PLAN OF MERGER

Set forth below are various special considerations relating to the proposed Merger. The following is not intended to be an exhaustive list of considerations relating to the Merger and should be read in conjunction with the entirety of this Joint Information Statement and other documents available at mmfc.coop/merger. This statement was prepared by and reflects the decisions, analysis, and planning of the MMFC and JLF boards of directors and management teams, based on all agreements made in the merger documents.

A. Owners

Owners and Locations. After merger, any owner can shop at either location, and receive patronage credit, access to all promotions and benefits, and excellent customer service. Both ownerships will have access to new, local products that are currently not sold at their current co-op. Owners at JLF will have new access to a classroom and educational classes right away. Many MMFC owners live in Eau Claire and will own a co-op closer to them.

Ownership Conversion and Eligibility. Owners of JLF will automatically become owners of MMFC upon merger. Throughout their histories, MMFC owners have invested $100 in ownership equity while JLF owners have invested $150. At merger, all equity of all JLF owners will become equity in MMFC in the form of Class A and Class B shares. JLF owners will simply have more investment in the co-op, and be eligible to receive that full amount back should they request to leave ownership. People that are owners at both co-ops will have their total investment accounted for on the co-op's books, but like all other owners they will only receive one vote in elections after merger. After merger, the Board of Directors may decide to repurchase these normalizing shares and refund extra equity. After merger, people applying for ownership to the co-op will be asked to invest $100.

Capital and Patronage. Owners will receive patronage dividends allocated in accordance with business done at both locations. Patronage dividends will be paid as cash and as Class B shares. People that were MMFC owners before our expansion in 2015 may have several years' worth of Retained Patronage B Shares; all of these shares will remain allocated after the merger.

Loans and Preferred Share Investments. All owner loans and preferred share investments will be honored fully. Currently both co-ops have several owners that own Class C or D Preferred Shares, and both co-ops have a few owners that have loans. The combined co-op has current assets to cover all of these shares and loans.

B. **Management and Staff**

There will be no staff layoffs as a result of the Merger. There may be restructuring of roles and duties to best use skills and fulfill desires, but all staff will remain employed and maintain their current or higher rate of pay. We believe there will be more opportunity for advancement to new or expanded roles, and opportunities to increase both pay and benefits across all levels in the organization. Our staff are crucial partners and we want to continue that partnership as we shape the next chapter.

C. **Operations**

The operational situation between MMFC and JLF is very unique in terms of merger, because many aspects of operations have already been fluidly handled by the leadership teams within both locations. Currently, the administrative department at MMFC provides all administrative functions for JLF and MMFC separately: Crystal Halvorson is the GM and serves both Boards, creates operational and development plans for both stores, manages the leaders at both stores, and executes the Ends of both co-ops. Kendall Williams and her team provide Marketing and IT services for both stores. Astrid Hayden provides HR services for both stores. Isabelle Rogge and her team provide financial management at both stores. Upon merger, much of the work done by this group will get more efficient, and allow for more exciting work in these areas at both locations.

Store Operation. The day-to-day operations at both stores will remain the same. Both stores are successful groceries that serve their customers well given their current locations. Product selection, signature departments, local vendors-- these things vary between the locations, and those decisions will continue to be made within the context of the location and the shoppers served. Upon merger, JLF will receive the same pricing that MMFC now enjoys with the larger distributors that serve both stores. As soon as we can, we will bring centralized pricing, which means that JLF prices on national brands will go down across the board. With growth after merger, both stores will see additional pricing benefits on national brands.

Operational Planning. The newly formed co-op will be in a position to make operational improvements at both stores. MMFC is currently undergoing a reset that includes the areas of bulk, grocery, bread, and deli, including some new equipment, to be completed in 2021. We have identified projects at JLF over the next 12 months that will better prepare the co-op for a move to a bigger location. The new freezer walk-in just installed, offsite office space downtown, and a point-of-sale system that can better handle data, promotions, and online purchasing are priorities for 2021-22. As one merged co-op, the combined organization has identified that the physical plant and amenities in Menomonie are serving them well right now, and that capital resources are best pushed to improvements in Eau Claire.

Development. A big benefit of the merger is that key players involved with MMFC's successful expansion in 2015 would be on the team to explore and deliver a new, bigger co-op to the downtown Eau Claire area. Our success over the last few years at both locations puts us in a combined position to pursue development opportunities as a top priority. The work accomplished together since early 2020 means that we can "hit the ground running" in this regard.

Branding. This merger agreement includes the decision to move forward under the brand Menomonie Market Food Co-op. This decision was made unanimously by all board members as the best strategic and business decision given the priorities of moving forward with operational and developmental goals. The MMFC brand is almost 50 years old, does not have negative PR associated with it, and it has been invested in over the last three years to be ready for growth in the Chippewa Valley. We analyzed the time and monetary expense of moving away from the MMFC brand, and learned that it would substantially impact our ability to move forward with improvements to our stores and expansion to a new location in Eau Claire.

D. **Governance**

The current boards seated at MMFC and JLF will remain in place until the closing of the Merger, currently estimated to be Jan 1, 2022. At that time, leadership of each co-op will be centralized to one joint board of directors representing the consolidated cooperative.

Board Composition and Elections. The new co-op will begin with an initial board of nine directors, composed of five directors from MMFC and four directors from JLF. Over the next two election cycles, one board seat will be vacated until we arrive back at a seven-member board. Elections will be held according to the Bylaws proposed as part of this merger agreement, with approximately 1/3 of the board being elected in a given year.

Board Composition Chart

NAME	TERM UP
Barb Button	2022
Marianne Holm	2024
Susan Krahn	2023
Kyle Lehman	2022
Joey Meicher	2022
Kathy Mitchell	2024
Sarah Paquette	2023
Rick Remington	2023
Karlee Wallin	2024

Officers. Board officers will be elected by the members of the board at the first director meeting after the merger is complete, in accordance with the bylaws proposed as part of the merger agreement.

Board Operations. Both current boards use Policy Governance, and have policy registers that guide the work of the GM and of the Board. The current administrative team has been working under and monitoring policies from both boards since April 2020; the policy registers are very similar with no major conflicts between them. Upon merger, it will be the work of the board to audit all policies to ensure that the best policy register is incorporated into use.

E. **Conditions to Complete the Merger**

The obligation of the co-ops to complete the Merger is subject to the satisfaction of a number of conditions, including but not limited to the following:

Owner Approval. In order for the Merger to proceed, each of MMFC and JLF ownerships must approve the Merger by the affirmative vote of at least 2/3 of owners voting on the proposal. At least 10% of the owners eligible to vote in each election must do so for the election to be valid. If the proposal fails at either co-op, then the Merger would not move forward and the Merger Agreement would be terminated.

Independent Valuations. We believe independent valuations for each of the co-ops should be obtained prior to the closing to ensure that the share value of either co-op is not vastly over- or under-estimated. However, valuations are different for co-ops as opposed to public or privately owned, for-profit companies. In a co-op, the owners do not expressly “own” the excess value in a sale of the businesses, so for-profit company valuation models and practices are not as relevant.

The primary mission and purpose of our co-ops is not to maximize shareholder profit or investment return, but to provide owners with access to a community store that offers good food and good jobs. A co-op owner benefits not only from the value of the business as an expected return on investment, but also from patronage dividends, and from the value of participating in governance of the co-op and having local ownership in their community. We believe that the Merger advances these purposes without regard to the valuation of the owners’ equity. Owners receive the full benefits of ownership regardless of what value is placed on their shares.

Disclosures. Both co-ops will have the opportunity and responsibility to disclose to the other, and investigate of the other, all records in all detail to confirm accuracy and legality of legal matters, employment matters, finances, agreements, ownership matters, litigation, regulatory matters, intellectual property, and asset protection matters.

Financing. Each of the co-ops must obtain the consent of their lenders prior to the closing. If a lender's consent cannot be obtained, the co-op must obtain satisfactory refinancing with another lender in order for Merger to proceed.

Absence of Legal Proceedings. There must not be, at the time of closing, any litigation, proceeding or investigation that is likely to pose a risk to the Merger or is likely to be material and adverse to any of the co-ops' businesses in order for the Merger to be completed.

Absence of Certain Losses or Damages. Prior to the closing, there must not have been any loss or damage that has or could have a material effect on the operations of either of the co-ops.

F. **Termination**

The Merger Agreement may be terminated at any time prior to closing.

G. **Articles and Bylaws**

Both co-ops currently have updated and legal Articles of Incorporation, registered with the State of Wisconsin. Both co-ops have used the State's template, so the documents are very similar. The new Articles would be very similar to the existing, confirming the name and location of the legal entity, expanding the number of shares available to be sold to accommodate our growing ownership and to offer preferred shares for an expansion in Eau Claire, and accurately describing the combined types of stock from both co-ops. The Articles defer to either WI state cooperative law or our Bylaws wherever possible.

Both co-ops currently have updated and legal Bylaws. The new bylaws are different from the current JLF Bylaws in that repetitive content that is covered by Wisconsin Chapter 185 or by co-op policy is struck, there are different timelines for notice of meetings, and different quorums for meetings. There is the addition of language regarding handling equity if an owner dies, and language around virtual meetings and online elections. Director term limits were removed, and language preventing staff from serving on the board was added. The new Bylaws are different from the current MMFC Bylaws in that there are different timelines for notice of meetings, and different quorums for meetings. There is added language around virtual meetings and online elections, and language preventing vendors from serving on the board was eliminated.

H. **Unknown Liabilities**

The co-ops may have certain liabilities that are unknown presently or at the time of the closing, and which would be assumed by MMFC in the Merger. An unknown liability of one co-op from prior to the closing could affect the owners of the other co-ops. If a material liability were to become known prior to closing, either co-op may decide not to proceed with the Merger. Also unknown are the material effects of the merger not passing, or the possible material effects if a number of members upset by the outcome of the election choose to leave the co-op or stop patronizing it.

I. **Costs**

Certain costs relating to the Merger, such as legal, accounting and certain advisory fees, must be paid by us even if the Merger is not completed. We anticipate that the Merger costs will be approximately $20,000. The co-ops have agreed to share these costs.

J. Consequences of a NO vote

In the case that one or both co-ops' elections result in a failure of the merger to pass, the Merger would not move forward and the Merger Agreement would be terminated. The Boards would have the option of calling for another set of elections if any irregularities were discovered, or if the margin of failure was extremely close. Otherwise, negotiations would stop. The contract between JLF and MMFC for administrative services ends on December 31, 2021. It is likely in the case that merger is not approved, that both co-ops would let that contract run out without renewal. The spirit of cooperation between MMFC and JLF has been alive and well for 18 years, and it would not stop because of failure to merge, but the contractual help and work would likely stop.

For JLF, recovery after a no vote would entail hiring for GM, HR, Marketing, Finance, and IT services. The 2022 fiscal year would be one of rebuilding operations, and likely investing time in strategic planning to create a vision and plan for the years to come.

For MMFC, a no vote means that the co-op's goals around spreading reach farther into the Chippewa Valley are not met though cooperation with JLF, and the focus will shift to other opportunities to reach that important part of our five-year vision.