

COMMITMENT

Building a solid foundation

FOCUS

for funeral home management

VALUE

A Message from the Chair and President

As the nation's only funeral practice management cooperative, Thanexus is committed to you, the shareholder, and is focused on continuing to serve your employment, risk management and marketing needs. We are also committed to extending the value you have come to expect of Thanexus to other small employers and the self-employed, in a rapidly growing segment of the nation's workforce known as the "gig economy."

For the past three years, the Thanexus executive staff and board of directors have developed and pursued the implementation of a federal legislative initiative called "SEBA," aimed at aggregating health, welfare and retirement benefits to small employers and the self-employed. SEBA stands for both a "Small Employer Benefit Arrangement" (like Thanexus) and a "Self-Employed Benefit Arrangement." The SEBA proposal reflects how Thanexus began in 2000 and how we continue to function today on a "single-employer" basis. This SEBA initiative is an effort to demonstrate and formalize the Thanexus model.

Thanexus is unique—delivering a turn-key human resource solution that is member-owned, self-governed and democratically controlled, with any excess revenue either retained at the cooperative level or returned to you in the form of member equity and cash patronage dividends.

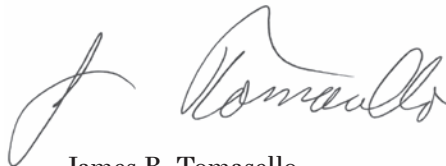
Along with administering all of the payroll functions for shareholders and their employees (inclusive of owners and family members), Thanexus provides a "safe harbor" defined contribution plan with low benchmarked operating costs and three quality, cost-effective health plans that help maintain coverage stability. Our qualified cafeteria plan allows for pretax deductions of employee health and dental premiums and contributions to flexible spending, dependent care and health savings accounts. Life insurance and disability programs round out our primary employee benefit offerings.

Our full-time human resource and benefit professionals handle the routine daily business of employment, while also providing management support services for the more complex issues you encounter such as workers' compensation injuries, disability related leaves of absence, unemployment claims, and claims related to family, medical and military leave.


Because of the distinctiveness of Thanexus and its single-employer design, others cannot easily do what we do today. Thus, our current SEBA legislative initiative is focused on transforming our unique value into a working model for others, while safeguarding it for ourselves as well. Prevailing tax and benefit law currently mitigates against small employers and the self-employed from aggregating the administration, testing and distribution of their separate retirement, health and welfare plans. Moreover, and exclusive to Thanexus and our SEBA operating model, those plans cannot be united into a single integrated plan, or provided in a way that allows for the close and effective management necessary to achieve Thanexus' level of uniformity in communication, distribution, enrollment and participation.

If SEBA becomes a national reality, both employers and employees could realize greater benefits per expended dollar—in any industry or segment of the economy. It could also eliminate the general and administrative costs of brokers, middlemen and third-party administrators, thus moderating the rate of benefit cost increases normally associated with small employer plans.

Together, we created Thanexus. Individually, you each own it. Collectively, our vision is to move it forward so that other small employers and the self-employed can benefit from the proven principles of our cooperative.



James R. Tomasello
Chair



George R. Kelder Jr., CFSP
President



Shareholder Value

A cooperative is defined as a user-owned and controlled business, from which benefits are derived and distributed equitably on the basis of use.

Patronage Dividend and Equity Distribution

As part of the cooperative model, a patronage dividend is how Thanexus is able to return “profits” back to its shareholders, each essentially receiving a “refund” based on its use of services in a given year.

As Thanexus grows, it is important to recognize that distributing a dividend is an indicator of our success. Since its inception, Thanexus has declared \$1.5 million in patronage, distributing more than \$768,000 in cash dividends to shareholders and allocating the remaining \$755,000 to member equity. Thanexus has also returned nearly \$177,000 in accumulated member equity to older shareholders whose membership dates back to 2000.

Historical Patronage Allocation

YEAR	# OF SHAREHOLDERS	NET INCOME SUBJECT TO PATRONAGE	PATRONAGE ALLOCATION			
			CASH	EQUITY	CASH ¹	EQUITY
2000	23	\$ 217,903	45%	55%	\$ 98,056	\$ 119,847
2001	33	\$ 106,951	45%	55%	\$ 48,128	\$ 58,823
2002	41	\$ 43,262	45%	55%	\$ 19,468	\$ 23,794
2003	46	\$ 137,565	45%	55%	\$ 61,904	\$ 75,661
2004	46	\$ (20,546)	0%	100%	\$ —	\$ (20,546)
2005	57	\$ 120,000	45%	55%	\$ 54,000	\$ 66,000
2006	65	\$ 142,940	45%	55%	\$ 64,323	\$ 78,617
2007	67	\$ 77,000	45%	55%	\$ 34,650	\$ 42,350
2008	67	\$ —	0%	0%	\$ —	\$ —
2009	67	\$ —	0%	0%	\$ —	\$ —
2010	68	\$ 55,210	45%	55%	\$ 24,845	\$ 30,366
2011	69	\$ —	0%	0%	\$ —	\$ —
2012	71	\$ 27,780	100%	0%	\$ 27,780	\$ —
2013	71	\$ 130,712	100%	0%	\$ 130,712	\$ —
2014	73	\$ 130,000	35%	65%	\$ 45,500	\$ 84,500
2015	75	\$ 119,519	35%	65%	\$ 41,832	\$ 77,687
2016	77	\$ 121,892	45%	55%	\$ 54,851	\$ 67,041
2017	76	\$ 111,958	55%	45%	\$ 61,577	\$ 50,381

¹ Before adjustments for Workers' Compensation Audits



Health Care

Thanexus shareholders and employees have received more than \$631,000 in premium credits since 2012.

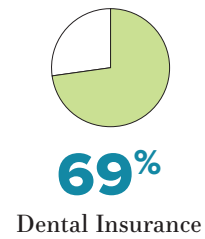
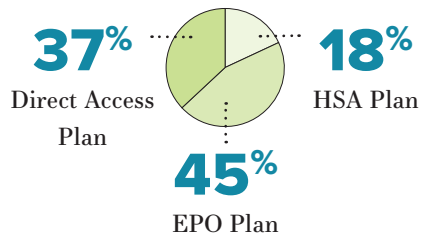
MyWay HSA

In addition to our Direct Access and EPO Plans, Thanexus introduced a third health benefit option during 2018 Open Enrollment. MyWay HSA pairs a high-deductible health plan (HDHP) with a health savings account (HSA). An HDHP offers lower premiums in exchange for a higher deductible and an HSA is a savings account that is used to offset the deductible and pay for qualified medical expenses on a tax-favored basis.

Return of Surplus

In 2017, the Association Master Trust Board of Trustees once again approved a return of surplus as a result of less than expected claims utilization in 2016. The 3% surplus refund totaled \$140,000 and was returned to shareholders and employees in the form of a credit against health premiums.

Shareholder Benefit Plan Participation



73% of shareholders do not charge for employee-only coverage.

The average life insurance benefit provided by shareholders ranges between

\$20,000 and **\$25,000**.



Shareholder Commitment

Thanexus' new cyber-liability policy carries a \$5 million per claim and aggregate limit, and includes coverage for business interruption loss and digital data recovery.

Cyber Liability

In this increasingly cyber-dependent age, any and all of our personal information is susceptible to a data breach.

Following a multi-year review of how Thanexus collects and stores sensitive, confidential funeral home financial information and employee data, including an examination of the devices and methods we each use to communicate personally identifiable information; and after scrutinizing the many protections, firewalls and encryption methods currently in place, Thanexus secured a comprehensive cyber-liability policy to cover the potential risks of a cyber-attack.

Data breaches are not solely the work of criminal hackers unleashing malware or malicious code into our systems—they can also occur through an accidental employee or contractor connection to any of our (or your) servers through an infected laptop or smartphone, resulting in the potential compromise of thousands of records.

This comprehensive review and resulting cyber plan, coupled with the acquisition of cyber-liability insurance, will assist in protecting Thanexus' most valuable assets—its shareholders and their employees.

EPLI

Thanexus maintains an employment practices liability policy which may afford coverage to shareholders for certain employment-related claims. Current coverage provides defense and claims coverage up to \$1 million for each covered claim, subject to an aggregate of \$5 million.

Additionally, for any employment-related matter that names Thanexus and/or the shareholder, our first dollar defense fund covers up to the first \$12,500 of legal expenses billed by the counsel of Thanexus' choice, provided that the shareholder consents to investigation, administration or defense by Thanexus.

OSHA Compliance Officer (OCO) Training

Thanexus is committed to educating its shareholders and employees on creating and maintaining a safe and secure work environment. In July 2017, Thanexus OCOs attended a workshop designed to meet both federal OSHA training and Thanexus compliance obligations. Annual training enables the OCOs to effectively maintain the funeral home's OSHA compliance plan and to educate at-risk employees on personal protection and funeral home compliance issues.

MFDA Compensation Survey

The Massachusetts Funeral Directors Association (MFDA) partnered with Thanexus in 2017 to conduct a wide-scale compensation survey of funeral directors in Massachusetts. The data provided a baseline salary profile for industry professionals and a breakdown of offered employee benefits such as medical and dental insurance, retirement plans, bonuses, paid time off and fringe benefits.

The MFDA chose Thanexus due to its outstanding reputation as the nation's first and only funeral service practice management cooperative.

Shareholder Commitment *Continued*

Lease Agreements

Many funeral homes have separate residential living spaces attached to or located on their properties. It is not uncommon for funeral home employers to make the residential property available to an employee as part of their employment or compensation package. In 2017, Thanexus created lease agreements for shareholders outlining the parameters of tenancy and employment relationships.

In 2017, Thanexus shared employment with:



76

shareholders

at



134

registered mortuaries

with



118

worksites



for a combined gross annual payroll of

\$34.2

million.

Retirement Planning

Thanexus worked with outside counsel to restate the Thanexus, Inc. Retirement Plan to incorporate a Roth 401(k) option. With a Roth 401(k), participants can pay taxes up front so earnings on contributions and future withdrawals are tax-free.

Participants still have the traditional 401(k) option of making pretax contributions now and paying taxes later when the funds are withdrawn.



Thanexus, Inc. Retirement Plan

As of December 31, 2017, there were:



420

active participants

with



\$79.7

million in plan assets



86%

of eligible Thanexus employees contribute an average of **7%** of their compensation into the plan.

Marketing Focus



In 2017, Thanexus worked with shareholders to update their marketing materials to incorporate clarifying regulatory language required by the FTC.

Thanexus prides itself on remaining up-to-date on New Jersey State Board of Mortuary Science and Federal Trade Commission (FTC) requirements for the following funeral home marketing materials:

- General Price Lists
- Package Offerings
- Statements of Funeral Goods and Services Selected
- Invoices
- Consent for Services by Authorizing Agents(s)
- Cremation Authorizations
- Promissory Notes

In 2017, Thanexus provided:



34,595

customized marketing materials.

Build and Price a Funeral

Funeral MattersSM made significant improvements to its consumer website. The website was transformed into a familiar “build and price” model, presenting funeral options and prices in clear, simple selections that families can easily understand. Once comfortable with their selections, consumers have the opportunity to review them with a Funeral Matters provider of their choosing.

The new interface is in keeping with today’s continually advancing technology—one that provides a progressive online experience for consumers. Online research prior to a purchase has become common practice and shopping for a funeral is no different. This enhancement was developed with the intention to create a mutually beneficial experience—allowing families to learn and understand what is available to them and providing Funeral Matters subscribers with an increase in lead generation.



funeral mattersSM

currently has

19

subscribers serving

39

registered mortuaries throughout New Jersey.

Annual Compensation and Call Volume

The following compensation data of Thanexus, as employer of record, is based on actual W-2 wages. The data is statistically accurate and serves as the only true source of actual labor and wage data for New Jersey's funeral service professionals.

The statistical information on pages 14–15 is based on survey responses from 71 shareholders and represents data for:

283 licensed and **577** non-licensed staff,
for a total of **860** funeral service employees in New Jersey.

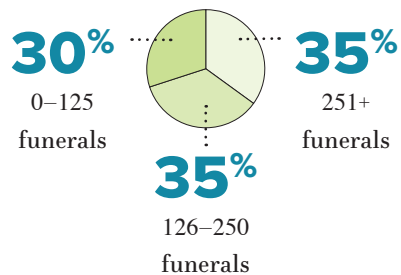
AVERAGE COMPENSATION

	AVERAGE	MEDIAN
Licensed Owner*	\$143,459	\$112,474
Licensed Non-Owner	\$79,227	\$74,682
Newly-Licensed Non-Owner	\$47,670	\$47,920
Clerical and Administrative (<i>per hour</i>)	\$21.12	\$20.00
Funeral Attendant (<i>per hour</i>)	\$18.42	\$16.55
Interns (<i>per hour</i>)	\$15.42	\$15.00

* Owner compensation includes only the compensation taken in the form of W-2 wages and does not include other typical forms of owner compensation, such as dividends, rent and net profit distributions.

PER SERVICE PAYMENTS	AVERAGE PAYMENT	AVERAGE HOURS
Making Funeral Arrangements	\$240	2
Conducting a Celebrant Service	\$268	2
Directing a Local Funeral	\$275	3
Tending Door (<i>two-hour visitations</i>)	\$79	2
Serving as a Pallbearer (<i>locally</i>)	\$68	2
EMBALMING SERVICES		
Non-posted Remains	\$253	2
Posted Remains	\$331	3
Full Donation	\$401	4

SHAREHOLDERS BY CALL VOLUME



Annual Call Volume *Continued*

TOTAL NUMBER OF FUNERALS

Cremation **6,505**

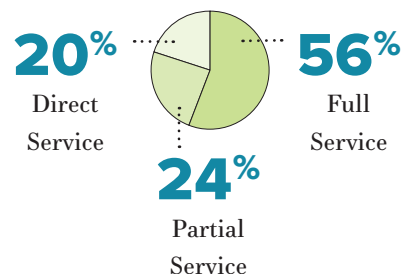
Non-Cremation **8,268**

Total Funerals **14,773**

Average Number of Funerals
Conducted per Shareholder **208**



SERVICES SELECTED



Full Service is defined as an arrangement including basic services of funeral director and staff, embalming, dressing, casketing, cosmetics, two or more hours of visitation, funeral ceremony, transfer to funeral home and use of hearse. (Defined as retention, care, preparation, three plus hours of visitation and coordination for Funeral Matters subscribers.)

Partial Service is defined as an arrangement including basic services of funeral director and staff, embalming or sanitary care, dressing, casketing, cosmetics, one hour of visitation, funeral ceremony, transfer to funeral home and the use of hearse/service car. (Defined as retention, care, preparation, less than three hours of visitation and coordination for Funeral Matters subscribers.)

Direct Service is defined as an arrangement including basic services of funeral director and staff, no visitation or ceremony, transfer to funeral home and the use of hearse/service car. (Defined as retention only or Direct Cremation/Immediate Burial for Funeral Matters subscribers.)

Risk Management



Risk management solutions include:

- Business Owners Protection
- ERISA
- Workers' Compensation
- Umbrella
- Employment Practices Liability (EPL)
- Property and Liability
- Residential and Flood
- Commercial and Personal Auto
- Owner's Dwelling
- Cyber Liability
- Specialty Coverages

In 2017, funeral directors placed more than

\$3.29 million

in insurance premiums with our wholly-owned subsidiary, Thanexus Financial Services, LLC.

Value through partnerships with:



Consolidated Balance Sheet¹

for the year ended December 31, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,422,829
Investments in marketable securities	873,320
Member receivables ²	881,379
Deferred tax asset	
Prepaid and other current assets	76,619

\$ 3,254,147

Investment in Knowledge Based Funerals, LLC ³	103,499
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\$ 3,357,646

TOTAL ASSETS

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$ 49,303
Accrued salaries and related payables	1,592,741
Income taxes payable	—
Deferred revenue	—
Member capital payable ⁴	3,017
Patronage dividends payable ⁵	111,958
Deferred Tax Liability	14,300

\$ 1,771,319

TOTAL LIABILITIES

STOCKHOLDERS' EQUITY

Common stock, \$100 par value; 300 shares authorized, 76 shares issued and outstanding	\$ 7,600
Additional paid-in capital ⁶	423,014
Accumulated other comprehensive income (loss)	28,686
Retained earnings	1,127,027

\$ 1,586,327

TOTAL STOCKHOLDERS' EQUITY

Total Liabilities and Stockholders' Equity \$ 3,357,646

2017 NOTES

1 The operations of Thanexus, Inc. and its wholly-owned subsidiary, Thanexus Financial Services, LLC, are consolidated for financial reporting purposes. The earnings from Thanexus Financial Services, LLC do not contribute to patronage dividends and are taxed at the cooperative level.

2 Member receivables reflect the financial reporting requirements to accrue all wages and benefits as of December 31, 2017 that are not yet booked and processed. The amount is considered fully collectible. Accordingly, no allowance for doubtful accounts is required.

3 Thanexus, Inc. is an equal partner with New Jersey Funeral Directors Services, Inc. in Knowledge Based Funerals, LLC, and serves as its Managing Member. Knowledge Based Funerals, LLC holds the property rights to Funeral MattersSM.

4 Member capital may be retained for a period of time to pay the outstanding liabilities of stockholders incurred after the date of termination. The accrual to pay stockholders who terminated membership was \$3,017 and \$17,840 for the years ended December 31, 2017 and December 31, 2016, respectively.

5 Stockholders are entitled to a patronage dividend distribution of eligible earnings. Investment income and earnings from Thanexus Financial Services, LLC are not patronage eligible. The company declared a patronage dividend of \$111,958 for the year ended December 31, 2017 and \$121,892 for the year ended December 31, 2016.

6 Additional paid-in capital represents prior years' patronage dividends, less amounts paid out in cash distributions.

Consolidated Statement of Operations¹

for the year ended December 31, 2017

REVENUE

Administrative fees	\$ 1,413,394
Insurance commissions	566,880
Initiation fees	4,900
Other income	6,538
Employment related income ⁷	43,248,583

TOTAL REVENUE

\$ 45,240,295

DIRECT COSTS

Salaries	\$ 34,156,482
Payroll taxes	2,509,510
Pension ⁸	1,752,784
Other benefits	4,829,807

TOTAL DIRECT COSTS⁷

\$ 43,248,583

General and administrative expenses ⁹	\$ 1,788,315
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TOTAL DIRECT COSTS AND EXPENSES

\$ 45,036,898

INCOME FROM OPERATIONS

\$ 203,397

Other income	43,248
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EARNINGS BEFORE DECLARATION OF PATRONAGE

\$ 246,645

Patronage dividends declared ⁵	(111,958)
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EARNINGS BEFORE PROVISION FOR INCOME TAXES

\$ 134,687

Loss on Investment in Knowledge Based Funerals, LLC ¹⁰	(76,560)
Provision for income taxes	(23,185)

NET INCOME

\$ 34,942

Retained earnings, beginning of year **\$ 1,092,085**

Retained earnings, end of year **\$ 1,127,027**

NOTES

⁷ Total direct costs are netted against employment related income in the audited financial statements. The total employee related costs for 2017 and 2016 were \$43,248,583 and \$41,558,987, respectively.

⁸ Thanexus, Inc. maintains an employee retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan is available to employees who have worked 1,000 hours, completed one year of service and are age 21 and older. All stockholder firms make a safe harbor contribution of 3% of eligible compensation and may also make additional discretionary contributions. The 401(k) expense was \$1,752,784 in 2017 and \$1,672,781 in 2016.

⁹ General and Administrative costs include office, technology, marketing, personnel, professional and management fees. Thanexus, Inc. has a management agreement with New Jersey Funeral Directors Services, Inc. to provide office space and related services for a fee, which totaled \$228,750 in 2017 and \$230,750 in 2016.

¹⁰ As an equal partner with NJFDS in KBF, any net income or loss sustained by KBF is apportioned in equal amounts to both members. Thanexus' pro rata share of the KBF net loss was \$76,560 and \$98,895 for the years ended December 31, 2017 and December 31, 2016, respectively.

Thanexus Shareholders

as of December 31, 2017

Alvarez Funeral Homes

Ana Maria Zevallos/Skrocki
Home for Funerals
Ashcraft Funeral Homes
Bailey Funeral Homes
Biondi Funeral Home
Bizub-Quinlan Funeral Home
Bradley & Stow Funeral Home
Bradley Funeral Home
Brunswick Memorial Home
Codey & Mackey Funeral Home
Costantino Funeral Home
Costello-Runyon Funeral Homes
Creran Funeral Homes
Damiano Funeral Home
Doyle Funeral Home
Ely Funeral Home
Evoy Funeral Homes
Falco, Caruso & Leonard Funeral Homes
Festa Memorial Funeral Home
Flynn & Sons Funeral Homes

Freeman Funeral Homes
Funeral Service of New Jersey
G. Keenen O'Brien Funeral Home
Galante Funeral Homes
Gallaway & Crane Funeral Homes
Gardner Funeral Homes
George H. Wimberg Funeral Homes
Givnish Funeral Homes
Godfrey Funeral Homes
Gosselin Funeral Home
Hagan-Chamberlain Funeral Home
Higgins Home for Funerals
Hoffman Funeral Homes
Introcaso-Angelo Funeral Homes
John F. Pflieger Funeral Home
Kain-Murphy Funeral Services
Krowicki Gorny Memorial Home
LeRoy P. Wooster Funeral Home
and Crematory
M. John Scanlan Funeral Home
MacFadden Funeral Home

Martin Funeral Home	Riotto Funeral Home
McCriskin-Gustafson Home for Funerals	Robert Spearing Funeral Home
McLaughlin Funeral Home	S.W. Brown & Son Funeral Home
Memorial Funeral Home	Saul Funeral Homes
Nazare Memorial Home	Shook Funeral Homes
Norman Dean Home for Services	Shook's Cedar Grove Funeral Homes
Norton Funeral Home	Smith-McCracken Funeral Homes
Oakland Memorial Home	Stephen J. Priola Parsippany Funeral Service
Orender Family Home for Funerals	Timothy E. Ryan Home for Funerals
Pancoast Funeral Home	Vander May Wayne Colonial Funeral Home
Parow Funeral Homes	Vander Plaat Funeral Home
Paul Ippolito Memorial Homes	Walter J. Johnson Funeral Homes
Peppler Funeral Homes	Warner-Wozniak Funeral Service
Perinchief Chapels	Wimberg Funeral Homes
Pettit-Davis Funeral Home	Woolley-Boglioli Funeral Homes
Pizzi Funeral Home	Wright and Ford Family Funeral Home and Cremation Services
Poulson & VanHise Funeral Directors	
Prout Funeral Home	
Radzieta Funeral Home	
Riewerts Memorial Homes	

Bold = New shareholder in 2017

About Thanexus

The nine elected members of the Board of Directors, together with the sitting Management Team, are focused on Thanexus, Inc. and committed to continually create value for its shareholders and employees.

BOARD MEMBERS

James R. Tomasello, Chair
Gardner Funeral Homes
Runnemede & Bellmawr, NJ

Timothy W. Brock, Vice-Chair
Vander Plaat Funeral Home of Wyckoff
Wyckoff, NJ

Enrico T. Caruso Jr., CFSP
Falco, Caruso & Leonard
Funeral Homes
Pennsauken & Camden, NJ

Joanna Hagan
Hagan-Chamberlain Funeral Home, LLC
Bound Brook, NJ

R. Michael Gallaway
Gallaway & Crane Funeral Homes
Basking Ridge & Bernardsville, NJ

Rosemary K. Mahoney
Coop Metrics
Arrington, VA

Thomas J. Givnish
Givnish Funeral Homes
*Maple Shade, Cinnaminson
& Marlton, NJ*

Joseph C. Parell III, CFSP
Poulson & Van Hise Funeral Directors
Lawrenceville, NJ

Glenda S. Stansbury, CFSP
Insight Books
Oklahoma City, OK

MANAGEMENT TEAM

George R. Kelder Jr., CFSP

President

Barbara D. Guinta

Chief Operating and Financial Officer

Jackie Kutch

Corporate Secretary

Chris Murphy

Business Development Manager

Kimberly Boucher

Director of Finance

Learn how Thanexus can help you and your business
with all of its benefit offerings.

Contact Chris Murphy at 888.309.5137 today for a confidential discussion.



P.O. Box L
Manasquan NJ 08736-0642
888.309.5137
www.thanexus.coop

*Thanexus is an economic development program
of New Jersey Funeral Directors Services, Inc.*