

BELFALLS ELECTRIC COOPERATIVE

P.O. Box 598 • Rosebud, TX 76570 • Phone (254) 583-7955

BELFALLS, MCLENNAN COUNTY MOVE FORWARD WITH CONSOLIDATION EFFORT

“A combined entity would benefit from the larger economic scale, combined services and more efficient operations,” said Rick Haile, CEO and general manager of McLennan County Electric Cooperative and current interim manager of Belfalls Electric Cooperative.

After a joint meeting on May 5, it was agreed by directors of both cooperatives to move forward with plans to consolidate the two neighboring organizations. The merger would create a united cooperative servicing almost 18,000 meters.

According to Haile, members would benefit greatly from the consolidation.

Some of these benefits would

include programs like average billing, and an automatic meter-reading system. This system would phase in automatically read meters that would provide a more accurate 30-day billing cycle without the hassle of members having to report their readings each month.

Despite any changes that take place, it is certain that both offices will remain open. Future joint meetings have been scheduled to discuss the necessary measures to proceed. Both cooperatives will have the final say in this matter with a member vote.

The annual meeting for August 18, 2006, will still proceed as scheduled, and any questions and concerns can be addressed.



Rick Haile, CEO
McLennan County Electric Cooperative

HOLIDAY



BELFALLS ELECTRIC COOPERATIVE WILL BE CLOSED TUESDAY, JULY 4, FOR INDEPENDENCE DAY. WE WISH YOU A SAFE AND HAPPY HOLIDAY.

CONGRATULATIONS

Belfalls Electric Cooperative congratulates the 2006 scholarship winners. We wish you the best of luck in your future endeavors.

Justin Pierce

Bartlett High School

David Brazeal

Buckholts High School

Jennifer Lloyd

CH Yoe High School

Scott Riola

CH Yoe High School

Efrain Benitez

Chilton High School

Bethany Burns

Marlin High School

Kayla Darling

Milano High School

Allison Pechal

Rogers High School

Karli Thorton

Rosebud-Lott High School

Ashlee Davis

Rosebud-Lott High School

CAPITAL CREDITS MADE EASY

A Few of the Questions Most Commonly Asked by Our Members

Like many members, you may have numerous questions concerning capital credits such as what they are, who receives them, or how often are they disbursed. In the question-and-answer section below, we have addressed these sometimes complex questions with simple explanations. And as always, if you find that you still have a question or comment not addressed here, please call us. We will be happy to help you.

What is a cooperative?

A cooperative is a business that is owned and controlled by members who use its services. These owners receive capital credits.

What are capital credits?

A cooperative does not earn profits in the sense that other businesses do. Instead, any margins (revenues remaining after all expenses have been paid) are returned to the members in proportion to their usage. Capital credits represent a member's share of the cooperative's margins.

How are capital credits disbursed?

Each year the board of directors determines whether the co-op's financial position permits the return, or retirement, of capital credits and, if so, what amount of

capital credits will be retired. The board also decides the method for determining which capital credits are returned to members.

Belfalls Electric retires capital credits using the first-in, first-out method (FIFO). That means that the capital credits that have been invested in the cooperative for the longest period of time are returned to members first.

Who will receive capital credits?

Capital credits are allocated to each member of the cooperative every year based on their participation in the cooperative.

How does Belfalls Electric notify recipients?

Allocation details, such as the percentage of revenue to be disbursed, are communicated through *Texas Co-op Power* magazine.

Do members receive interest on capital credits?

Some cooperatives are prohibited from paying interest on capital credits by their articles of incorporation or other legal documents. Belfalls Cooperative does not pay interest on capital credits, because the money to pay that interest would have to be collected from members through higher rates.

What do cooperatives do with capital credits?

Every business needs to maintain a balance between debt and equity to ensure its financial health and stability. Capital credits are the most significant source of equity for most electric cooperatives.

Equity is used to help meet the expenses of the co-op, such as paying for new equipment to serve members and repaying debt. Capital credits help keep rates at a competitive level by reducing the amount of funds to be borrowed.

What if a member moves from the system or dies?

It is the responsibility of the member or the estate holder of the deceased to notify the cooperative of any changes made to the account in relation to names or addresses.

What happens to unclaimed capital credits?

Unclaimed payments will remain available to the member for a four-year period, after which they are turned over to the State as unclaimed property. Capital credits allocations remain on the co-op's books until they are paid out.

Annual Meeting

August 18, 2006
Flag Hall — Cyclone
7:30 p.m.



IN EMERGENCIES

During regular business hours:

(254) 583-7955

Please contact our after-hours answering service in case of an outage not occurring during business hours:

(254) 583-7955

(254) 751-8458