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March 21, 2018

To our stockholders,

Included with this letter, you will find the notification of Legacy Ag Credit's annual stockholder meeting to be held on April 18, 2018. The Annual Meeting Information Statement contains the date and time of this year's annual stockholder meeting, the names of the nominees for the two director positions up for re-election this year, the names of the candidates for election to the nominating committee for the 2019 election year, annual stockholders' meeting, and a list of other matters to be conducted at the meeting.

If you have not already done so, you will be receiving a copy of our annual report to stockholders in the mail. The annual report will also be available on our website at [www.legacyaca.com](http://www.legacyaca.com) as soon as it is published.

I wanted to make sure you note that we are changing the format for this year's annual meeting. This year's meeting will be held at the home office of the Association located at 303 Connally in Sulphur Springs. The meeting will begin at 1:00 pm. Like previous annual meetings, we will conduct all of the business required by our by-laws and charter, including the opportunity for stockholders to nominate director and nominating committee candidates at the meeting. We will have reports from the Chairman of the Board and myself on the condition of the Association, 2017 operating results, and future plans. We will have light refreshments immediately following the meeting.

We believe that this year's format will save the Association the expense and time of conducting an evening annual stockholder meeting. We have seen limited attendance by stockholders at recent annual meetings.

I want to encourage you to look for information about upcoming customer appreciation events in your area. We are making plans to have multiple customer appreciation events across Legacy's territory later this year. I hope you will make plans to attend one of them.

Thank you for your continued patronage of Legacy and I look forward to seeing you at the meeting or at one of our customer appreciation events.

Sincerely,

Derrell W. Chapman, CPA  
Chief Executive Officer



*Financing Your Legacy*





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**March 21, 2018**  
**OFFICIAL NOTICE**

**ASSOCIATION ANNUAL MEETING INFORMATION STATEMENT**

**To the Owners of Stock and Participation Certificates in Legacy Ag Credit, ACA**

The Annual Stockholders Meeting of Legacy Ag Credit, ACA will be held Wednesday, April 18, 2018, at 1:00 p.m. in Sulphur Springs, Texas. The meeting will be held at the Legacy Ag Credit administrative office located at 303 Connally Street, Sulphur Springs, Texas.

The stockholders of the Association will consider the following:

1. Review and approval of the minutes of the 2017 meeting;
2. Reports of corporate and financial operations for 2017 by the Chairman of the Board and the CEO;
3. Report of the Nominating Committee;
4. Determination of the nominees for election of two (2) stockholders to the Board of Directors;
5. Determination of the nominees for election to the 2019 Nominating Committee; and
6. Other business

Following the meeting, light refreshments will be served.

The following information is included as part of the Annual Meeting Information Statement to comply with regulations implemented by the Farm Credit Administration:

1. Financial Reports of the Association for the fiscal year ending December 31, 2017, were included in the 2017 Annual Report, which will be mailed to all stockholders prior to March 31, 2018. Included in the Annual Report was the "Report of Independent Accountants" discussing their audit and opinions.
2. The Association's 2017 Annual Report can be accessed via the Association's website at [www.legacyaca.com](http://www.legacyaca.com). In the future, the Association will publish its Annual Report on its website when the report is electronically sent to the Farm Credit Administration.

Shareholders' investment in the Association may be materially affected by the financial condition and results of operations of the Farm Credit Bank of Texas. The Farm Credit Bank of Texas' financial reports to its shareholders will be made available upon request. Please contact the Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720-2590, call [512-483-9204](tel:512-483-9204) or e-mail [fcf@farmcreditbank.com](mailto:fcf@farmcreditbank.com).

Stockholders of record as of February 28, 2018, eligible to vote, numbered 1,119. Members owning voting stock at the close of business on March 31, 2018, will be eligible to vote if they have been designated as the voting stockholder. Any matter brought to a vote at the annual meeting or thereafter by mail ballot will be decided by a simple majority vote.

3. Current director information:

Name	Age	Term & Expiration Period	Served (Years)	Type of Agriculture/Aquaculture Engaged In
R. Cody Newman	69	2016-2019	17	Beef cattle and timber
Terry Milligan	57	2016-2019	8	Beef yearlings
Ron Gabriel	74	2015-2018	7	Beef cattle, horses and hay
Paul Nicklas	70	2015-2018	5	Beef cattle
Brandon Sides	37	2017-2020	1	Peas and beans
John Shinn	70	2016-2019	1	Board-elected outside director
Bill Melton	69	2017-2020	1	Board-elected outside director
Randy Reeves	57	2017-2020	0.5	Timber, wildlife management

The Association Bylaws provide that the Board shall have six (6) directors elected by stockholders and two (2) directors elected by stockholder-elected directors to serve as Outside Directors.

All Directors who served during 2017 attended at least 75% of the Board meetings convened during the fiscal year ending December 31, 2017. All Directors who served during 2017 attended at least 75% of the meetings of the committees on which they served during the fiscal year ending December 31, 2017.

There were no directors who resigned or declined to stand for re-election during 2017 because of a disagreement with a Board-adopted policy.

4. There have been no transactions of the type required to be disclosed in FCA Regulation Sections 620.6(e) outside the normal course of business between the Association and its senior officers, directors or their immediate family members, or any organization with which such senior officers or directors are affiliated. There has been no involvement in any legal proceedings as described in FCA Regulation Section 620.6(f) during the past five years for any directors or senior officers.
5. The voting stockholders of this Association shall elect, by mail ballots to be sent after the 2018 meeting, one or more directors as may be required to fill any vacancy on the Board.

The Association Nominating Committee conducted meetings on January 24, 2018, and February 28, 2018, to nominate candidates for the open director positions. After determining the stockholders' willingness and eligibility to serve, the following were nominated by the Committee:

POSITION 1	POSITION 2
Danny Evans	Louis Cernoch, Jr.
Ron Gabriel	Paul Nicklas

For information purposes, a brief biographical statement for each nominee that describes the occupation, farm operation, business experience, other board positions on which the nominee serves, and any family loan relationships that may exist with the Association, is furnished below:

### **Director Position 1**

**Danny Evans - Age 66.** Mr. Evans was raised in the Sulphur Springs, Texas area in Hopkins County where he currently resides. He obtained a BS degree in Agricultural Education from East Texas State University where he also earned a Master's Degree in Agriculture. He was a high school agriculture teacher for two years before operating a dairy farm for 33 years. He discontinued his dairy operation in 2009, and he currently serves as a County Commission for Hopkins County which has been his principal occupation for the past five years. His current ranch operation consists of a beef cattle cow-calf herd and hay production. He serves on the board of the Hopkins/Rains County Farm Bureau (agricultural federation) and the Region D Water Planning Group (regional water service). He previously served on several agricultural commodity and farmer cooperative boards. He and his wife Debra have three grown daughters. His business address is 166 Evans Lane, Sulphur Springs, Texas 75482.

The Association has loans to an immediate family member of Mr. Evans that were made in the ordinary course of business on the same terms including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with other persons or entities, and involved no more than normal risk of collectibility.

**Ron Gabriel - Age 74.** Mr. Gabriel was raised in the Van, Texas area, and he currently resides in Grand Saline, Texas in Van Zandt County. He attended the University of Houston majoring in Mechanical Engineering and began his business career in sales of oil and gas industry parts and services. He owns and operates oil field service companies and a beef cattle, horse and hay operation. Operation of the oil field services companies has been his principal occupation for the past five years. He is the owner, president/CEO and a board member of Lubri-Pump, Inc.; owner and President/CEO and a board member of Turbo Drilling Fluids, Inc.; owner and president of Four Star Rentals, LLC; owner and president/secretary/treasurer of Gabriel Land Holdings, LLC; and owner and a board member of Energy Devices of Texas, Inc. and CLUHEIR, LLC. All of his businesses are related to either the oil and gas industry or land ownership and management. He currently serves as the vice chairman of the Legacy Ag Credit, ACA (agricultural finance) board of directors, and he previously served as chairman of the Legacy Ag Credit, ACA compensation committee and nominating committee. He served on the Spring Hill School Board for six years. He and his wife Lana have two grown children, a daughter and a son. His business address is 303 Park Row, Van, Texas 75790.

The Association has loans to an immediate family member of Mr. Gabriel that were made in the ordinary course of business on the same terms including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with other persons or entities, and involved no more than normal risk of collectibility.

### **Director Position 2**

**Louis Cernoch, Jr. - Age 66.** Mr. Cernoch was raised in the Terrell, Texas area and currently resides in the Poetry, Texas area in Kaufman County. He attended Texas A&M University and graduated from East Texas State University with a degree in Agriculture. He owned and operated a successful framing and carpentry business for 45 years. He currently owns and operates a cow-calf and yearling ranch operation with locations in several Texas counties. Ranching has been his principal occupation for the past five years. Mr. Cernoch is member of Emanuel Baptist Church, Texas Baptist Men, and Labor for Your Neighbor. He currently serves on no other boards. He and his wife Jackie have two grown children, a daughter and a son, and his daughter Amy is part of the family ranching operation. His business address is 6711 Green Meadow Lane, Terrell, Texas 75160.

The Association has loans to an immediate family member of Mr. Cernoch that were made in the ordinary course of business on the same terms including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with other persons or entities, and involved no more than normal risk of collectibility.

**Paul Nicklas - Age 70.** Mr. Nicklas grew up in the Kaufman, Texas area and now resides in Canton, Texas in Van Zandt County. He attended Henderson County Junior College. He owns and operates a commercial cow/calf operation, concentrating on alternative marketing strategies, breed composition and sire selection. Ranching has been his principal occupation for the past five years. Mr. Nicklas is a former licensed Texas real estate agent, a retired Texas peace officer, and a member of Lakeside Baptist Church. He currently serves on the board of Legacy Ag Credit, ACA (agricultural finance). He and his wife Sheila have three grown children, two daughters and a son, and eleven grandchildren. His business address is 2822 SH 243, Canton, Texas 75103.

The Association has loans to an immediate family member of Mr. Nicklas that were made in the ordinary course of business on the same terms including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with other persons or entities, and involved no more than normal risk of collectibility.

### **Family member loans**

Directors are eligible for loans under the same terms and conditions available to any person. Loans outstanding with the nominees listed herein were made in the ordinary course of business, on the same terms, including interest rate, amortization schedule and collateral, as those prevailing at the time for comparable transactions with other persons and involved no more than normal risk of collectibility. Except as disclosed herein, none of the nominees have had any non-loan transactions with the Association.

The director candidate information shown above was prepared and submitted by the respective candidates and is for educational purposes only. By regulation, the Association must remain impartial and can neither endorse nor oppose any candidate.

Nominations for Director Positions 1 and 2 will be opened to the floor at the meeting. Any voting stockholder may make a nomination from the floor. The presiding officer should call for a second for each floor nomination, and when nominations have been made and seconded, close the call for nominations from the floor. All nominees from the floor must accept the nomination, must be eligible voting stockholders and must provide the required disclosures, in writing, at the meeting or within five (5) business days of the meeting, in compliance with FCA regulations 611.330 and 620.6(e) and (f). Under these regulations any occurrence that would require disclosure must be disclosed. No person may be a nominee for director who does not accept the nomination, provide the disclosures required by regulations, or whose loan performance status would preclude them from serving, in accordance with Association Bylaws. Nominations for the 2019 Nominating Committee will also be opened to the floor at the meeting.

The Association's Nominating Committee conducted meetings on January 24, 2018, and February 28, 2018, to nominate candidates for the three (3) member positions (1, 2 and 3 herein below) and three (3) alternate positions (4, 5, and 6 herein below) for the 2019 Nominating Committee. After determining the stockholders willingness and eligibility to serve, the following were nominated by the Committee:

- |                        |                      |
|------------------------|----------------------|
| 1. <u>Bruce Wood</u>   | 4. <u>John Mize</u>  |
| 2. <u>Jan Moosberg</u> | 5. <u>Brett Tate</u> |
| 3. <u>Fred Moseley</u> | 6. <u>Bo Fox</u>     |

The election of two (2) eligible stockholders for Director Positions 1 and 2, and the election of the 2019 Nominating Committee will be accomplished by mail ballots which will be sent to eligible voting stockholders not more than ten (10) business days after the annual meeting.

**Certification**

By signing below, I hereby certify that I have reviewed this Annual Meeting Information Statement and the information contained herein, and further certify that the report has been prepared in accordance with all applicable statutory and regulatory requirements and that the information is true, accurate and complete to the best of my knowledge and belief.



\_\_\_\_\_  
Terry Milligan, Chairman of the Board

Date of Signature: 3/21/2018



\_\_\_\_\_  
Derrell Chapman, Chief Executive Officer

Date of Signature: 3/21/2018



\_\_\_\_\_  
Daryl Belt, Chief Financial Officer

Date of Signature: 3/21/2018

**RECORD OF MINUTES  
ANNUAL STOCKHOLDERS MEETING OF  
LEGACY AG CREDIT, ACA  
AUGUST 14, 2017**

The Annual Stockholders Meeting of the Legacy Ag Credit, ACA was called to order by Terry Milligan, Chairman of the Board, at 6:30 p.m. on August 14, 2017, at the Hopkins County Civic Center in Sulphur Springs, Texas.

Chairman Milligan asked CEO Al Conner if there was a quorum present. CEO Conner answered in the affirmative. Chairman Milligan called Stockholder A. G. Sandifeer to the podium to offer the invocation. Stockholder Sandifeer came to the podium for the opening prayer.

Chairman Milligan returned to the podium and stated that a copy of the minutes from the 2016 meeting held April 25, 2016, had been mailed to each stockholder. Chairman Milligan asked if there were any corrections or additions to the 2016 minutes. There being none, Stockholder Sandifeer moved to accept the minutes as mailed. Stockholder Ron Gabriel provided a second to the motion which passed by unanimous vote.

Chairman Milligan introduced Nominating Committee Chairman Bruce Wood, who presented the report of the Nominating Committee. Mr. Wood explained that the Nominating Committee, consisting of himself, Jan Moosberg and Fred Moseley, met on February 22, 2017, and again on March 22, 2017, in the Sulphur Springs office with Nominating Committee Consultant Lynn Dantzer, to determine nominees for the open director positions and the 2018 Nominating Committee. Mr. Wood reported that the Nominating Committee had selected the following candidates:

**Position 1:** David R. "Randy" Reeves and A. G. Sandifeer

**Position 2:** William P. "Bill" Blackmon and Brandon Sides

Mr. Wood advised those present that the Nominating Committee had nominated the following candidates for the three (3) member positions and three (3) alternate positions for the 2018 Nominating Committee.

1. Bruce Wood
2. Fred Moseley
3. Jan Moosberg
4. Bo Fox
5. John Mize
6. Brett Tate

At this time, Mr. Wood offered each Board Position Nominee the opportunity to address the stockholders. Stockholder Randy Reeves addressed those present by stating that he and his wife, Connie, were new borrowers from the Longview Office and Kristy Marjason is their Relationship Manager, where he indicated they received good, professional service. Stockholder

**Reeves provided a brief statement regarding his background and experience. He concluded his statements by stating he believed the Association needed more Board representation from his area of the territory, appreciated the opportunity to run for the Board of Directors of the Association and would appreciate the votes of the stockholders.**

**Stockholder Sandifeer addressed those present by stating he is a resident of Dike, Texas, and had served on the Association Board of Directors since 2001. Sandifeer stated he has enjoyed serving on the stockholders of the Association, thru good times and bad, and would appreciate the stockholders votes.**

**Stockholder Bill Blackmon addressed those present by stating that he and his wife Debbie, were borrowers of the Canton branch office, and he appreciated the personalization provided by the staff in that branch, such as coming out to their property to see their operation. Blackmon indicated he believes his diverse background would benefit the Board and the Association, and he would appreciate the votes of stockholders.**

**Stockholder Brandon Sides addressed those present by stating that he has served on the Board since he was appointed to fill the position of deceased Director Jerry Cordell in early 2017. Sides reported he is a resident of Canton, Texas, where he owns and operates a pea farm, which has been in his family since 1957, when it was started by his grandparents. Sides', along with his grandmother, has run the farm since 2007. Sides stated he would like the opportunity to continue to serve the stockholders as a Director and would like to continue paying the stockholders a good patronage.**

**At this time, Mr. Wood asked for nominations from the floor for Board Position 1. Hearing none, Mr. Wood asked for nominations from the floor for Board Position 2. Hearing none, Mr. Wood asked for nominations from the floor for the 2018 Nominating Committee. Hearing none, Mr. Wood closed the nominations and concluded his presentation by explaining that, as in previous years, the election of two (2) eligible stockholders for the open director positions and the 2018 Nominating Committee members and alternates would be accomplished by mail ballot. He further explained that the Association had engaged DK Partners to serve as independent tabulator, to mail out the ballots and tabulate the votes. Additionally, he stated that the ballots will be mailed to all eligible stockholders on or before August 28, 2017, and the polls will close on September 13, 2017, in accordance with Association bylaws, and a letter will be sent to all stockholders communicating the election results. Mr. Wood turned the meeting back over to Chairman Milligan to present the Board of Directors Report.**

**Chairman Milligan returned to the podium welcomed those in attendance, and began by expressing his thanks to the stockholders for their continued commitment to the Association. Chairman Milligan then introduced the Board of Directors and the Board Consultant. Chairman Milligan thanked the directors and staff for their continued efforts in promoting the Association. He reported that the \$2.4 million cash patronage paid on 2016 earnings was the largest patronage ever paid by the Association. Chairman Milligan continued his report by covering covered some of the activities of the local board in the past year, including attending thirteen regular Board and Audit Committee meetings and five Compensation Committee meetings, as well as attending the annual FCBT sponsored Director Development Program and**



the FCBT Annual Stockholders Meeting, and participating in training based on historical trends and self-assessment needs. Additionally, Chairman Milligan reported that he and other board members met with local congressmen and senators in Washington DC in 2017 to promote Farm Credit and to voice support for Congress to pass a strong Farm Bill. Chairman Milligan advised the stockholders that the Board had address most of the supervisory action requirements initiated by the Association's Regulator, the Farm Credit Administration and planned to name a new CEO within the next few weeks. He also advised that one of the Board's most important upcoming tasks is the 2018 is the Annual Planning meeting, which will be held early this fall. He explained that this meeting sets the course for the Association staff for 2018 and beyond, and stockholders input is an important part of the planning process. He asked stockholders to feel free to call their local Legacy staff or one of the directors and let them know what's important to them. Chairman Milligan concluded his report by reiterating the Board's commitment to making Legacy a strong financial institution, serving agriculture in North East Texas.

Chairman Milligan introduced interim CEO Al Conner, who provided the President's Report. CEO Conner welcomed thanked Chairman Milligan and welcomed those in attendance. CEO Conner reported the Association had a strong net-worth of \$56.5 million and a capital position of 23% at year-end 2016, with assets totaling \$242 million and net income of \$3.9 million. CEO Conner reported that the Association's credit quality ratio continued to improve, with acceptable loan volume of over \$2 million at year-end 2016. CEO Conner presented a commodity concentration chart showing the breakdown of commodity segments within the Association's loan portfolio. He noted that the dairy commodity segment is now 3%, which is much less than this sector of the portfolio was in previous years, and he attributed this to the decline in that industry in 2008-2009. CEO Conner concluded his presentation by stating the Association had a good year in 2016 and was on track for another good year in 2017. He then turned the meeting over to Director Cody Newman.

At this time, the Association and Directors wanted to take a moment to recognize the contributions of Director Jerry Cordell and honor his family with a video tribute and presentation of a plaque in honor of his years of service. Director Newman reminded those present that Farm Credit has been in existence for 100 years, and that Director Cordell's 37 years of service equals roughly one-third of that time. Director Newman expressed what a privilege it was to be asked to present this tribute to Director Cordell, and quoting Proverbs 18:24 "A man who has friends must show himself friendly", a verse which Director Newman stated he believed describes the kind of person Jerry Cordell was; he was friendly and was a friend to so many. Director Newman then thanked the Cordell family for sharing Jerry with the Association for those years and expressed his appreciation for the friendship he shared with Jerry over the years. Those present watched a short video presentation. At the conclusion of the video, Director Newman invited Glenda Cordell to the front, and presented her with a plaque in memory and honor of Director Jerry Cordell and his years of service to Farm Credit and the Association. At the conclusion of the presentation, Director Newman turned the meeting back over to Chairman Milligan.

Chairman Milligan introduced Association legal counsel Scott Ritcheson, who gave a brief explanation of this background and expertise, and explained he would now answer any questions from the stockholders relating to the planned merger with Texas Farm Credit, and its

subsequent termination. Mr. Ritcheson further noted that legal disclosures related to the merger decision were included in both the 2016 Annual Stockholders Report and the 2017 Annual Meeting Information Statement. Mr. Ritcheson asked if anyone present had any questions or concerns regarding the merger issue that they would like to discuss at this time. Stockholder Lynn Young addressed those present and stated he was a customer of the Longview branch office and asked Mr. Ritcheson to explain what impact the merger would have had on that branch office. Mr. Ritcheson advised that merger has general advantages, such as the reduction in operating costs and overhead, including professional services and audit expenses due to regulatory requirements which can be costly, increased expertise in the job functions performed by staff, as well as improvements in technology. Mr. Ritcheson also advised that merger has general disadvantages as well, such as the loss of local control, the loss of local representation, a name change and change in headquarters location, when the larger association takes over the operations and territory of the smaller association. Mr. Ritcheson concluded his remarks by advising those present that a stockholder vote would be required in the event a future merger is considered. There being no further comments or questions from those present, Mr. Ritcheson turned the meeting back over to Chairman Milligan.

Chairman Milligan conducted the drawing for door prizes, then asked if there were any other items of new or unfinished business that needed to be brought before the meeting at this time. There being none, Stockholder Paul Nicklas moved to adjourn. Stockholder Ron Gabriel provided a second to the motion which passed by unanimous vote. Chairman Milligan advised that a meal would and be served immediately following the meeting, and giveaways were available. He concluded the meeting by again expressing his thanks to those in attendance and offering a prayer of thanks. The meeting was adjourned at 7:12 p.m.

Attest: \_\_\_\_\_  
Corporate Secretary

Signed: \_\_\_\_\_  
Chairman of the Board