

Artistic Excellence

Kristy Jenkins, daughter of MCEC Lineman Bryan Chandler and his wife, Debbe, won state and national recognition for a drawing titled “Jesse.”



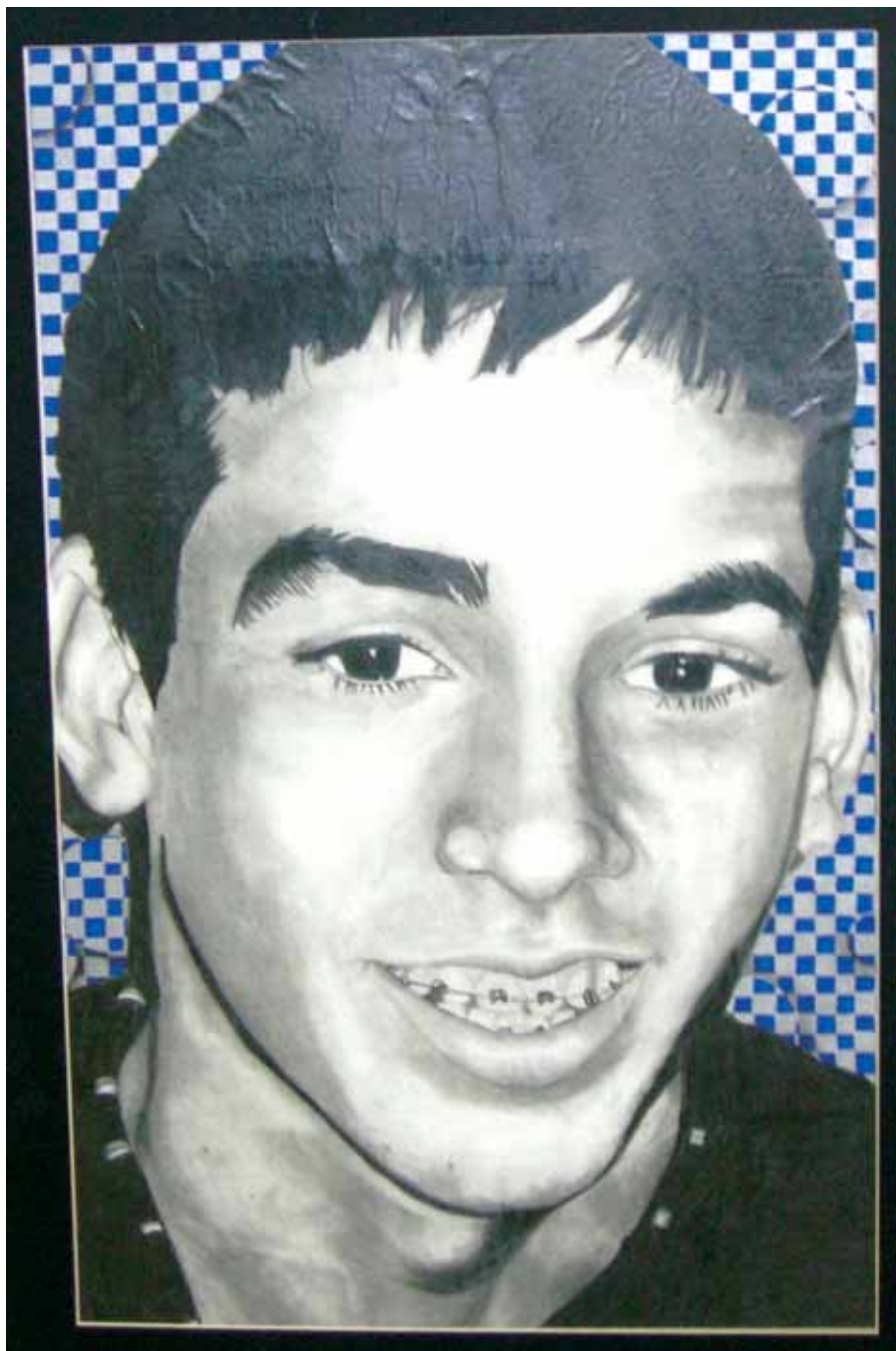
Kristy Jenkins

Kristy is currently a Pre-AP II art student. Her art teacher is Lisa Carpenter at McGregor High School.

In the fall of 2005, she began working on a portrait of her classmate, Jesse Zimmerman. She used ebony pencil for the drawing itself. She blended the pencil strokes very finely to keep the drawing from smudging once it was completed. She used prisma markers to create the optical illusion in the background. She completed the drawing in February 2006.

On February 25, she entered two pieces of art in the Visual Art Scholastic Event, or VASE, which is the University Interscholastic League equivalent for visual arts in Texas. Both pieces advanced to the area level later that day. “Jesse” continued advancing to the state level.

The state competition was held at Clearwater College in Houston on April 7-8. “Jesse” received a gold medal and was awarded a prestigious gold seal. Only 100 gold seals are awarded annually in Texas. “Jesse” competed against more than 12,700 applicants’ works to win a gold seal. The piece has



Portrait of Jesse Zimmerman

been touring various exhibits in Texas with other gold seal winners.

When Kristy shared her story with us, she was surprised that her drawing is receiving so much recognition. She was a first-year art student when she began the piece, and she still can’t believe it went to state.

In the meantime, Kristy has been hard at work on another portrait, which just won Reserve Grand Champion at the Heart of Texas Fair Western Heritage High School Art Competition. We look forward to seeing many more outstanding works of art from Kristy in the future.

Consolidating with Belfalls EC

Why Is This Consolidation a Good Thing?

The McLennan County EC (MCEC) Board of Directors has been anticipating changes and has been strategically positioning our cooperative to take advantage of new opportunities. Consolidating operations with Belfalls Electric Cooperative (BFEC), a neighboring cooperative headquartered in Rosebud, fits perfectly into that plan.

Your board of directors has shown a philosophy of looking to the future by approving a resolution to consolidate with BFEC. Your board and management team has spent an enormous amount of time preparing for this to assure themselves that this effort will be good for both cooperatives. These conservative studies show that over \$10 million can be saved in the first 10 years.

“This isn’t a big corporate merger,” said Rick Haile, general manager/CEO of McLennan County Electric Cooperative. “This is simply two neighboring cooperatives realizing the advantages of working together to better

position ourselves for the marketplace we are in.

“Truth is, what we are trying to do is very similar to what was done back in the 1930s when electric cooperatives were first established—we are cooperating again to obtain better buying power, greater efficiencies and market share.”

With this consolidation, members of both cooperatives

“This isn’t a big corporate merger.”

will experience the positive effect of a larger, stronger and more viable organization. The quality, personal day-to-day service will continue and strengthen. By itself, “bigger” is certainly not necessarily “better,” but combining resources of these two financially stable cooperatives is a sound economic move for both entities and their members. Being larger will allow us to minimize expenses without compromising service.

There are no plans to close

either of the two offices (Rosebud and McGregor). There will be no decrease in service.

Our telephones will continue to be answered by a real, live employee. No jobs will be lost as a result of this consolidation.

Our history of working for the best interests of consumers puts us in a unique position as electric utilities. This proposed consolidation needs your

approval. The board has called for a special meeting on November 16 at the McGregor office. On the cover of this issue, you will find your official voting ballot. Your board

of directors recommends that you vote FOR the consolidation of MCEC and BFEC.

Jointly, the new entity will serve approximately 18,000 meters and over 15,300 members with more than 3,526 miles of energized line. Counties served would include all or parts of Bell, Bosque, Coryell, Falls, Hamilton, McLennan and Milam.

If you have any questions or comments about the consolidation effort, please call the MCEC office at (254) 840-2871.



McLennan County Electric Cooperative

1111 S. Johnson Dr. • McGregor, Texas 76657
(254) 840-2871 or 1-800-840-2957
www.mclennanelectric.coop

Your Touchstone Energy® Cooperative 

Consolidation Agreement

This Consolidation Agreement is made by and between Belfalls Electric Cooperative, Inc., having its principal office at 128 Main Street, Rosebud, Texas ("BFEC"), and McLennan County Electric Cooperative, Inc., having its principal office at 1111 South Johnson Drive, McGregor, Texas ("MCEC"). (BFEC and MCEC are collectively referred to herein as the "Consolidating Cooperatives".)

RECITALS

1. BFEC is an electric cooperative, non-profit membership corporation organized pursuant to the Electric Cooperative Corporation Act of the State of Texas, Chapter 161 of the Texas Utilities Code (the "Act"), as the result of Charter No. 7229401 issued October 26, 1937.

2. MCEC is an electric cooperative, non-profit membership corporation organized pursuant to the Act as the result of Charter No. 7232501 issued November 1, 1937.

3. The BFEC Board of Directors has determined that it is in the best interest of BFEC to consolidate with MCEC in accordance with the terms and provisions of this Agreement and the Act.

4. The MCEC Board of Directors has determined that it is in the best interest of MCEC to consolidate with BFEC in accordance with the terms and provisions of this Agreement and the Act.

AGREEMENT

In consideration of the mutual covenants expressed herein, the sufficiency of which is hereby acknowledged, MCEC and BFEC hereby agree as follows:

1. Agreement to Consolidate. MCEC and BFEC agree to consolidate as provided for in Section 161.201 of the Act and in accordance with the terms and provisions hereof.

2. Effective Date. The effective date (the "Effective Date") of the Consolidation shall be July 1, 2007, provided:

A. The Consolidation has been approved by the vote of a majority of the members of MCEC present in person or represented by proxy at a regular or special meeting of its members called for that purpose in compliance with its articles of incorporation, bylaws and the laws of the State of Texas;

B. The Consolidation has been approved by the vote of a majority of the members of BFEC present in person or represented by proxy at a regular or special meeting of its members called for that purpose in compliance with its articles of incorporation, bylaws and the laws of the State of Texas;

C. that the membership votes shall be held at separate day-time membership meetings at the same time for both Co-ops.

D. the Articles of Consolidation, substantially in the form attached hereto as Exhibit A, has been signed, acknowledged and filed with the Secretary of the State of Texas, as required by the Act; and

E. the Secretary of the State of Texas has issued a Certificate of Consolidation, evidencing July 1, 2007, as the effective date of the consolidation.

Otherwise, the Effective Date shall be the date indicated on the Certificate of Consolidation as issued by the Secretary of the State of Texas.

3. Effect of Consolidation. On the Effective Date,

A. the separate existence of MCEC and BFEC shall cease, and there shall be created in their stead a single, new electric cooperative corporation as provided for in this Agreement.

B. by operation of law and without requirement of further act or deed, the new cooperative shall have all the rights, property and interests of every kind or nature of each of MCEC and BFEC and shall be subject to all the debts, liabilities and obligations of every kind and nature of each of MCEC and BFEC.

4. Name and Purposes. The name of the new cooperative shall be Heart of Texas Electric Cooperative, Inc., ("HOTEC") and its purposes shall be as set forth in the Articles of Consolidation.

5. Principal Office. The principal office of HOTEC shall be 1111 South Johnson Drive, McGregor, Texas.

6. Directors. With the exception of DALE HOELSCHER, and

CALVIN RACHUI, each of whom shall be special advisors ("Special Advisors") to the Board of Directors of HOTEC for a period of five (5) years and LEMUEL WILLIAMS (who shall be an at-large voting director for a period of five (5) years from the Effective Date), the persons who are serving as directors of MCEC and of BFEC on the Effective Date shall be all the directors of HOTEC until the occurrence of an annual meeting of the members of HOTEC following the second anniversary of the Effective Date. Thereafter directors shall be elected on staggered three (3) year terms. The names and addresses of the initial directors of HOTEC are set forth in the Articles of Consolidation, and each such person shall exercise the duties of director until his or her successor is duly elected as provided in the Articles of Consolidation.

7. Directors' Districts. Within a reasonable period of time following the expiration of the two (2) year term of the initial directors, the Board of Directors will evaluate the re-designation of member districts based on the principle of proportional representation.

8. Directors' Benefits. The benefits of all initial directors of HOTEC, including the Special Advisors, shall be commensurable with the greatest benefits being received by any director of either BFEC or MCEC immediately prior to the Effective Date of the Consolidation.

9. Members. As of the Effective Date, each issued and outstanding membership of MCEC and BFEC shall become an issued and outstanding membership of HOTEC, whereupon each member of HOTEC may surrender his or her membership certificate in either MCEC or BFEC for a membership certificate in HOTEC.

10. General Manager. Rick W. Haile shall be the General Manager and CEO of HOTEC.

11. Capital Credits. The patronage capital account of each of the members of MCEC and BFEC will be carried forward by the name of each member and will become the beginning patronage capital of HOTEC. During the first year, member margin allocations will be proportional to the 2005 member margin allocations of each of MCEC and BFEC; no retirement allocations will be affected adversely. No member shall be paid any capital that has been credited to his or her membership account except by action of the Board of Directors of HOTEC, in accordance with the terms and conditions of the Articles of Consolidation and such bylaws as may be adopted by the Board of Directors of HOTEC.

12. Employees. On the Effective Date, each MCEC and BFEC employee shall become an employee of HOTEC without loss of accrued vacation, sick leave, compensation or fringe benefits. Following the Effective Date, to the extent feasible each HOTEC employee shall be employed in substantially the same or similar position as employed prior to the Consolidation. As a result of the Consolidation, employee salaries may or may not be increased but shall not be decreased. No Director or retired employee will lose any accrued benefit; provided however that HOTEC will provide retirement benefits insofar as economically feasible and as provided for in the NRECA Retirement Adoption Agreement and /or SelectRE Pension Plan Adoption Agreement. Nothing in this paragraph 12 shall (i) be construed to impair the right of HOTEC to reassign any employee as necessary or to terminate any employee for cause or as otherwise allowed by applicable law, or (ii) create an employment agreement or modify any existing employment agreement between any employee and HOTEC or either of MCEC or BFEC.

13. Service Area. On the Effective Date and thereafter HOTEC shall provide electric service in the retail service areas formerly served by MCEC and BFEC.

14. Rates. BFEC and MCEC recognize that their respective rates and customer classifications are different. It is the intent of MCEC and BFEC that HOTEC have uniform, system-wide rates for all customer classes as soon as may be deemed prudent by the Board of Directors of HOTEC. Such new rates may take into account competition and density, among other factors. Notwithstanding any other provision of this paragraph 14, the Board of

Directors of HOTEC may define and/or redefine the customer classes from time to time as may be appropriate, including the applicability and availability of any rate. Until such time as uniform, system-wide rates are adopted by the Board of Directors of HOTEC the rates and classifications currently in place with regard to all members of BFEC and MCEC shall remain in force and effect in the service areas of MCEC and BFEC as such service areas existed before the consolidation.

15. Prohibited Activities. During the period between the date of this Agreement and the Effective Date, neither BFEC nor MCEC will do any of the following without the prior written consent of the other:

A. Incur any liabilities (except current liabilities and obligations entered into in the ordinary course of business).

B. Satisfy any lien or encumbrance, or pay any liability, except for current liabilities shown on their respective balance sheets dated September 30, 2006, and those operating expenses and liabilities paid in the ordinary course of business.

C. Make any distribution of capital credits to its members after October 31, 2006.

D. Mortgage, pledge, grant a security interest in, or encumber any of its assets, either tangible or intangible.

E. Sell, assign, or transfer any of its tangible or intangible assets.

F. Waive any rights that may substantially affect the interests of the waiving party.

G. Enter into a transaction not in its ordinary course of business.

16. Termination of Agreement. This Agreement may be terminated or abandoned by a majority vote of the Board of Directors of either MCEC or BFEC at any time before the Effective Date, provided:

A. the other party has materially breached any provision of this Agreement; or

B. the other party fails to furnish any certificates or other documents reasonably requested and that each party has agreed to furnish to affect the Consolidation; or

C. the other party cannot obtain any consent or approval of any third party that is legally required or practically necessary to the consummation of the Consolidation, including without limitation any required approvals of the Rural Utilities Service (RUS), the National Rural Utilities Cooperative Finance Corporation (CFC) or the Texas Public Utility Commission (TPUC); or

D. there occurs any material and adverse change or event in the other party's financial condition, assets, liabilities, employee compensation, pension benefits, or there arises material and adverse labor trouble, litigation or business condition (other than changes in the ordinary course), or that any of these occur with regard to any of its subsidiaries.

17. Miscellaneous.

A. Complete Agreement. This Agreement constitutes the entire agreement and understanding between MCEC and BFEC with respect to its subject matter and supersedes all prior agreements and understandings, written or oral, between MCEC and BFEC with respect to such subject matter.

B. Governing Law. This Agreement will be governed by the laws of the State of Texas, without giving effect to its conflicts of law principles.

C. Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed an original, and all such counterparts shall constitute one and the same instrument.

D. Assignment. This agreement may not be assigned.

By: Garland Cook	Larry Stock
President	President
MCEC Board of Directors	BFEC Board of Directors

Why is this consolidation a good thing?

Members Urged To Vote

The MCEC Board of Directors recommends to the membership that the cooperative consolidate operations with Belfalls Electric Cooperative.

The most prominent advantages of consolidating include:

- Cost savings from combining resources.
- More efficient utilization of employees.
- More efficient utilization and implementation of new technologies.
- Better position to continue to offer low, competitive rates.
- An ideal mix of electric load with residential, agricultural and commercial and industrial consumers.
- Cooperative size and diversity of membership.

Vote by mail with the ballot included on the outside cover of this magazine, and you are eligible for a drawing for one of five bill credits to be awarded November 16.

Safety Tips To Remember During Hunting Season

For serious hunters who love and are dedicated to the sport of hunting, it is imperative that we teach our children well and carry hunting safety into the next generation. The same rules apply whether one hunts with a gun or a bow. Here are a few basic rules that should be implemented ALL the time:

TREAT YOUR DISARMED GUN OR BOW WITH THE SAME RESPECT THAT YOU WOULD WITH A LOADED GUN OR BOW.

ALWAYS assume that your gun or bow is loaded and ready to shoot.

NEVER EVER POINT YOUR GUN OR BOW AT ANYONE even when unloaded.

ALWAYS POINT YOUR WEAPON IN A SAFE DIRECTION.

KEEP YOUR SAFETY ON until ready to shoot.

DO NOT BECOME ANXIOUS AND TAKE YOUR SAFETY OFF your weapon prior to the shot. That is why the safety is located usually within an inch of the trigger.

ALWAYS KEEP YOUR TARGET IN FRONT OF YOU. That is crucial.

CLEARLY IDENTIFY YOUR TARGET BEFORE YOU SHOOT. Every year individuals are shot because they are mistaken for a deer. Even 30 minutes before sunrise, one should clearly see their target before shooting. Sometimes emotions get in the way and inappropriate shots are taken.

ALWAYS UNLOAD YOUR FIREARM BEFORE CLIMBING into a tree stand, over a fence, and in or over a duck blind.

KNOW THE RANGE OF YOUR WEAPON.

Know how far it will shoot. Know what loads you have in the chamber. Know how accurate you are with a bow and how far your bow will shoot. Know what is behind your target.

KEEP YOUR EMOTIONS IN CHECK. Use GOOD judgment. No animal,

whether it is a pintail drake, large rooster pheasant climbing out of a morning's cornfield, or a 10- to 12-point buck is worth an accident. It is when our emotions rise that mistakes happen.

EAR SAFETY: Many hunters will sacrifice ear safety so they can hear game coming, especially when deer hunting. Put a soft earplug in the ear closest to your weapon. All of our senses are precious and we must take care of them as best as possible.



ALWAYS KEEP YOUR GUN CLEAN. When you unload your pump gun, make sure two to three ejections after the three shells come out that there is nothing in the chamber and leave the chamber open. The same rules apply for automatics. Check to ensure the barrel is free of any debris that may have accumulated, such as cotton from the gun case. When debris is present, the shrapnel could come back in your face, causing eye injuries and severe facial lacerations. Even a little bit of "snow" at the end of a gun barrel can cause severe injury. After use, you should always dismantle the gun, clean it, wipe it down, and put it back together.

McLennan County Electric Cooperative practices safety. We hope you do too.