

## **IMPORTANT INFORMATION ABOUT THE FARMERS EQUITY TRUST AND THE G3 FARMERS EQUITY PLAN**

### **Background**

The Canadian Wheat Board ("**CWB**") was continued as "G3 Canada Limited" ("**G3 Canada**") under the *Canada Business Corporations Act* on July 30, 2015. At that time, G3 Canada became a share capital corporation and issued 501,000 Class A Common Shares (the "Class A Common Shares"), representing 50.1% of its common equity, to G3 Global Grain Group Limited ("**G3 Global**") and 499,000 Class B Common Shares (the "Class B Common Shares"), representing the remaining 49.9% of its common equity, to the Farmers Equity Trust (the "**Trust**"), a trust formed under the laws of the Province of Manitoba (the "**Commercialization**"). The Trust was established pursuant to the terms of a Declaration of Trust made as of July 30, 2015 (the "**Declaration of Trust**") for the primary purpose of holding shares of G3 Canada and issuing trust units ("**Units**") to eligible farmers in accordance with the G3 Farmers Equity Plan (the "**Farmers Equity Plan**") described below. There are four trustees (each, a "**Trustee**" and collectively, the "**Trustees**") of the Trust as more particularly described under the heading "*Trustees*" below.

### **G3 Farmers Equity Plan**

#### ***General***

The Farmers Equity Plan aligns the interests of Farmers (as defined below) who wish to deliver their grain to G3 Canada with the interests of G3 Canada by providing such Farmers with the right to an indirect economic interest in G3 Canada through the ownership of Units.

#### ***Grain Deliveries between August 1, 2013 and Commercialization ("Pre-Commercialization")***

Under the Farmers Equity Plan, CWB tracked which Farmers delivered grain to CWB during the Pre-Commercialization period. Upon Commercialization, such Farmers became entitled to receive Units (unless a particular Farmer elects otherwise) with respect to those deliveries of grain made during the Pre-Commercialization period.

The number of Units which a Farmer is entitled to receive in respect of the period of Pre-Commercialization depends upon: (i) the amount of grain that such Farmer delivered to CWB from August 1, 2013 up to the date of Commercialization; (ii) the valuation of the Units as determined by the Trustees and disclosed to Farmers from time to time; and (iii) the dollar value of Units to be issued based on the incentive rate per metric tonne of grain delivered, as determined and disclosed by G3 Canada and the Trustees. The dollar value of the Units to be issued to Farmers who delivered grain during the Pre- Commercialization Period was established at \$5.00 per metric tonne of grain delivered.

#### ***Grain Deliveries following Commercialization ("Post-Commercialization")***

Following Commercialization and until the earlier of: (i) all Units are fully allocated or (ii) the Trustees no longer hold any Class B Common Shares, Farmers who deliver grain to G3 Canada will be entitled to receive Units (unless a Farmer elects otherwise) for no additional consideration.

The number of Units to which a Farmer will be entitled to receive will depend upon: (i) the amount of grain that such Farmer delivers to G3 Canada; (ii) the valuation of the Units as determined by the Trustees and disclosed to Farmers from time to time; and (iii) the dollar value of Units to be issued based on the incentive rate per metric tonne of grain delivered, as determined and disclosed by G3 Canada and the Trustees and posted on G3 Canada's website from time to time.

As at Commercialization, G3 Canada and the Trustees established the dollar value of the Units to be issued at \$5.00 per metric tonne of grain delivered. **This amount is subject to change based on a determination by G3 Canada and the Trustees from time to time, and any change will be posted on G3 Canada's website.**

### ***Timing of Issuance of Units and Unit Value Determinations***

Units shall be issued on such dates as the Trustees determine, in their sole and unfettered discretion. The Trust, or a transfer agent appointed by the Trustees on behalf of the Trust to maintain a register of Units issued, will provide an annual summary of Units held to Farmers entitled to Units.

For the purposes of determining the dollar value of the Units, the Trustees shall make a good faith estimate of the value of the Units as of the date of the issuance of the Units based on the value of Class B Common Shares held by the Trustees. The determination of the estimated value of the Units shall be final and binding on the Farmer and the Trust. There shall be no subsequent adjustment to the number of Units issued to a Farmer as a result of a dispute regarding the determination of the value of the Units on the date that such Units were issued or as a result of any subsequent adjustment or change in the value of the Units (or the Class B Common Shares held by the Trust) on or after the date of issuance, whether due to new information or events or information or events existing or occurring on or prior to the date of issuance.

The foregoing restriction on adjustments as a consequence of the Trustees' determination of the value of Units shall apply in all circumstances, even if the value of the Units is ultimately determined to be less (or greater) than the dollar value of Units per metric tonne of grain delivered established by G3 Canada and the Trustees.

### **Trustees**

There are four Trustees on the board of trustees of the Trust. Each of the Trustees must be a resident of Canada. Three of the Trustees must each qualify as an Independent Trustee in order to ensure that the Trustees making decisions regarding the Trust are independent of G3 Canada and are also not Unitholders (as defined below).

To facilitate communication between G3 Canada and the Trustees, G3 Canada has the right to appoint an "**Advisory Trustee**", who has no right to vote or to make any decisions relating to the Trust. All of the decisions of the Trust are made by the Independent Trustees.

### ***G3 Canada Board Appointee of the Trust***

Pursuant to the terms of the unanimous shareholders agreement entered into among G3 Global, G3 Canada and the Trustees on July 30, 2015 (the "**G3 Shareholders Agreement**"), the Trust was given the right to appoint one of its Trustees to serve as a director on the board of directors of G3 Canada for so long as the Trust is a shareholder of G3 Canada. An individual is not disqualified as an Independent Trustee solely as a result of being the Trust's appointee to the G3 Canada board of directors.

### **Units**

**The following is a brief description of the Units and certain provisions of the Declaration of Trust, which governs the Trust and the Trustees. This description is general in nature, is not purported to be complete, and is qualified entirely by the Declaration of Trust. The full text of the Declaration of Trust is available for inspection by Unitholders of the Trust during normal business hours at the offices of the Trust.**

### ***Authorized Number of Units***

The Trustees shall issue Units in accordance with the Farmer Equity Plan until "**Full Allocation**" is achieved (unless the Trust is terminated and wound up earlier in accordance with the terms of the Declaration of Trust).

"**Full Allocation**" means the allocation and issuance of Units having an aggregate issue value (being the estimated fair market value as determined by the Trustees in their sole discretion on the date of issue of each particular Unit) equal to the "**Tax Free Pool**". The "**Tax Free Pool**" means the aggregate issue value of Units which may be issued to Farmers on a tax-deferred basis to Farmers. Amendments made to the *Income Tax Act* (Canada) provide that the Tax Free Pool is equal to the fair market value of the 499,000 Class B Common Shares received by the Trust upon Commercialization (subject to adjustments which correspond to any purchase price adjustments applicable to the 501,000 Class A Common Shares purchased by G3 Global on Commercialization). The value, after adjustments, will be determined on or before January 31, 2016. See "*Deferral of Tax Payable on Units*" below.

### **Attributes of Units**

Until Full Allocation, each Unit represents a beneficial interest in and right to a proportionate share of distributions if, as and when declared by the Trustees, based upon the number of Units that the Trustees estimate in good faith will be outstanding upon Full Allocation. This amount is determined by the Trustees from time to time having regard to the remaining balance of the Tax Free Pool and the most recent value of Units, all as determined by the Trustees in good faith, and is referred to as the "**Fully Allocated Pro Rata Portion**". Upon and following Full Allocation, each Unit represents a proportionate right to share in the distributions as described in the foregoing paragraph, based upon the actual number of outstanding Units.

In the event of termination of the Trust in accordance with the terms of the Declaration of Trust (whether prior to or following Full Allocation), each Unit will entitle the holder thereof to participate, on a *pro rata* basis based upon the actual number of Units outstanding in any distribution to the holders of the Units ("**Unitholders**") of the net assets of the Trust remaining after satisfaction of all liabilities.

### **Restrictions on the Transfer of Units**

**There are restrictions on the transfer of Units under the Declaration of Trust and under applicable securities laws. It is recommended that Unitholders consult their professional advisors prior to transferring a Unit.**

Under the Declaration of Trust, the Units will not be transferable, except in the following circumstances and only if approved by the Trustees:

- (a) by a Unitholder to a Permitted Transferee (as defined below) of such Unitholder at any time; and
- (b) if otherwise permitted or required by the Trustees.

The Declaration of Trust defines a "**Permitted Transferee**" to mean:

- (a) in respect of a Unitholder who is an individual, a corporation controlled by such Unitholder or a family trust the sole beneficiaries of which are Persons who are related to the Unitholder for the purposes of the *Income Tax Act* (Canada) (which for greater certainty may include the Unitholder);
- (b) in respect of a Unitholder that is a corporation, the shareholder of the corporation who is the Related Individual of such corporation or a Farmer who is related to the Unitholder for the purposes of the *Income Tax Act* (Canada); and
- (c) in respect of a Unitholder that is a family trust, a beneficiary of such family trust or a Farmer who is related to the Unitholder for the purposes of the *Income Tax Act* (Canada).

For the purposes of the Declaration of Trust, the term "**Person**" is defined broadly to include without limitation an individual, partnership, corporation and trust and "**Related Individual**" means, in respect of a Unitholder that is not an individual, the individual who is designated and disclosed in writing to the Trust as the "Related Individual" of the Unitholder, which individual shall be in the case where the Unitholder is a corporation, the individual who beneficially owns, directly or indirectly, or exercises control or direction over, a majority of the outstanding voting or equity securities of the Unitholder, if there is such an individual in respect of such a Unitholder and in the case where the Unitholder is a family trust, a beneficiary of such trust.

**The Declaration of Trust also restricts any issuances, transfers or sales of Units to any Person who is a Non-Resident (as defined below) or who is a Tax Exempt Person (as defined below) and provides that any such issuances, transfer or sales are void *ab initio*.**

The Declaration of Trust defines a "**Non-Resident**" as any Person that is (i) a non-resident of Canada; or (ii) a partnership that is not a Canadian partnership, in each case as described and for purposes of the *Income Tax Act* (Canada).

The Declaration of Trust defines a "**Tax Exempt Person**" as a Person who is exempt from tax under section 149 of the *Income Tax Act* (Canada).

### **Redemption of Units**

The Declaration of Trust provides for the right of the Unitholder to require the Trust to redeem the Units in certain circumstances. Upon the occurrence of:

- (a) the death of a Unitholder or, in respect of a Unitholder that is not an individual, the Related Individual; or
- (b) a Unitholder or, in respect of a Unitholder that is not an individual, the Related Individual, reaching the Redemption Age,

the Unitholder, or the executor, personal representative or administrator of the estate of the Unitholder, as applicable, shall be entitled to require the Trustees to redeem, out of the cash held on behalf of the Trust, all of the Units registered in the name of the Unitholder (or the executor, personal representative or administrator of the estate of the Unitholder) at the Unit Redemption Price, subject to the satisfaction of the condition set forth in the following paragraph and further provided that, in the case of a redemption request by a Unitholder pursuant to paragraph (b) above, the Unitholder has held the Units for a minimum of three (3) years.

**The right to redeem the Units is subject to certain limitations set forth in the Declaration of Trust, including whether the Trust has sufficient cash reserves on hand to satisfy the redemption price and to pay its estimated anticipated expenses. In the event that the Trust does not have sufficient cash reserves on hand, as determined by the Trustees in their sole discretion, the Trustees shall not be required to redeem such Units.**

The Declaration of Trust defines the following terms which are relevant for the purposes of the redemption provisions:

**"Redemption Age"** means the age of 75 (or such other age as may be designated by the Trustees in their sole discretion from time to time);

**"Redemption Date"** means the date upon which a notice of redemption is delivered to the Trustees by or on behalf of a Unitholder;

**"Related Individual"** means, in respect of a Unitholder that is not an individual, the individual who is designated and disclosed in writing to the Trust as the "Related Individual" of the Unitholder, which individual shall be in the case where the Unitholder is a corporation the individual who beneficially owns, directly or indirectly, or exercises control or direction over, a majority of the outstanding voting or equity securities of the Unitholder, if there is such an individual in respect of such a Unitholder and in the case where the Unitholder is a family trust, a beneficiary of such trust;

**"Unit Redemption Price"** means, with respect to a Unit, an amount calculated by multiplying the Net Asset Value of the Trust by the "Fully Allocated Pro Rata Portion". (See "*Units – Attributes of Units*" above.); and

**"Net Asset Value of the Trust"** means the good faith estimate of the Trustees of the fair market value of the assets of the Trust, less (i) the good faith estimate of the Trustees of the liabilities of the Trust; and (ii) an amount of a reasonable reserve for anticipated expenses of the Trust (as determined by the Trustees from time to time).

### **Automatic Redemption**

The Units of any Unitholder who becomes a Non-Resident or who becomes a Tax Exempt Person shall be automatically redeemed at the Unit Redemption Price, effective on the date that is five (5) business days prior to the date upon which such Unitholder became: (i) a Non-Resident; or (ii) a Tax Exempt Person. In such event, the Trustees are entitled to satisfy the Unit Redemption Price by way of the issuance to the Unitholder of a non-interest bearing promissory note of the Trust payable on the earlier of: (i) the wind-up of the Trust; and (ii) ten (10) years from the effective date of the redemption of the Units.

The terms "Non-Resident" and "Tax Exempt Person" have the meanings set forth above under "*Units – Restrictions on Transfers of Units*".

### Liquidation Events

#### **Strategic Transaction**

The Declaration of Trust provides that the Trust will be wound up and the Class B Common Shares (if they are still owned by the Trust) and/or other assets held by the Trust (such as cash, including the cash proceeds from the sale of Class B Common Shares by the Trust) at the time will be distributed to Unitholders on a *pro rata* basis in the event that: (i) G3 Canada announces and completes a Strategic Transaction; or (ii) the Trust no longer owns Class B Common Shares (or any securities, whether of G3 Canada or another issuer, issued in exchange for the Class B Common Shares).

"Strategic Transaction" means any of the following:

- (a) a public offering of securities of G3 Canada only if shares of G3 Canada are listed on a recognized stock exchange in Canada following such public offering;
- (b) any amalgamation, arrangement, merger or other business combination which results in the securities of G3 Canada becoming listed on any recognized stock exchange in Canada;
- (c) a transaction involving the acquisition of all of the outstanding equity securities of G3 Canada in exchange for the securities of an entity which are listed on any recognized stock exchange in Canada;
- (d) a transaction involving the acquisition of all of the outstanding equity securities of G3 Canada for cash consideration by a person or persons acting jointly and in concert, within the meaning of applicable securities laws; or
- (e) a transaction involving the sale of all or substantially all of the assets of G3 Canada, other than pursuant to an internal reorganization of G3 Canada.

#### **Call Right in favour of G3 Global**

Under the Shareholders' Agreement, G3 Global has a "call right" (the "**Call Right**") pursuant to which G3 Global may purchase all of the Class B Common Shares held by the Trust at the "Fair Market Value" (determined in accordance with an agreed upon process and criteria set forth in the Shareholders' Agreement, including determination by a qualified independent business valuator without the application of any minority discount).

The Call Right is initially exercisable on the date that is the earlier of: (i) seven (7) years from the Commercialization; and (ii) the date that the Trustees notify G3 Global and G3 Canada that the Units have been fully allocated. The Call Right is exercisable by G3 Global on an annual basis thereafter.

### Deferral of Tax Payable on Units

Based upon legislative amendments to the *Income Tax Act* (Canada) which have now been enacted, there will be no tax consequences to a Farmer in connection with the issuance of Units to the Farmer until such time as the Farmer sells or transfers such Units or unless the Trust fails to meet certain conditions set forth in amendments to the *Income Tax Act* (Canada). In the event that distributions are declared and paid on Units, the distribution will be fully taxable in the hands of the Farmers. A Farmer's cost of the Units for tax purposes will be deemed to be nil. Upon the sale or transfer of Units, a Farmer will be required to include the full amount of the sale proceeds in taxable income and such amount will be taxed as business income.

**Farmers and Unitholders are encouraged to consult with their professional tax advisors with respect to their participation in the Farmers Equity Plan and the tax consequences (or potential tax consequences) of selling, holding or transferring Units.**

**IMPORTANT: REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS MADE BY PARTICIPANTS IN THE FARMERS EQUITY PLAN**

As a condition of participating in the Farmers Equity Plan and receiving Units, each participating Farmer and holder of Units shall represent, warrant and acknowledge the following to G3 Canada and to the Trust:

- (a) the Farmer is a "**Farmer**" as defined in the Declaration of Trust and is resident in the Province of Manitoba, Saskatchewan, Alberta or British Columbia;
- (b) the Farmer:
  - (i) is not and shall at no time while the Farmer is a Unitholder become a "**Non- Resident**" or a "**Tax Exempt Person**" (as defined in the Declaration of Trust and this disclosure document); and
  - (ii) acknowledges that Non-Residents and Tax Exempt Persons are not permitted to hold Units and that any purported transfer of a Unit to a Non-Resident or a Tax Exempt Person shall be deemed to be void and the Farmer shall not effect or attempt to effect any transfer of Units to a Non-Resident or to a Tax Exempt Person;
- (c) the Farmer is satisfied that the consideration that the Farmer receives and/or will receive for the grain is fair and acceptable, without regard to any potential benefit under the Farmers Equity Plan;
- (d) the Farmer is under no compulsion or obligation to participate in the Farmers Equity Plan or to receive or hold Units. The Farmer has been provided an opportunity to review this disclosure document entitled "*Important Information about the Farmers Trust and the Farmers Equity Plan*" (the "**Disclosure Document**"), has consulted the independent professional advisors of the Farmer to the extent that the Farmer considered necessary or advisable, or independently determined that consultation with the Farmer's independent professional advisors was not necessary or advisable;
- (e) the Farmer acknowledges the attributes of the Units and the risks associated with the Units, including the risks identified in this Disclosure Document. Without limiting the generality of the foregoing, the Farmer acknowledges that:
  - (i) the Units represent an interest in the Trust which provides for an indirect beneficial interest in the equity of G3 Canada, and an equity interest in G3 Canada is subject to a number of risks based upon the nature of G3 Canada and its business, the nature of the Class B Common Shares owned by the Trust and the nature of the Units;
  - (ii) the value of the Class B Common Shares owned by the Trust and therefore the Units are subject to inherent risk, including risks described herein;
  - (iii) it is difficult to determine the value of the Class B Common Shares (and the Units) due to the fact that there is no public market for either the Class B Common Shares or the Class A Common Shares (or the Units of the Trust), and accordingly, the determination of value is inherently subjective;
  - (iv) there are restrictions on the transfer of Units, there is a limited right of redemptions of the Units and there are limited liquidity events which would result in the Farmer receiving proceeds from the Units. There can be no assurance that the Farmer (or the Farmer's personal representative) will be able to liquidate the Units upon retirement or upon death or otherwise. Accordingly, the Farmer is not planning to receive any proceeds or income from the Units as part of the Farmer's financial planning;
- (f) the Farmer has not received and will not receive a prospectus or offering memorandum and will not have any statutory rights of action in the event of a misrepresentation;
- (g) the Farmer's decision to participate in the Farmers Equity Plan and to receive Units was not based upon, and such Farmer has not received or relied upon, any verbal or written representations as to fact made by or on behalf of G3 Canada, the Trust or any of their respective representatives;
- (h) the Units have not been qualified by prospectus under applicable securities laws, nor is such qualification contemplated, and the Units are being issued pursuant to a decision document issued by the Manitoba Securities Commission on behalf of securities regulatory authorities in the Provinces of Manitoba, Saskatchewan, Alberta and British Columbia from the prospectus and registration requirements of applicable securities laws (a copy of said decision document is available for review on the websites of the Trust and G3 Canada);

- (i) G3 Canada's grain business is subject to a number of risks inherent in that business, including without limitation risks relating to the present stage of G3 Canada's business plan and stage of development, planned business growth and capital expenditures (including relating to the construction of additional grain elevators), weather conditions, crop production and crop quality, world agricultural commodity prices and markets; producers' decisions regarding total seeded acreage and crop selection; dependence on key management personnel; management risk dependence on key strategic partners and business relationships; labour disruptions and employee relations, financial leverage and funding requirements, credit risk in respect of customers, continued availability of credit facilities; financing risk, foreign exchange risk and counterparty risk with foreign exchange and commodity hedging programs, changes in grain handling and competitive environments, including pricing pressures, Canadian grain export levels, changes in government policy and transportation regulations, tax risks, international trade matters and global political and economic conditions, including grain subsidy actions and tariffs; environmental risks and unanticipated expenditures relating to environmental or other matters, the transition of G3 Canada from a non-share capital corporation to a share capital corporation and the integration of G3 Canada's business with its strategic partners, no guarantee of profitability, ongoing capital requirements;
- (j) Class B Common Shares owned by the Trust are equity securities and are subject to a number of risks inherent in the nature of the Class B Common Shares, including without limitation risks relating to the fluctuation in the value of the Class B Common Shares, which fluctuations could be frequent and potentially volatile, there can be no assurance as to the future value of the Class B Common Shares or that the Trust will ever realize any value therefrom, liquidation risk as a result of there being no public market for the Class B Common Shares (and none is expected to develop in the foreseeable future). A holder of Units should understand and be willing to accept the risks associated with the Units prior to participating in the Farmers Equity Plan, including risks relating to valuation, liquidity (including restrictions on transferability and a limited right of redemption and no guarantee that the Units will be liquidated in a timely manner or at all) and the limited influence of the Trust and the Trustees on the business decisions of G3 Canada;
- (k) no person has made any written or oral representations that any person will resell or repurchase any of the Units;
- (l) no person has made any written or oral representation as to the future price or value of the Units or the Class B Common Shares;
- (m) the Farmer has consulted, to the extent deemed appropriate by the Farmer, with the Farmer's own advisers as to the financial, tax, legal and related matters concerning the Farmer's participation in the Farmers Equity Plan and the receipt of Units and on that basis believes that participation in the Farmers Equity Plan and the receipt of Units is suitable and appropriate for the Farmer; and
- (n) in connection with the Farmers Equity Plan, the Trustees may collect certain "personal information", as that term is defined in applicable privacy legislation. The Farmer agrees and acknowledges that the Trustees may use and disclose the Farmer's personal information as follows:
  - (i) for internal use with respect to managing the Farmers Equity Plan;
  - (ii) for use and disclosure for income tax related purposes, including without limitation, where required by law, disclosure to the Canada Revenue Agency;
  - (iii) disclosure to any regulatory bodies having jurisdiction;
  - (iv) disclosure to a governmental or other authority to which the disclosure is required by court order or subpoena compelling such disclosure and where there is no reasonable alternative to such disclosure;
  - (v) disclosure to professional advisers of the Trust in connection with the performance of their professional services;
  - (vi) disclosure to G3 Canada; and
  - (vii) use and disclosure as otherwise required or permitted by law.