

# FREQUENTLY ASKED QUESTIONS

## *Amalgamation 2020*

### **Ownership**

#### ***What's the benefit for me with of this new alliance?***

A Stronger, larger co-operative profitably providing core products and services in a competitive environment. It also allows for member investments through capital, which provides opportunities to earn income.

#### ***Why am I just hearing about this now? As a member shouldn't we have been informed this was in the works or in discussion?***

These types of conversations are very delicate and there was an agreement that we would hold strict confidentiality until we were clear that there was a solution to propose to the members for consideration.

#### ***What will be the name of the amalgamated co-op?***

Huron Bay Co-operative is the proposed name. We believe it is the best fit for our areas. Lake Huron /Georgian Bay surrounds and defines a big part of the geography we serve. The boards have discussed alternatives several times and concluded that this name is a good long-term name. It also is more cost efficient as a name as less change will be required to the overall identity.

#### ***What is an amalgamation?***

An amalgamation is a legal process that allows two co-operatives to combine their memberships, assets and liabilities together into a new co-operative. In this situation, there is no buyer or seller. It is a democratic decision to combine the two entities. In our case, we are coming together as equals. This is not a takeover by any one of the co-operatives.

#### ***When will this transition be complete?***

We are proposing that the merger will become effective September 1, 2020. The boards feel this is a reasonable timeline and allows time to prepare staff and systems to be ready.

#### ***Why are you making this change?***

As co-operatives, and as neighbours, we already share a number of common goals. We exist to serve our members; we are owned and controlled by the people we serve, and we strive to provide the best agricultural and rural services in our market territories.

Together we now serve the farmers and rural residents of Huron, Bruce, Wellington and Grey Counties. We have a combined membership of more than 8,500 farmers and rural residents and more than 75 years of experience serving our local communities. Our co-operatives are both shareholder-owners of GROWMARK, Inc. and we market our products and services under the FS retail brand.

We are looking at ways to position our co-operative to be more competitive as we are facing bigger competitors working larger territories. We currently occupy a lot of common trade territory and have no place to grow geographically. This step will allow us to work on a larger geography in a coordinated

and efficient way. We also want to create an organization that can attract talent as it will be able to offer specialized roles for administrative and management purposes as well as expertise at the farm gate, like precision agriculture.

### ***How big will this new co-op be in revenue, capacity, and territory?***

Our current combined sales are over \$71.7 million. Our combined assets are \$47 million dollars. The territory includes most of Grey, Bruce, Wellington and Huron Counties.

### ***Will there be a lot of job loss with this re-structuring process?***

We will always be looking to operate our facilities in the most efficient and cost-effective manner. That sometimes leads to changes in the number of persons employed. But we will make every effort to share resources with as little disruption to staffing levels as possible. We are currently experiencing a shortage of qualified staff in many of our departments. We expect this problem to continue along with anticipated retirements in the next 5 years.

## **Membership**

### ***How does this affect my membership with my co-operative now?***

All members of the cooperatives will continue to be members of the amalgamated cooperative.

### ***Will we maintain two boards of directors or move to one?***

We will move to one board of 10 directors (down from 19 currently) elected by the membership. Initially each cooperative will appoint 5 directors. After that, the membership will elect directors on a rotation basis.

### ***Who will be on the initial board of directors?***

Each board has appointed 5 directors to the initial board of directors.

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***Will my patronage be consolidated into the new business structure?***

Yes, your patronage entitlements will be consolidated into the new structure. In the future members will qualify for patronage based on their purchases.

***What services will the new co-op offer me?***

The same services you have received from your local co-op will continue to thrive. We have the same core business, supplied by the same supplier partners.

***How many locations or facilities will the new co-op operate and in what counties?***

We will operate from the current 16 locations in Huron, Grey, Wellington and Bruce.

***Why would I invest in this new co-op when everything is so unsettled?***

The larger amalgamated co-op will offer investment opportunities to members as it will need capital to sustain its asset base and grow the business. By combining our resources, we are improving our ability to generate profits. Our combined results are healthy, and the opportunity should improve future results. The Co-operative will disclose all its business factors in future Offering Statements, providing you with all the information you need to make sound decisions.

***What about my existing investments with my local co-op? What happens to that money?***

Your current investments will be part of the new cooperative capital structure, on the same terms and conditions, for all member, special and, demand loans.

***Do you plan to close my local branch?***

We have no plans to close any existing branches.

***What will change in the way I do business with my co-op now?***

There may be some slight changes in processes, but we plan to streamline and make the transition as seamless as possible. There will be one annual meeting and audit report for the combined operations.

***Why would I want to be a member of such a large co-op? I liked the community feel of my existing co-op?***

We will remain a local personal presence for our farmer-owners and will be able to provide greater efficiencies and strength as a larger enterprise that our members will benefit from.

***How do you see this amalgamation benefitting us the farmer?***

We will have the opportunity to specialize our work force and improve services and product offers.

Also, larger entities do have greater buying power. Savings can be passed on to our members, through patronage on surplus earnings.

***Are you looking at any more expansion in the future as far as territory/facilities?***

If it is of benefit to our farmer-owners, we will always be open to new opportunities to expand our business offering, and grow.

***What other changes do you perceive in the next five years?***

We would like to grow through acquisitions. An example is our energy business which is a joint venture. Together, we could develop plans to increase our ownership in the combined business.

***Is this our decision to make?***

Yes, it is a recommendation we are making to our members, and you will ultimately decide through the democratic co-operative process whether or not this project proceeds.

**When will the members vote on this?**

We are planning to hold a special member meeting for approvals. An official notice of meeting will be sent to all members eligible to vote. This meeting will be held March 26<sup>th</sup> at the Mildmay Community Centre. The official meeting will start at 7:00 pm.

**Who will manage this new co-operative?**

We have had the opportunity to share Kelly Boyle as general manager for the past year. Kelly has successfully managed North Wellington Co-operative since 2003. We plan to appoint Kelly Boyle as the general manager for the amalgamated co-operative.