1) **What is being proposed by the Boards of Directors?**

On September 15, 2016, the boards of Coop Country Farmers Elevator (CCFE) and Harvest Land Cooperative (HLC) announced that the two cooperatives had entered into a unification study to determine if a consolidation of the two cooperatives would benefit their respective members. Since September, the boards and employees of CCFE and HLC completed their due diligence and analysis and concluded that a consolidation would create additional value to the members of both cooperatives. As a result, on January 31, 2017, the boards of directors of CCFE and HLC unanimously approved a plan of merger subject to any required member vote.

2) **Why are the boards proposing this merger?**

CCFE and HLC have a similar culture and share a vision centered on not only local ownership but local control with an emphasis on multiplying the power of members to ensure their long term success. The two boards strongly believe this merger supports their collective vision in the following ways:

- It creates economies of scale that will improve operating efficiencies which in turn will enhance the new cooperative’s competitive advantage in the marketplace.
- It will enhance, expand and extend product and service options in the precision ag area to both cooperatives’ members.
- The combined company will have access to multiple grain markets which will increase arbitrage opportunities and market presence.
- It creates multiple layers of diversification which enhances revenue generation and provides financial stability. There will be geographic diversification but more importantly, there will be income diversification due to investments in subsidiaries such as United Mills, AgQuest Financial Services (AgQuest) and Northland Capital Financial Services (Northland).
- It will create a stronger financial position in terms of both liquidity and solvency which in turn will improve access to capital at favorable terms to support future investments required to meet the needs of customers.
- It will provide opportunities for growth, training, and advancement of employees which will make the new cooperative a desired employer in South Central Minnesota.

Furthermore, as a result of their respective ownership interests in AgQuest and Parthenon Insurance Agency, the two cooperatives have solidified a strong working relationship.

3) **What value will this merger create for my cooperative?**

CCFE and HLC engaged a third party to validate management’s assessment of the financial impact of the merger. The assessment identified potential savings of two and a half million dollars derived from new revenue generation and expense reduction in the following areas:
- Increase in purchasing power with key suppliers in all business segments;
- The location of the combined facilities of the two cooperatives will improve customer logistics thus creating efficiencies resulting in cost savings;
- Better terms and conditions on existing credit facilities resulting in lower interest rates and fees; and
- Miscellaneous cost savings in such areas as transportation, insurance, marketing and interest.

4) **Does the unification of CCFE and HLC eliminate competition?**
   Not at all. As we look around our respective trade areas, we see significant competition which makes it necessary for CCFE and HLC to combine resources in order to remain your best option for products and services. Currently, we have identified the following number of competitors within the two cooperative’s trade territory:
   - Grain – 25 competitors
   - Agronomy – 37 competitors
   - Feed – 16 competitors
   - Energy – 20 competitors

5) **Will there be any change to how patronage is allocated?**
   CCFE and HLC have similar patronage allocation methods. Currently, when the two cooperatives allocate patronage, 50% is allocated (paid-out) in cash and 50% is allocated as member (patron) equity. Post merger, the distribution percentage between cash and member equity is expected to remain the same.

6) **What will happen to my equity in my current cooperative?**
   Each dollar of equity you hold in your cooperative today will transfer dollar for dollar to the unified cooperative. The boards agreed that following the merger, the new cooperative will revolve the pre-merger equity of CCFE and HLC members first before distributing any equity allocated after the merger. The new cooperative will redeem (pay-out) the pre-merger equity pools of CCFE and HLC based on CCFE’s and HLC’s current equity redemption policies. The dollar amount of member equity to be redeemed each year will be based on a capital management plan that is similar to the respective cooperative’s current equity redemption plan.

7) **What will be the name of the new company?**
   The boards of directors collectively agreed to establish a new name for the unified company. It is the intent of the boards to come up with a name that complements CCFE’s and HLC’s commitment to its members. For now, the merger documents identify TBD Coop as an interim name. TBD simply means “To Be Determined”.

8) **Who will be the manager of the new company?**
   Dave Stuk, current CEO of HLC, will be the CEO of the merged company. Craig Hebrink, current CEO of CCFE, will hold a key leadership position in the new company.
9) **What will happen to the employees?**
   The projected net savings did not include any elimination of employees, thus, all full time employees will be retained. It is envisioned that a combined organization will provide better opportunities for employees and increase the ability to attract and retain talent.

10) **Where will the main office be located?**
    The main office address of the unified cooperative will be 711 Front Street, Morgan, MN. CCFE’s main office in Renville, MN will remain open and will serve as a major satellite office.

11) **Will facilities be closed?**
    The feasibility study did not project any closing of existing facilities. We expect evaluation of specific businesses and facilities to be an ongoing process as the new organization is established. We have a common goal of continuing to provide our customers with excellent products and services from people they trust.

12) **What will be the structure of the new board?**
    Initially, all current board members of CCFE and HLC will be on the consolidated board of directors. This will result in a sixteen member board. It is the intention of the two boards of directors that a plan of reorganization and consolidation of the board seats shall be developed and implemented such that total board seats will be reduced to nine within three years of the effective date of the merger. The board shall take steps to have board representation be dispersed throughout the geographic trade area of the combined organization.

13) **What will be the fiscal year end of the new company?**
    The fiscal year end of the new company will be August 31.

14) **Who is required to vote and what are the voting requirements to pass a member-vote?**
    The members of CCFE are required to vote on the merger of the two cooperatives. Of those who vote, a super majority, or two-thirds, must vote in favor of the merger for it to pass. CCFE members eligible to vote are agricultural producers who did $5,000 of business with CCFE in fiscal 2016.

15) **Why do only the members of CCFE Vote?**
    In mergers, boards of directors work with legal representation to structure merger documents that outline protocols for the pending vote. In this specific type of merger, which is categorized as a “reverse triangular merger,” the ‘ongoing’ entity is not required to vote. The boards decided that HLC will be the ongoing entity for two reasons: 1) allows Minnesota 308B cooperative status to be maintained and 2) allows the corporate structure of HLC’s subsidiaries, AgQuest Financial Services, Northland Capital Financial Services and AgQuest Energy, to remain in tact. This merger type is the most efficient and cost effective way to complete the unification. As indicated in an earlier question, HLC will change its name to a new name mutually agreed to by the boards of CCFE and HLC.
16) Is the proposed unification supported by the full boards of both cooperatives?
   Yes, both Boards of Directors are unanimous in their support of this unification. As a result, the
   Boards of Directors urge voting members to vote YES.

17) How can I get my questions on this merger and pending vote answered?
   Members are encouraged to attend one of the following informational meetings:

   **CCFE Information Meetings**
   - March 22, 2017 at 1:30 PM at the Sacred Heart Community Center, Sacred Heart, MN
   - March 23, 2017 at 1:30 PM at the Danube Community Center, Danube, MN
   - March 23, 2017 at 7:00 PM at the Renville Community Center, Renville, MN
   - March 24, 2017 at 1:30 PM at the Renville Country Office Building, Olivia, MN

   **HLC Information Meetings**
   - March 28, 2017 at 1:30 PM at New Hope Lutheran Church, Comfrey, MN
   - March 28, 2017 at 7:00 PM at the Springfield Community Center, Springfield, MN
   - March 29, 2017 at 10:00 AM at Redwood Area Community Center, Redwood Falls, MN
   - March 29, 2017 at 1:30 PM at HLC’s main office, Morgan, MN

   During these information meetings, CCFE and HLC board members and management will present details
   associated with the merger and will be available to answer questions. If you are unable to attend one of
   your cooperative’s four meetings, you are more than welcome to attend one of the four meetings offered
   by the other cooperative. At any time throughout the unification process, feel free to contact your
   cooperative’s CEO or a board member.