

Frequently Asked Questions (FAQ) for Members

Q: What have the boards decided?

A: The Boards of Directors of member-owned Frontier Cooperative and Midwest Farmers Cooperative met and voted to sign a Unification Agreement and move forward with a member vote to unify the two cooperatives.

Q: What is due diligence and what are the findings?

A: The due diligence process identifies opportunities and benefits for both members and employees as well as any potential risks to mitigate during the unification process. Employee teams from both cooperatives met over the past several weeks to discuss due diligence for this potential unification. The benefits for members include the ability to leverage technology investments over a larger business, taking advantage of grain marketing opportunities, ability to best support talent resources, and agronomy procurement best practices implementation.

Q: Are both cooperatives financially sound?

A: Yes, both companies are financially sound. Over the past 5 years, Frontier Cooperative has averaged \$3.7m in pretax savings, and Midwest Farmers Cooperative has averaged \$4.7m. Both companies have also made substantial investments in recent years. Over the past 5 years Frontier Cooperative has invested \$57m and Midwest Farmers Cooperative has invested \$68m in their property, plant, and equipment. Combined that is over \$125m invested back into the locations and equipment that are used to service their members. With these investments, both companies took advantage of historically low interest rates and took on some additional long-term debt. The leverage ratios for both companies are within normal ranges and are decreasing year over year as both companies are paying back these loans.

Q: How many board members would the combined cooperative have?

A: The newly unified cooperative would combine current boards and have 18 members on day one. The board will consist of 9 current Frontier Cooperative board members, 9 current Midwest Farmers Cooperative board members. The 18 member board would be frozen until the board election at the 2021 annual meeting with a plan to reduce the board to 12 through the course of election cycles. The board will be equally represented by members from a northern and a southern district.

Q: If the unification is approved through the member vote, who will be the new General Manager?

A: Jeremy Wilhelm, current CEO of Midwest Farmers Cooperative, will be the Chief Executive Officer of the unified organization. Jeremy Wilhelm was interviewed by the Board of Directors for Frontier Cooperative as part of the process. Pending a positive member vote, Randy Robeson, current CEO of Frontier Cooperative, will assist in integrating the two companies, with the plan to set a future retirement date.

Q: If the unification is approved through member vote, what will the name be?

A: The name of the newly unified cooperative has not yet been chosen. A new name will be selected after a positive vote by the membership.

Q: If the unification is approved through the member vote, where will the headquarters of the new cooperative be located?

A: If the unification is approved through member vote, the newly unified cooperative will plan on establishing a new headquarters at a suitable, central location. This will allow the cooperative to continue providing superior service to all members and patrons.

Q: If the unification is approved, how will equity and patronage be handled?

A: If the unification is approved, the new cooperative will have a fair and equitable approach to patronage and equity distributions. All current allocated equity will be redeemed consistent with each cooperative's past practices. Existing and future equity allocations and redemptions will remain at the discretion of the Board of Directors.

Q: How will employees be impacted?

A: Employees are our most important asset and there is a role for all current employees in the new cooperative. Roles may be different, but opportunities for employees will be greater. Decisions on specific benefits will be made after a positive member vote. Benefits are anticipated to be competitive and consistent with current offerings.

Q: Will member services change?

A: If the unification is approved by the membership, the cooperative will work to enhance services for members and offer products to support our patrons in this competitive environment. With the combined footprint, we will be able to leverage locations, assets and employees to better service the membership.

Q: Will the unification reduce competition in the marketplace?

A: There is significant grain and agronomy competition in the marketplace today and there will be in the future. As a cooperative, we are owned by producers and operate for the benefit of producers. This proposed unification will not change that.

Q: What is required for the vote to pass?

A: Under Nebraska law, a majority of members casting ballots from Frontier Cooperative and a majority of members casting ballots from Midwest Farmers Cooperative must vote yes to approve the unification.

Q: What happens after the voting period ends?

A: Should both Frontier Cooperative and Midwest Farmers Cooperative members vote to approve the unification, the target effective date would be September 1, 2019. Until then Frontier Cooperative and Midwest Farmers Cooperative must continue to operate as separate cooperatives.

Should the Unification Agreement not be approved by either Frontier Cooperative or Midwest Farmers Cooperative, both cooperatives would continue doing business as separate entities.

Please contact your board members with any additional questions or concerns.