



Dear Valued Shareholder,

April 16, 2018

Legacy Farmers Cooperative completed its 2018 fiscal year ending February 28, 2018. Legacy produced sales of \$191 million. Supply sales dollars were flat and grain sales were lower on lower prices. Grain led the way this year but Agronomy, Petroleum, and Lawn & Pet all had positive contributions to the co-op's income. Income from local operations for the year was \$1,453,000 and total net income for the year after patronage received from regional co-ops and a tax benefit was \$2,882,000. Legacy continued to focus on gaining efficiencies and total expenses were down another \$250,000 from a year ago. Legacy made some changes to grain operating locations last May which lead to a reduction of expenses at those affected locations of over \$330,000 over the first 10 months in which they were instituted.

Because of this success the Board of Directors has declared a qualified allocation of patronage for the 2018 fiscal year of \$1,655,000 with 50% (\$827,500) to be paid in cash and the balance to be added to equity credits. Once again your co-op has issued a 50% cash disbursement of patronage and we are pleased to do so.

The IRS requires us to pay patronage separately on supplies, grain, and petroleum. We are paying 1.4% on every dollar of supply purchases you made from the cooperative, 5.1 cents per bushel on grain marketed directly to the cooperative, .5% on every dollar of petroleum purchased through the co-op, .14% on every dollar of agronomy direct shipped items purchased through the co-op, and .5 cents per bushel on direct grain marketed through the co-op. The size of your distribution is in the proportion to the percent your business was of the co-op's total volume in each of the supply, grain, and petroleum categories. Your check for the cash portion of your earned patronage accompanies this letter. As always, you will be sent a 1099 PATR in January 2019 for the entire distribution. In previous years Legacy Farmers Cooperative has also been able to pass through to you a Domestic Production Activities Deduction (DPAD) but that deduction has changed with the new tax law. With the new law we anticipate being able to pass a Qualified Business Income Deduction back to our members at the end of the year that will be somewhat similar to DPAD. We will learn more on the tax law interpretation as the year progresses.

Last year Legacy redeemed 50% of 2005 equity balances back to members. This year Legacy will redeem all equity balances left from 2005 back to the members and 35% of member equity balances from 2006, which equates to an additional \$975,000 in cash distributed back to our patrons as well as we redeemed \$322,000 in estates. So this year, cash distributed back to the stockholders will total \$2,124,500.

Over

Over our first four years Legacy Farmers Cooperative has paid \$3,664,000 in cash patronage, and redeemed member equities with cash totaling \$4,067,000. This equates to a total of \$7,731,000 cash back to members. Over the same four years, Legacy has passed through a Domestic Production Activities Deduction for a tax incentive to members totaling another \$14,288,000. Legacy Farmers Cooperative truly keeps local profits local!

Also this year, Legacy paid down \$2.18 million in term debt, paid \$1.59 million in operating leases for assets, invested \$1.9 million in additional assets and improvement (without borrowing any additional long term money), and increased working capital over \$1 million to \$18.114 million. This year Legacy added 44 new members and continues to work to provide value to our members.

The Annual Meeting for Fiscal Year End 2018 of the Legacy Farmers Cooperative Stockholders will take place at The Cube at 3430 North Main Street in Findlay on Thursday, July 19, 2018. A notice from the Board Secretary will be sent out in early June inviting you to attend. With that invitation, will be the Board of Director election mail ballots and voting instructions. Please note that voting will be done for each district by mail this year prior to the annual meeting with the elected candidates announced at the annual meeting. All of the details will come in the notice that will come to you in early June.

Fiscal year 2019 has already begun and our commitment, service, and expertise will continue to be at the forefront. As markets continue to change we need to be nimble and proactive to make sure Legacy is your first choice. There is strength in being part of the co-op system. As Member/Owners with an investment in Legacy Farmers Cooperative, success for both your farming operation and your co-op can be enhanced by support of each other. Legacy Farmers Cooperative looks forward to serving you and your farming operation this upcoming year.

Thank you for your business!

Respectfully,



Mark Sunderman  
President / CEO  
Legacy Farmers Cooperative