



April 16<sup>th</sup>, 2013

Blanchard Valley Farmers Co-op and Deshler Farmers Elevator Co. Member and valued Patron,

The members of the Boards of Directors of Blanchard Valley Farmers Cooperative and Deshler Farmers Elevator Company have voted unanimously to adopt an Agreement of Merger of BVFC and Deshler Farmers to form a new cooperative to be called Legacy Farmers Cooperative. The next step is to take this merger agreement to the memberships of each cooperative for a vote. Included with this letter is a Q & A sheet of the items that you may have questions about and some of the benefits. You will receive additional communication in June with a merger information packet, where and when the member informational meetings will be, and ballots for the vote.

Since the last communication letter, the Boards have reviewed more of the operational and financial efficiencies that will be gained by merger. At this time it is conservatively estimated that a benefit of \$200,000 could be realized in year one of the merger and \$500,000+ from the second year moving forward. There are also numerous operational efficiencies that can be gained to provide better service to our members as well as other nonfinancial benefits that will allow the co-op to be an integral part of the future of agriculture in the area. Management and staff completed, shared, and reviewed with the Boards the due diligence information of both co-ops. That due diligence process has turned up no material issues that would affect the new cooperative negatively moving forward into the future. The Boards have also developed a plan for voting districts, director representation, and a director downsizing plan.

The discussions and agreements between both Boards have been very amiable because both share a mission to provide competitive quality goods and supplies, quality grain marketing and handling, top notch customer service, technology, and having quality and dependable employees that improve the value of the co-op to its members. Both Boards are passionate about their cooperative and ensuring its success in the future! The Boards believe this merger is in the best interest of both co-ops and hope that once you receive your merger packet and attend an informational meeting that you will vote "yes" for the future of your co-op.

Respectfully,

Doug Mangas  
Board Chairman – Deshler Farmers Elevator Co.

Jerry Silveus  
General Manager - BVFC

Andrew Jones  
Board President – Blanchard Valley Farmers Co-op

Mark Sunderman  
President/CEO – DFE

Mike Tobe  
Assistant General Manager /  
Agronomy Manager - BVFC

# Legacy Farmers Cooperative

(The proposed merger between Blanchard Valley Farmers and Deshler Farmers)

## Questions & Answers

### General

**Merger Structure:** Blanchard Valley Farmers Co-op and Deshler Farmers Elevator Boards of Directors are proposing to cooperative members the formation of a new merged cooperative called “Legacy Farmers Cooperative”. The two cooperative Boards voted unanimously in favor of bringing a merger proposal to the membership of their respective cooperatives.

In the month of June, members of each cooperative will receive a packet with information on the proposed merger. There will be informational meetings set up in different areas within each cooperative for members to ask questions and hear more about the reasons for this merger proposal that will help enable members to make an informed decision on the merger. The dates, times, and places for those meetings will be communicated on each company’s website and with the packet that will be mailed out. Of course at any time you can contact a Board Member or a member of the Leadership Team with any questions or concerns that you may have.

**Name:** We went through an extensive process to develop a name for the partnership. After considering dozens of potential names for the new organization, we selected *Legacy Farmers Cooperative*. The word Legacy represents the rich history of our cooperatives and our commitment to bring those values along with us into the new organization.

**Headquarters:** The Blanchard Valley Farmers Cooperative’s corporate office building in Findlay, Ohio has been selected as the Legacy Farmers Cooperative headquarters location due to its proximity in the trade area and existing facility capabilities.

**Legacy Board of Directors:** The proposed Legacy Farmers Cooperative will have an initial 15-person board, nine directors from Blanchard Valley and 6 directors from Deshler Farmers. In 2016 the board will downsize to 12 and in 2017 to 9 directors. Directors will equally represent 3 districts and the districts are sized to represent approximately 1/3 of the members each. A map will be available in the merger materials.

**Leadership:** The 15 directors that will represent Legacy Farmers Cooperative have selected Mark Sunderman, CEO of Deshler Farmers, as the CEO of Legacy pending approval of the merger. Mike Tobe of Blanchard Valley Farmers will be the Vice President – Agronomy.

### Merger Benefits

#### **Why are the boards recommending this merger?**

This is a unique opportunity to combine two successful companies in a way that will meet member and customer needs today and well into the future.

In today’s evolving, competitive business climate, continued success depends on your ability to change and adapt. While both of these cooperatives are performing well today, we recognize that market conditions require us to seek both economies of scale and access to resources to better service all of our customers and grow for the future.

#### **What are the benefits?**

This merger would allow the two companies to capitalize on our strengths, gain efficiencies in current operations and expand our products, services, and expertise. It will position us to compete more effectively in the future.

Some of the benefits include:

- Both co-ops have similar culture and strategic assets.
- Expands grain markets and opportunities available for both co-ops.
- Enhances agronomy purchasing markets and opportunities.
- Share equipment and employees based on workload, weather, and specialization to better service the customer.
- Attracting and maintaining a high quality staff that will provide members with service, information, and technology to help your business into the future.
- Reduce crop weather risk for the co-op by expanding geographical area.
- Reduces single project financial risk with bigger balance sheet and income sources
- Reduces duplicate costs (computer system, advertising, audit, insurance, etc.)
- Additional fuel and lubricant market opportunities.
- An efficient market area that is void of gaps and overlap between locations.

### **How does this merger vote work?**

Approval of the merger requires a 60% approval vote from each of the cooperatives' members that vote. Both cooperatives must separately approve the merger agreement for it to become effective. The Ballots will be mailed out shortly after the member information meetings in June.

### **How are you going to manage a larger geographical area?**

This merger will create a strong management team with tremendous skill and experience. A solid structure with expertise in both department operations and overall administration, supported by a strong technological infrastructure, and a strong employee group will help enhance our ability to serve customers while maintaining our excellent local personal touch.

### **Merger Accountability**

#### **What will happen to my equity in my existing cooperative?**

Equity held by members in each cooperative will be transferred at equal value to the new cooperative and reissued under the Legacy Farmers Cooperative name. In other words, what you have now in equity, you will have the same amount in the new cooperative.

#### **What will happen to my membership stock certificate in my existing cooperative?**

Your membership stock will be transferred to Legacy Farmers Cooperative at \$100 each. For Deshler Farmers members whose current stock value is \$50.00 we will transfer \$50.00 from your equity balance to your stock value so all membership stocks will have the same \$100 value. *No one will be required to invest any additional money due to this merger.*

#### **Is this a bail out of a weaker co-op?**

These two cooperatives are both strong financially and profitable. This is a very important advantage to our success – the best time to partner is when things are going well and to capitalize on the strengths of both cooperatives.

#### **Did we do our homework?**

Much discussions and study has led to both Boards of Directors presenting this merger agreement to their memberships. Both Boards have examined the results of an external business valuation and comparison. We have identified the benefits that we feel can be gained by combining these two strong and likeminded organizations. We've provided solid financial due diligence and other evidence before recommending it to the stockholders.