



***Garden City Co-op, Inc.***

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### **Country Corner East & Automated Fueling Stations**

I am excited to explain some changes going on at your Co-op. The unprecedented volatility in agricultural commodity markets is creating challenges and opportunities for both producers and your Co-op. As a result, the Board and Management of the Co-op has defined exactly what our core business is and wants to ensure we are positioned to excel in those markets. We define our core businesses as those that provide products or services used to produce grain by our area farmers. Consequently, assets which do not help us achieve our mission will be sold and the funds used for other investments more in line with our focus.

This morning, I signed an agreement to sell the Country Corner East truck stop on Campus Drive in Garden City to U-Pump it, a chain familiar throughout Southwest Kansas, effective May 15, 2008. We will also lease U-Pump It the automated fueling stations on Fleming Street, Fulton Street and at the Bulk Plant. This transaction received a unanimous vote of support from your Board of Directors.

For many years, the street margins on gasoline and diesel have been at breakeven on average. Any profits generated through these facilities have been from the patronage stream from CHS and their profitable refineries. The volume of refined fuels going through these facilities will still flow through the Garden City Co-op, and hopefully, we will pick up more volume through our relationship with U-Pump-It. This means that the profitable portion of the business will remain here at the Co-op and the day to day operation will transfer to a group that has a demonstrated ability to succeed with retail fuel and convenience store items.

We were motivated to complete this transaction because it was more of a community service than a service integral to production agriculture. We charged an average of \$1 million a month in accounts receivables through our Garden City retail fuel. When we evaluated the customers in terms of volume, we found that we had to flip through six pages of the report before we found our first farmer member. This led us to question why we were invested in a business that we couldn't justify as a service to farmers, especially when we could retain the profitable patronage stream from the volume.

We received a good price for the assets and ongoing business. This will improve our balance sheet when we recognize a gain on the sale of a capital asset as the truck stop was almost completely depreciated. This balance sheet improvement

will be used to finance operations in the short term through these volatile commodity markets. In the longer term, we will be able to use the cash to provide new assets to better serve you and ultimately to speed up our equity retirement program. I am unable to discuss the specifics of the transaction but I want to assure you the Board and Management were very thoughtful and diligent as the deal unfolded.

We may have other chances to streamline our business and narrow our focus on the areas that you absolutely depend on your Co-op to serve your needs to produce grain. I want to be sure as we move forward together that you understand we are not “cashing in” on assets. We are trying to improve our ability to serve your needs and use the cash from these differing operations to finance it.

Last year, we experienced many challenges beginning with the refinery fire in Texas disrupting fuel supplies, not enough fertilizer manufacturing in season and ending with a fall harvest we could not efficiently handle as timely as you would have liked. With increasing commodity prices putting pressure on our entire industry’s infrastructure of warehousing and rail and truck transportation, we just flat need more stuff.

The agri-business industry is in a challenging position of not being able to deliver on what we had promised. We understand the predicament this puts you in as you rely on us to be there with what you need when you need it. In the past, we could rely on our suppliers to have that same commitment. Today if we don’t have it in our tank, warehouse or truck, we can’t depend on it. This phenomenon is consistent across fuel, fertilizer, chemicals and the purchasers of our grain. As a result, we have purchased trucks, warehouses, application equipment and grain handling equipment to meet your needs, not to create new profit centers or to grow the business just to get bigger.

I am sure that this transaction will promote much discussion. If you have thoughts or questions, please address them to me, a Board Member, or another management person at the Co-op. We appreciate your past patronage and hope you will continue buying from the new owners of the Country Corner East so you continue to benefit. Your Garden City Co-op fuel cards will still work until August 31, 2008 to allow the new owner’s time to get their system in place. We will not be handling accounts receivable or paying patronage on fuel sold through the facilities after May 15, 2008.

I don’t want to be redundant but I want to be clear that the move to sell the truck stop was a reallocation of limited resources to businesses that will better serve you. In the transaction, we will retain the portion of the cash flow that has been profitable to us in the past. We expect that service will improve as U-Pump-It has shown they are good at convenience store operations for retail customers. I believe it will be a win for everyone involved and I hope you do also and will

continue to use the fueling stations. Remember that every dollar of patronage we are able to capture through fuel sales will go to financing the inventories and facilities that you need. Then they can be returned to you through dividends on common stock and equity retirement.