid pension cost and other benefit plan assets | 92,767 | 78,668 | 52,825 |
| Notes receivable | 5,201 | 4,547 | 6,172 |
| Other assets | 12,531 | 15,256 | 15,149 |
| | \$155,403 | \$120,010 | \$97,034 |

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| (DOLLARS IN THOUSANDS) | Interest rates at August 31, 2000 | August 31, 2000 | August 31, 1999 | August 31, 1998 |
|--|--------------------------------------|-----------------|-----------------|-----------------|
| Notes payable (a) (f) | 7.00% to 8.42% | \$217,926 | \$196,986 | \$ 475 |
| Long-term debt: | | | | |
| Revolving term loans from cooperative banks, payable in installments through 2009, when the balance is due (b) (c) (f) | 6.48% to 14.32% | \$259,657 | \$227,211 | \$192,005 |
| Private placement, payable in equal installments beginning in 2008 through 2013 (d) (f) | 6.81% | 225,000 | 225,000 | 225,000 |
| Industrial Revenue Bonds, Payable in installments through 2010 (e) | 5.23% to 9.26% | 18,535 | 27,045 | 36,155 |
| Other notes and contracts | 4.00% to 12.00% | 7,308 | 3,410 | 3,680 |
| Total long-term debt | | 510,500 | 482,666 | 456,840 |
| Less current portion | | 30,173 | 21,562 | 13,855 |
| Long-term portion | | \$480,327 | \$461,104 | \$442,985 |

- (a) The Company finances its working capital needs through short-term lines of credit with a syndication of banks. In June 1998, the Company established a 364-day credit facility of \$400.0 million, and in May 2000, the Company renewed and expanded this credit facility to \$500.0 million, all of which is committed, and of which \$185.7 million was outstanding on August 31, 2000. In addition to this short-term line of credit, the Company has a 364-day credit facility dedicated to NCRA with a syndication of banks in the amount of \$50.0 million, all of which is committed, with \$31.0 million outstanding on August 31, 2000. Other miscellaneous notes payable totaled \$1.2 million at August 31, 2000.
- (b) In June 1998, the Company established a \$200.0 million five-year revolving credit facility with a syndication of banks. On August 31, 2000, the Company had an outstanding balance of \$45.0 million.
- (c) In June 1998, the Company repaid certain of its existing debt and established a new long-term credit agreement under which the term loan balance outstanding as of May 31, 1998 was repaid and partially refinanced through the new agreement. This long-term agreement committed \$200.0 million of long-term borrowing capacity to the Company through May 31, 1999, of which \$164.0 million was drawn before the expiration date of that commitment. On August 31, 2000, \$157.4 million was outstanding. NCRA term loans are collateralized by NCRA's investment in CoBank.
- (d) In June 1998, as a part of the refinancing program for the merged operations, the Company entered into a private placement with several insurance companies for long-term debt in the amount of \$225.0 million.
- (e) Industrial Revenue Bonds are collateralized by property, plant and equipment, primarily energy refinery equipment, with a cost of approximately \$155.7 million, \$155.9 million and \$156.1 million, less accumulated depreciation of approximately \$103.6 million, \$97.5 million and \$91.3 million as of August 31, 2000, 1999 and 1998, respectively.

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| (DOLLARS IN THOUSANDS) | For the year ended August 31, 2000 | For the year ended August 31, 1999 | For the three months ended August 31, 1998 | For the year ended May 31, 1998 |
|------------------------|--|--|--|---------------------------------------|
| | | | | |

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| | | | | |
|---|---------|---------|----------|----------|
| Current | \$4,347 | \$5,783 | \$ 5,189 | \$17,886 |
| Deferred | (467) | 1,197 | (2,294) | 1,729 |
| <hr style="border-top: 1px dashed black;"/> | | | | |
| Income taxes | \$3,880 | \$6,980 | \$ 2,895 | \$19,615 |
| <hr style="border-top: 3px double black;"/> | | | | |

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and liabilities as of August 31, 2000, 1999 and 1998 are as follows:

| (DOLLARS IN THOUSANDS) | August 31, 2000 | August 31, 1999 | August 31, 1998 |
|--|-----------------|-----------------|-----------------|
| Deferred tax assets: | | | |
| Accrued expenses and valuation reserves | \$10,970 | \$10,741 | \$10,017 |
| Postretirement health care and pension liabilities | 3,282 | 3,665 | 3,137 |
| Alternative minimum tax credit and patronage loss carryforward | 4,842 | 883 | 920 |
| Other | 5,718 | 5,880 | 6,340 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total deferred tax assets | 24,812 | 21,169 | 20,414 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Deferred tax liabilities: | | | |
| Property, plant and equipment | 3,345 | 3,185 | 3,169 |
| Equity method investments | 11,405 | 8,513 | 6,279 |
| Other | 3,289 | 3,165 | 3,505 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Total deferred tax liabilities | 18,039 | 14,863 | 12,953 |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Net deferred tax assets | \$ 6,773 | \$ 6,306 | \$ 7,461 |
| <hr style="border-top: 3px double black;"/> | | | |

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| | For the year ended August 31, 2000 | For the year ended August 31, 1999 | For the three months ended August 31, 1998 | For the year ended May 31, 1998 |
|---|------------------------------------|------------------------------------|--|---------------------------------|
| Statutory federal income tax rate | 35.0% | 35.0% | 35.0% | 35.0% |
| State and local income taxes, net of federal income tax benefit | 3.9 | 3.9 | 4.1 | 4.2 |
| Patronage earnings | (37.3) | (24.1) | (67.4) | (29.1) |
| Tax effect of changes in deferred patronage | 4.4 | (6.8) | 51.3 | 0.5 |
| Rate changes on deferred tax assets and liabilities | (2.5) | 0.5 | (11.2) | |
| Other | 0.8 | (1.0) | 3.6 | (0.6) |
| <hr style="border-top: 1px dashed black;"/> | | | | |
| Effective tax rate | 4.3% | 7.5% | 15.4% | 10.0% |
| <hr style="border-top: 3px double black;"/> | | | | |

The principal differences between financial statement income and taxable income for the years ended August 31, 2000 and 1999, for the three months ended August 31, 1998 and for the year ended May 31, 1998 are as follows:

| (DOLLARS IN THOUSANDS) | For the year ended August 31, 2000 | For the year ended August 31, 1999 | For the three months ended August 31, 1998 | For the year ended May 31, 1998 |
|---|------------------------------------|------------------------------------|--|---------------------------------|
| Income before income taxes | \$ 91,268 | \$ 92,980 | \$ 18,831 | \$ 196,916 |
| Financial reporting/tax differences: | | | | |
| Environmental reserves | (728) | 1,343 | (563) | 1,916 |
| Oil and gas activities, net | 2,600 | 18,005 | 8,448 | (405) |
| Energy inventory market reserves | (19) | (48,445) | 7,150 | (9,279) |
| Other, net | 3,255 | 9,258 | 12,310 | 2,488 |
| Patronage refund provisions | (87,400) | (57,500) | (32,650) | (144,578) |
| <hr style="border-top: 1px dashed black;"/> | | | | |

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Taxable income \$ 8,976 \$ 15,641 \$ 13,526 \$ 47,058

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| (DOLLARS IN THOUSANDS) | Pension Benefits | | | Other Benefits | | |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| | August 31, 2000 | August 31, 1999 | August 31, 1998 | August 31, 2000 | August 31, 1999 | August 31, 1998 |
| Change in benefit obligation: | | | | | | |
| Benefit obligation at beginning of period | \$ 266,651 | \$ 265,045 | \$ 245,444 | \$ 28,543 | \$ 23,474 | \$ 22,210 |
| Service cost | 8,777 | 8,733 | 5,212 | 657 | 1,421 | 387 |
| Interest cost | 18,058 | 17,817 | 11,771 | 1,470 | 1,769 | 956 |
| Plan participants' contributions | | | | | | 131 |
| Plan amendments | 251 | 10,673 | 772 | (7,679) | (630) | |
| Actuarial (gain) loss | (13,616) | (8,322) | 6,021 | 226 | 3,993 | 517 |
| Assumption change | | (6,103) | 5,348 | | (146) | 326 |
| Settlements | | 275 | 674 | | | |
| Benefits paid | (22,062) | (21,467) | (10,197) | (1,778) | (1,338) | (1,053) |
| Benefit obligation at end of period | \$ 258,059 | \$ 266,651 | \$ 265,045 | \$ 21,439 | \$ 28,543 | \$ 23,474 |
| Change in plan assets: | | | | | | |
| Fair value of plan assets at beginning of period | \$ 259,360 | \$ 241,949 | \$ 252,659 | | | |
| Actual return (loss) on plan assets | 22,240 | 35,622 | (6,263) | | | |
| Company contributions | 7,358 | 3,256 | 5,750 | \$ 1,778 | \$ 1,338 | \$ 922 |
| Other | | | | | | 131 |
| Benefits paid | (22,062) | (21,467) | (10,197) | (1,778) | (1,338) | (1,053) |
| Fair value of plan assets at end of period | \$ 266,896 | \$ 259,360 | \$ 241,949 | \$ -- | \$ -- | \$ -- |
| Funded status: | | | | | | |
| Employer contributions after measurement date | 4,586 | 5,331 | | 2,618 | 200 | 97 |
| Unrecognized actuarial loss (gain) | 11,976 | 27,869 | 59,511 | (9,046) | (2,341) | (6,372) |
| Unrecognized transition (asset) obligation | (1,570) | (2,690) | (3,938) | 12,069 | 13,004 | 13,941 |
| Unrecognized prior service cost | 10,821 | 10,386 | 524 | (660) | (592) | 3 |
| Prepaid (accrued) benefit cost | \$ 34,650 | \$ 33,605 | \$ 33,001 | \$ (16,458) | \$ (18,272) | \$ (15,805) |
| Amounts recognized on balance sheets consist of: | | | | | | |
| Prepaid benefit cost | \$ 43,516 | \$ 42,099 | \$ 41,554 | | | |
| Accrued benefit liability | (12,253) | (13,158) | (9,396) | \$ (16,458) | \$ (18,272) | \$ (15,805) |
| Intangible asset | 2,148 | 3,272 | 350 | | | |
| Accumulated other comprehensive loss | 1,239 | 1,392 | 493 | | | |
| Net amounts recognized | \$ 34,650 | \$ 33,605 | \$ 33,001 | \$ (16,458) | \$ (18,272) | \$ (15,805) |

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| | Pension Benefits | | | | Other Benefits | | | |
|--|--|--|---|---|--|--|---|---|
| | For the year ended August 31, 2000 | For the year ended August 31, 1999 | For the three months ended August 31, 1998 | For the year ended May 31, 1998 | For the year ended August 31, 2000 | For the year ended August 31, 1999 | For the three months ended August 31, 1998 | For the year ended May 31, 1998 |
| (DOLLARS IN THOUSANDS) | | | | | | | | |
| Components of net periodic benefit cost: | | | | | | | | |
| Service cost | \$ 8,777 | \$ 8,733 | \$ 5,212 | \$ 7,046 | \$ 657 | \$ 1,421 | \$ 387 | \$ 727 |
| Interest cost | 18,058 | 17,817 | 11,771 | 16,275 | 1,470 | 1,769 | 956 | 1,525 |
| Expected return on assets | (20,485) | (26,552) | (14,809) | (18,199) | | | | |
| Prior service cost amortization | 1,182 | 812 | 214 | 189 | (77) | (38) | (1) | 1 |
| Actuarial (gain) loss amortization | (530) | 8,145 | 671 | 1,307 | (604) | (82) | (268) | (354) |
| Transition amount amortization | (1,120) | (1,248) | (1,143) | (2,506) | 936 | 936 | 503 | 937 |
| Special termination benefits | | | 674 | | | | | |
| Other | | 275 | | | | | | |
| Net periodic benefit cost | \$ 5,882 | \$ 7,982 | \$ 2,590 | \$ 4,112 | \$ 2,382 | \$ 4,006 | \$ 1,577 | \$ 2,836 |
| Weighted-average assumptions: | | | | | | | | |
| Discount rate | 7.50% | 7.30% | 6.83% | 7.25% | 7.50% | 7.30% | 6.85% | 7.42% |
| Expected return on plan assets | 9.00% | 8.50% | 8.63% | 8.40% | N/A | N/A | N/A | N/A |
| Rate of compensation increase | 5.00% | 5.00% | 5.02% | 5.08% | 5.00% | 5.00% | 4.90% | 5.13% |

The aggregate projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows as of August 31, 2000, 1999 and 1998:

| | August 31, 2000 | August 31, 1999 | August 31, 1998 |
|--------------------------------|--------------------|--------------------|--------------------|
| (DOLLARS IN THOUSANDS) | | | |
| Projected benefit obligation | \$23,864 | \$25,264 | \$22,268 |
| Accumulated benefit obligation | 19,978 | 19,746 | 17,002 |
| Fair value of plan assets | 8,602 | 8,092 | 7,604 |

The Company provides defined life insurance and health care benefits for certain retired employees. The plan is contributory based on years of service and family status, with retiree contributions adjusted annually.

The Company has other contributory defined contribution plans covering substantially all employees. Total contributions by the Company to these plans were approximately \$4.6 million, \$4.5 million, \$1.1 million and \$4.2 million, for the years ended August 31, 2000 and 1999, for the three months ended August 31, 1998 and for the year ended May 31, 1998, respectively.

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| | 1% point increase | 1% point decrease |
|---|-------------------|-------------------|
| (DOLLARS IN THOUSANDS) | | |
| Effect on total of service and interest cost components | \$ 177 | \$ (150) |
| Effect on postretirement benefit obligation | 1,350 | (1,170) |

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| (DOLLARS IN THOUSANDS) | Agronomy | Energy | Grain Marketing | Country Operations | Processed Grains and Foods | Other | Reconciling Amounts | Total |
|---|------------|-------------|--------------------|-----------------------|----------------------------------|------------|------------------------|-------------|
| For the year ended August 31, 2000: | | | | | | | | |
| Net sales | \$ 808,659 | \$2,959,622 | \$3,428,020 | \$1,404,106 | \$ 553,580 | | \$ (718,182) | \$8,435,805 |
| Patronage dividends | 224 | 311 | 861 | 3,830 | 100 | \$ 168 | | 5,494 |
| Other revenues | 5,817 | 2,792 | 15,440 | 74,050 | (10) | 5,110 | | 103,199 |
| | 814,700 | 2,962,725 | 3,444,321 | 1,481,986 | 553,670 | 5,278 | (718,182) | 8,544,498 |
| Cost of goods sold | 764,744 | 2,862,715 | 3,414,076 | 1,404,062 | 513,000 | | (718,182) | 8,240,415 |
| Marketing, general and administrative | 20,832 | 43,332 | 19,956 | 45,478 | 25,224 | 4,206 | | 159,028 |
| Interest | (3,512) | 27,926 | 8,701 | 12,782 | 9,851 | 1,818 | | 57,566 |
| Equity loss (income) from investments | 4,336 | (856) | (6,452) | (1,007) | (24,367) | 21 | | (28,325) |
| Minority interests | | 24,443 | | 103 | | | | 24,546 |
| Income (loss) before income taxes | \$ 28,300 | \$ 5,165 | \$ 8,040 | \$ 20,568 | \$ 29,962 | \$ (767) | \$ -- | \$ 91,268 |
| Total identifiable assets at August 31, 2000 | | | | | | | | |
| | \$ 228,277 | \$1,379,019 | \$ 321,813 | \$ 660,358 | \$ 391,286 | \$ 191,927 | \$ -- | \$3,172,680 |
| For the year ended August 31, 1999: | | | | | | | | |
| Net sales | \$ 653,629 | \$1,381,282 | \$3,176,490 | \$1,266,129 | \$ 532,174 | | \$ (681,086) | \$6,328,618 |
| Patronage dividends | 184 | (1,236) | (393) | 7,146 | (492) | \$ 667 | | 5,876 |
| Other revenues | | 717 | 17,267 | 64,554 | 3 | 2,587 | | 85,128 |
| | 653,813 | 1,380,763 | 3,193,364 | 1,337,829 | 531,685 | 3,254 | (681,086) | 6,419,622 |
| Cost of goods sold | 621,165 | 1,264,995 | 3,159,295 | 1,271,254 | 508,896 | | (681,086) | 6,144,519 |
| Marketing, general and administrative | 16,605 | 51,057 | 22,419 | 41,307 | 17,852 | 2,791 | | 152,031 |
| Interest | 1,413 | 16,584 | 7,510 | 10,184 | 6,561 | 186 | | 42,438 |
| Equity loss (income) from investments | 1,386 | (4,741) | (5,145) | (1,250) | (12,193) | (420) | | (22,363) |
| Minority interests | | 9,889 | | 128 | | | | 10,017 |
| Income before income taxes | \$ 13,244 | \$ 42,979 | \$ 9,285 | \$ 16,206 | \$ 10,569 | \$ 697 | \$ -- | \$ 92,980 |
| Total identifiable assets at August 31, 1999 | | | | | | | | |
| | \$ 361,381 | \$1,112,127 | \$ 281,912 | \$ 568,833 | \$ 293,499 | \$ 169,912 | \$ -- | \$2,787,664 |

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| (DOLLARS IN THOUSANDS) | Agronomy | Energy | Grain Marketing | Country Operations | Processed Grains and Foods | Other | Reconciling Amounts | Total |
|---|------------|-------------|--------------------|-----------------------|----------------------------------|------------|------------------------|-------------|
| For the three months ended August 31, 1998: | | | | | | | | |
| Net sales | \$ 99,309 | \$ 357,123 | \$ 762,584 | \$ 281,741 | \$ 145,834 | | \$ (128,338) | \$1,518,253 |
| Patronage dividends | | 51 | 22 | 4,891 | | \$ 147 | | 5,111 |
| Other revenues | | 15 | 3,544 | 13,980 | 990 | (239) | | 18,290 |
| | 99,309 | 357,189 | 766,150 | 300,612 | 146,824 | (92) | (128,338) | 1,541,654 |
| Cost of goods sold | 84,331 | 320,145 | 759,370 | 288,705 | 138,907 | | (128,338) | 1,463,120 |
| Marketing, general and administrative | 3,813 | 12,340 | 5,327 | 8,886 | 3,937 | 695 | | 34,998 |
| Interest | 78 | 4,389 | 1,471 | 4,694 | 1,208 | 471 | | 12,311 |
| Equity loss (income) from investments | 10,124 | (11) | 299 | (299) | (898) | (73) | | 9,142 |
| Minority interests | | 3,260 | | (8) | | | | 3,252 |
| Income (loss) before income taxes | \$ 963 | \$ 17,066 | \$ (317) | \$ (1,366) | \$ 3,670 | \$ (1,185) | \$ -- | \$ 18,831 |
| Total identifiable assets at August 31, 1998 | | | | | | | | |
| | \$ 314,469 | \$ 943,004 | \$ 271,447 | \$ 454,551 | \$ 296,340 | \$ 189,292 | \$ -- | \$2,469,103 |
| For the year ended May 31, 1998: | | | | | | | | |
| Net sales | \$ 762,790 | \$1,930,609 | \$4,419,230 | \$1,337,460 | \$ 615,667 | | \$ (720,581) | \$8,345,175 |
| Patronage dividends | 57,552 | 1,276 | 631 | 10,806 | | \$ 122 | | 70,387 |
| Other revenues | | 521 | 20,599 | 61,232 | 3,163 | 4,270 | | 89,785 |
| | 820,342 | 1,932,406 | 4,440,460 | 1,409,498 | 618,830 | 4,392 | (720,581) | 8,505,347 |
| Cost of goods sold | 727,292 | 1,813,290 | 4,410,884 | 1,349,480 | 568,886 | | (720,581) | 8,149,251 |
| Marketing, general and administrative | 14,637 | 42,637 | 18,837 | 30,964 | 13,830 | 5,156 | | 126,061 |

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| | | | | | | | |
|---------------------------------------|------------|-----------|----------|-----------|-----------|------------|---------|
| Interest | 43 | 15,163 | 7,945 | 7,659 | 4,143 | (333) | 34,620 |
| Equity loss (income) from investments | 1,295 | (854) | (2,983) | (707) | (7,121) | 1,989 | (8,381) |
| Minority interests | | 6,749 | | 131 | | | 6,880 |
| Income (loss) before income taxes | \$ 77,075 | \$ 55,421 | \$ 5,777 | \$ 21,971 | \$ 39,092 | \$ (2,420) | \$ -- |
| | \$ 196,916 | | | | | | |

12. COMMITMENTS AND CONTINGENCIES:

ENVIRONMENTAL:

The Company is required to comply with various environmental laws and regulations incidental to its normal business operations. In order to meet its compliance requirements, the Company establishes reserves for the future costs of remediation of identified issues, which are included in cost of goods sold in the consolidated statements of operations. Additional costs for matters which may be identified in the future cannot be presently determined; while the resolution of any such matters may have an impact on the Company's consolidated financial results for a particular reporting period, management believes any such matters will not have a material adverse effect on the consolidated financial position of the Company.

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| (DOLLARS IN THOUSANDS) | Rail Cars | Vehicles | Equipment and other | Total |
|-------------------------------------|-----------|----------|---------------------|-----------|
| 2001 | \$14,248 | \$ 7,785 | \$11,954 | \$ 33,987 |
| 2002 | 10,968 | 5,589 | 11,400 | 27,957 |
| 2003 | 7,149 | 3,652 | 9,671 | 20,472 |
| 2004 | 3,353 | 2,450 | 8,154 | 13,957 |
| 2005 | 1,879 | 1,708 | 1,939 | 5,526 |
| Thereafter | 6,433 | 3,935 | 4,616 | 14,984 |
| Total minimum future lease payments | \$44,030 | \$25,119 | \$47,734 | \$116,883 |

13. SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION:

Additional information concerning supplemental disclosures of cash flow activities for the years ended August 31, 2000 and 1999, for the three months ended August 31, 1998 and for the year ended May 31, 1998 is as follows:

| (DOLLARS IN THOUSANDS) | For the year ended August 31, 2000 | For the year ended August 31, 1999 | For the three months ended August 31, 1998 | For the year ended May 31, 1998 |
|--|------------------------------------|------------------------------------|--|---------------------------------|
| Net cash paid during the period for: | | | | |
| Interest | \$ 57,062 | \$ 42,765 | \$ 10,851 | \$ 36,632 |
| Income taxes | 3,785 | 8,161 | 8,248 | 21,409 |
| Other significant noncash transactions: | | | | |
| Contribution of inventories from minority interest | 54,399 | | | |
| Capital equity certificates issued in exchange for elevator properties | 7,921 | 14,714 | 911 | 10,561 |

Summarized financial information of Cenex for the period October 1, 1997 through May 31, 1998 is as follows (dollars in thousands):

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| | |
|----------------------|--------------|
| Net sales | \$ 1,798,219 |
| Net income | 62,776 |
| Cash flow from: | |
| Operating activities | \$ 83,118 |
| Investing activities | (49,666) |
| Financing activities | (18,718) |
| | ----- |
| Net cash flow | \$ 14,734 |
| | ===== |

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ASSETS

| (dollars in thousands) | MAY 31, 2001 | AUGUST 31, 2000 | MAY 31, 2000 |
|-------------------------------|--------------|-----------------|--------------|
| | (Unaudited) | ----- | (Unaudited) |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 84,114 | \$ 56,393 | \$ 42,914 |
| Receivables | 684,086 | 834,743 | 963,705 |
| Inventories | 495,170 | 602,385 | 674,876 |
| Other current assets | 83,897 | 37,777 | 58,620 |
| | ----- | ----- | ----- |
| Total current assets | 1,347,267 | 1,531,298 | 1,740,115 |
| INVESTMENTS | 461,428 | 451,211 | 466,718 |
| PROPERTY, PLANT AND EQUIPMENT | 1,028,481 | 1,034,768 | 1,025,730 |
| OTHER ASSETS | 191,060 | 155,403 | 135,023 |
| | ----- | ----- | ----- |
| Total assets | \$ 3,028,236 | \$ 3,172,680 | \$ 3,367,586 |
| | ===== | ===== | ===== |

LIABILITIES AND EQUITIES

| | | | |
|--|--------------|--------------|--------------|
| CURRENT LIABILITIES | | | |
| Notes payable | \$ 255,019 | \$ 217,926 | \$ 343,037 |
| Current portion of long-term debt | 26,517 | 30,173 | 20,602 |
| Customer credit balances | 44,550 | 36,779 | 36,427 |
| Customer advance payments | 58,929 | 131,935 | 138,404 |
| Checks and drafts outstanding | 61,058 | 84,086 | 58,726 |
| Accounts payable | 401,854 | 624,772 | 758,682 |
| Accrued expenses | 133,238 | 147,710 | 141,092 |
| Patronage dividends and equity retirements payable | 59,530 | 43,694 | 29,828 |
| | ----- | ----- | ----- |
| Total current liabilities | 1,040,695 | 1,317,075 | 1,526,798 |
| LONG-TERM DEBT | 545,541 | 480,327 | 490,359 |
| OTHER LIABILITIES | 92,481 | 84,929 | 79,808 |
| MINORITY INTERESTS IN SUBSIDIARIES | 86,776 | 125,923 | 121,851 |
| COMMITMENTS AND CONTINGENCIES | | | |
| EQUITIES | 1,262,743 | 1,164,426 | 1,148,770 |
| | ----- | ----- | ----- |
| Total liabilities and equities | \$ 3,028,236 | \$ 3,172,680 | \$ 3,367,586 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

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| (dollars in thousands) | FOR THE NINE MONTHS ENDED MAY 31, | |
|----------------------------|--------------------------------------|--------------|
| | 2001 | 2000 |
| | ----- | ----- |
| REVENUES: | | |
| Net sales | \$ 5,903,801 | \$ 6,227,645 |
| Patronage dividends | 5,621 | 5,019 |
| Other revenues | 94,519 | 83,360 |
| | ----- | ----- |
| | 6,003,941 | 6,316,024 |
| | ----- | ----- |
| COSTS AND EXPENSES: | | |
| Cost of goods sold | 5,688,252 | 6,112,181 |

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| | | |
|---|------------|-----------|
| Marketing, general and administrative | 135,199 | 118,857 |
| Interest | 49,283 | 43,008 |
| Equity income from investments | (13,519) | (21,238) |
| Minority interests | 25,517 | 4,487 |
| | ----- | ----- |
| | 5,884,732 | 6,257,295 |
| | ----- | ----- |
| INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 119,209 | 58,729 |
| Income taxes | (34,338) | 2,576 |
| | ----- | ----- |
| NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 153,547 | 56,153 |
| Cumulative effect of accounting change, net of income tax benefit | (3,263) | |
| | ----- | ----- |
| NET INCOME | \$ 150,284 | \$ 56,153 |
| | ===== | ===== |

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

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| | FOR THE NINE MONTHS ENDED MAY 31, | |
|--|--------------------------------------|-----------|
| (dollars in thousands) | 2001 | 2000 |
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 150,284 | \$ 56,153 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Cumulative effect of accounting change, net of income tax benefit | 3,263 | |
| Depreciation and amortization | 82,795 | 66,697 |
| Noncash net income from equity investments | (13,519) | (21,238) |
| Minority interests | 25,517 | 4,487 |
| Noncash portion of patronage dividends received | (3,837) | (3,368) |
| Gain on sale of property, plant and equipment | (13,599) | (577) |
| Other, net | (968) | 378 |
| Changes in operating assets and liabilities: | | |
| Receivables | 150,657 | (354,411) |
| Inventories | 52,816 | (70,773) |
| Other current assets and other assets | (90,184) | (28,728) |
| Customer credit balances | 7,771 | (8,543) |
| Customer advance payments | (73,006) | 10,649 |
| Accounts payable and accrued expenses | (237,390) | 330,272 |
| Other liabilities | 5,045 | (8,365) |
| | ----- | ----- |
| Net cash provided by (used in) operating activities | 45,645 | (27,367) |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property, plant and equipment | (73,205) | (121,763) |
| Proceeds from disposition of property, plant and equipment | 29,181 | 4,494 |
| Investments | (13,372) | (35,283) |
| Equity investments redeemed | 20,836 | 17,688 |
| Investments redeemed | 1,186 | 2,519 |
| Changes in notes receivable | (1,643) | (1,124) |
| Acquisition of intangibles | (7,038) | (9,250) |
| Distribution to minority owners | (13,108) | (5,596) |
| Other investing activities, net | 4,190 | 255 |
| | ----- | ----- |
| Net cash used in investing activities | (52,973) | (148,060) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Changes in notes payable | 37,093 | 146,051 |
| Long-term debt borrowings | 116,809 | 45,000 |
| Principal payments on long-term debt | (55,251) | (17,126) |
| Changes in checks and drafts outstanding | (23,028) | 10,121 |
| Retirements of equities | (14,444) | (23,452) |
| Cash patronage dividends paid | (26,130) | (17,920) |
| | ----- | ----- |
| Net cash provided by financing activities | 35,049 | 142,674 |

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| | | |
|--|-----------|-----------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 27,721 | (32,753) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 56,393 | 75,667 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 84,114 | \$ 42,914 |

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

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| | MAY 31, 2001 | AUGUST 31, 2000 | MAY 31, 2000 |
|---------------------------------------|--------------|-----------------|--------------|
| Trade | \$ 682,585 | \$ 834,349 | \$ 972,865 |
| Other | 26,235 | 23,643 | 15,002 |
| | 708,820 | 857,992 | 987,867 |
| Less allowances for doubtful accounts | 24,734 | 23,249 | 24,162 |
| | \$ 684,086 | \$ 834,743 | \$ 963,705 |

NOTE 3. INVENTORIES

| | MAY 31, 2001 | AUGUST 31, 2000 | MAY 31, 2000 |
|-----------------------------|--------------|-----------------|--------------|
| Energy | \$ 207,149 | \$ 286,276 | \$ 294,622 |
| Grain and oilseed | 176,656 | 215,570 | 208,948 |
| Feed and farm supplies | 81,368 | 63,909 | 65,447 |
| Processed grain and oilseed | 25,929 | 32,993 | 21,551 |
| Agronomy | -- | -- | 80,684 |
| Other | 4,068 | 3,637 | 3,624 |
| | \$ 495,170 | \$ 602,385 | \$ 674,876 |

NOTE 4. INVESTMENTS

The following provides summarized unaudited financial information for Ventura Foods, LLC and Agriliance, LLC for the nine-month periods as indicated below.

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| | AGRONOMY | ENERGY | GRAIN MARKETING | COUNTRY OPERATIONS | PROCESSED GRAINS AND FOODS | OTHER | RECONCILING AMOUNTS | TOTAL |
|--|----------|-------------|--------------------|-----------------------|----------------------------------|--------|------------------------|-------------|
| For the Nine Months Ended May 31, 2001 | | | | | | | | |
| Net sales | | \$2,185,794 | \$2,665,893 | \$1,187,692 | \$ 456,104 | | \$ (591,682) | \$5,903,801 |
| Patronage dividends | \$ 196 | 666 | 756 | 3,412 | 339 | \$ 252 | | 5,621 |
| Other revenues | | 1,731 | 16,708 | 67,964 | 35 | 8,081 | | 94,519 |
| | 196 | 2,188,191 | 2,683,357 | 1,259,068 | 456,478 | 8,333 | (591,682) | 6,003,941 |
| Cost of goods sold | | 2,004,803 | 2,666,654 | 1,182,847 | 425,630 | | (591,682) | 5,688,252 |
| Marketing, general and administrative | 6,281 | 34,465 | 16,732 | 40,093 | 34,304 | 3,324 | | 135,199 |
| Interest | (3,713) | 20,117 | 6,449 | 12,192 | 10,541 | 3,697 | | 49,283 |
| Equity loss (income) from investments | 259 | (859) | (3,120) | (45) | (21,425) | 11,671 | | (13,519) |
| Minority interests | | 25,301 | | 216 | | | | 25,517 |

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| | | | | | | | | |
|--|------------|-------------|-------------|-------------|------------|-------------|--------------|-------------|
| (Loss) income before income taxes and cumulative effect of accounting change | \$ (2,631) | \$ 104,364 | \$ (3,358) | \$ 23,765 | \$ 7,428 | \$ (10,359) | \$ -- | \$ 119,209 |
| Total identifiable assets | \$ 223,789 | \$1,194,434 | \$ 251,774 | \$ 721,028 | \$ 410,229 | \$ 226,982 | \$ -- | \$3,028,236 |
| For the Nine Months Ended May 31, 2000 | | | | | | | | |
| Net sales | \$ 601,392 | \$2,105,664 | \$2,626,375 | \$1,066,581 | \$ 396,937 | | \$ (569,304) | \$6,227,645 |
| Patronage dividends | 131 | 279 | 810 | 3,549 | 100 | \$ 150 | | 5,019 |
| Other revenues | 8,214 | 1,382 | 11,550 | 57,022 | 155 | 5,037 | | 83,360 |
| Cost of goods sold | 609,737 | 2,107,325 | 2,638,735 | 1,127,152 | 397,192 | 5,187 | (569,304) | 6,316,024 |
| Marketing, general and administrative | 572,279 | 2,058,640 | 2,615,479 | 1,063,411 | 371,676 | | (569,304) | 6,112,181 |
| Interest | 13,688 | 35,312 | 16,178 | 36,723 | 14,269 | 2,687 | | 118,857 |
| Equity loss (income) from investments | (1,786) | 20,481 | 6,797 | 9,306 | 5,841 | 2,369 | | 43,008 |
| Minority interests | 3,922 | (1,018) | (6,128) | (731) | (17,303) | 20 | | (21,238) |
| Income (loss) before income taxes | 4,487 | 4,403 | | 84 | | | | 4,487 |
| Total identifiable assets | \$ 21,634 | \$ (10,493) | \$ 6,409 | \$ 18,359 | \$ 22,709 | \$ 111 | \$ -- | \$ 58,729 |
| Total identifiable assets | \$ 465,891 | \$1,364,749 | \$ 332,712 | \$ 701,801 | \$ 377,846 | \$ 124,587 | \$ -- | \$3,367,586 |

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PREFERRED STOCK

PROSPECTUS
, 2001

MILLER & SCHROEDER FINANCIAL, INC.