



Combination of Farmers Mutual Electric Company and Jo-Carroll Energy

On October 27, 2011, Jo-Carroll Energy and Farmers Mutual Electric Company announced plans to combine to form a larger, member-owned utility cooperative. The combination, which is subject to approval by the members of Farmers Mutual, will result in a not-for-profit cooperative serving approximately 28,000 electric and natural gas accounts in portions of Carroll, Jo Daviess, Henry, and Whiteside counties.

Assuming it is approved by Farmers Mutual members, once the combination is complete:

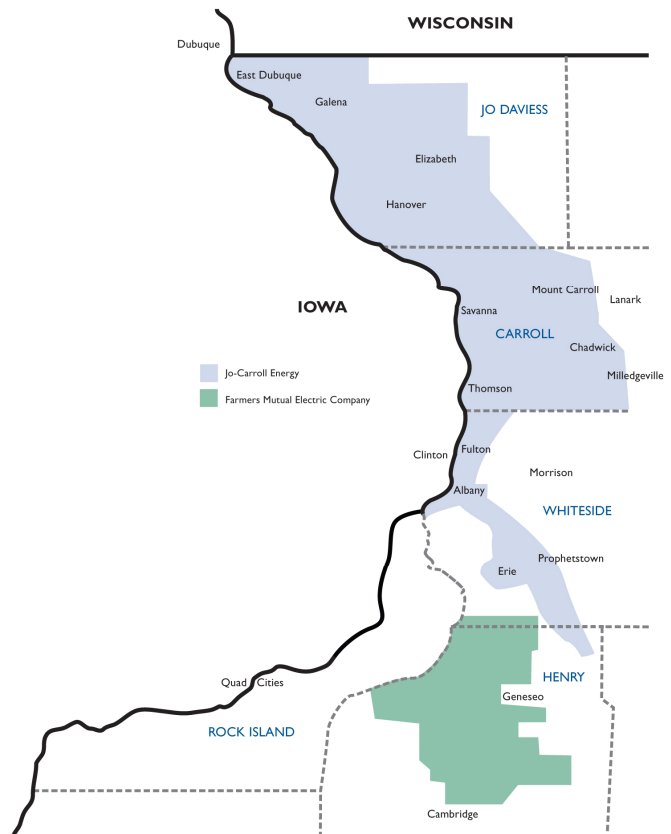
- All members of Farmers Mutual will become members of Jo-Carroll Energy, and all employees of Farmers Mutual will become employees of Jo-Carroll Energy.
- The Farmers Mutual office in Geneseo will remain open to accept payments, answer member questions, and serve as an outpost for line personnel serving the area.
- Capital credits accrued by Farmers Mutual members will be transferred to their new Jo-Carroll Energy accounts and paid out following a special capital credit retirement agreement approved by both boards.
- The combined cooperative will continue to be governed by a board of directors elected by and from the membership.

Members of both cooperatives will benefit from increased efficiency, combining the talents and experience of employees from both cooperatives, and having more personnel and equipment positioned strategically throughout the service area, improving efficiency and response times, especially during outages.

Farmers Mutual members will enjoy a significant expansion in the number of services available to them, including online bill pay, automated meter reading, budget billing, energy audits, and discounts at local and national businesses through the Touchstone Energy Co-op Connections Card.

Jo-Carroll Energy members will benefit from a stake in one of the newest, cleanest and most efficient power plants in the country, which is important for long-term power supply planning.

Jo-Carroll Energy's bylaws do not require its members to vote since it is the surviving entity.





**Farmers Mutual
Electric Company**

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Shared Values

As member-owned cooperatives, Jo-Carroll Energy and Farmers Mutual Electric Company are both guided by the seven cooperative principles:

Voluntary and Open Membership - Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

Democratic Member Control - Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership.

Members' Economic Participation - Members contribute equitably to, and democratically control, the capital of their cooperative.

Autonomy and Independence - Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Education, Training, and Information - Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

Cooperation Among Cooperatives - Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

Concern for Community - While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

Both cooperatives are members of the Association of Illinois Electric Cooperatives and the National Rural Electric Cooperative Association.



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About Jo-Carroll Energy

Jo-Carroll Energy, Inc. (NFP) is a not-for-profit distribution cooperative owned and controlled by the members it has reliably served since 1939. Headquartered in Elizabeth, Ill., the cooperative currently serves more than 26,000 electric and natural gas accounts in Jo Daviess, Carroll and Whiteside counties. In addition to its Elizabeth headquarters, the cooperative operates a service outpost in Savanna.

An active member of the community, Jo-Carroll Energy and its employees support the area through a variety of scholarships, financial contributions, in-kind donations, and other programs.

Jo-Carroll Energy is a member of Touchstone Energy® - an alliance of more than 700 consumer-owned electric utilities across the nation.

For more information on Jo-Carroll Energy, visit www.jocarroll.com.

About Farmers Mutual Electric Company

Farmers Mutual Electric Company is a not-for-profit electric distribution cooperative established on January 16, 1936. Farmers Mutual provides retail electric service to approximately 1,500 rural residential, agricultural and business consumers in the Henry and Whiteside counties of Illinois.



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What's Next

Pursuant to the bylaws of Farmers Mutual Electric Company, the combination must be approved by its members. Farmers Mutual has scheduled a special meeting of its members to explain the combination, discuss its benefits, answer questions, and hold a vote:

Special Member Meeting

Monday, November 14, 2011
Farmers Mutual Electric Company Headquarters
1004 South Chicago Street
Geneseo, IL

Registration begins at 6 p.m. The meeting starts at 7 p.m.

Farmers Mutual will mail an official meeting notice, proxy and voter guide to every member of the cooperative.

Approval requires a two-thirds majority of all votes cast at the meeting. Votes will be counted and certified by the cooperative's legal counsel. Results will be announced at the meeting and in a news release.

Jo-Carroll Energy's bylaws do not require a member vote since it is the surviving entity.



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Board of Directors

Both Farmers Mutual Electric Company and Jo-Carroll Energy are governed by boards of directors that are democratically elected by and from the membership.

That will continue to be the case once the combination is complete. Plans call for three members of the Farmers Mutual board to join the nine-member Jo-Carroll Energy board for a total of 12 directors. After a two-year transition and integration period, the board will be reduced to 10 members.

About the Jo-Carroll Energy Board

Jo-Carroll Energy's service area is divided into nine director districts. Each district has roughly the same number of members to ensure equal representation. Directors serve three-year terms, and three districts are up for election each year.

The current board members are:

- **District 1:** Martin H. Werner, East Dubuque
- **District 2:** Joseph W. Mattingley (chairman), Scales Mound
- **District 3:** Marcia M. Stanger (secretary), Apple River
- **District 4:** Chris A. Stadel (vice chairman), Hanover
- **District 5:** Patricia A. Smith, Galena
- **District 6:** Thomas F. Lundy, Savanna
- **District 7:** David H. Senn (treasurer), Mt. Carroll
- **District 8:** Russell J. Holesinger, Fulton
- **District 9:** Larry D. Carroll, Thomson

About the Farmers Mutual Electric Company Board

Members of Farmers Mutual elect nine directors from the membership at large. Directors serve three-year terms, and three districts are up for election each year.

The current board members are:

- Thomas Zwica (president)
- Douglas Darby (vice president)
- Robert Kuhns (secretary/treasurer)
- Ronald Hallendorff
- Thomas Hitzhusen
- James Holevoet
- Teri Minnaert
- Jeff Timmerman
- Steve Vandike



General Questions

Q: What is happening?

A: After many months of research and thoughtful consideration, the boards of directors of both cooperatives voted unanimously to combine their organizations to form a larger, stronger, more efficient member-owned utility cooperative.

Q: What's next?

A: The combination is subject to the approval of Farmers Mutual Electric Company members, per Farmers Mutual bylaws. The board of directors has called a special meeting for Monday, November 14, 2011, at 7 p.m., to discuss the combination and vote to approve it. Two-thirds majority of members present is required for approval.

Jo-Carroll Energy's bylaws do not require a vote of the members in instances where it is the surviving entity.

Q: Why is it happening?

A: There are many benefits for all in increased efficiency and spreading fixed costs across more member accounts.

For Farmer's Mutual:

- It will be able to preserve the culture, philosophy and commitment of the cooperative model for its members.
- In so doing, its members will enjoy multiple programs and services increasingly in demand, such as online bill pay, budget billing, energy audits, and discounts on goods and services including prescriptions.
- It will give Farmers Mutual the opportunity to catch up on capital credits.

For Jo-Carroll Energy:

- The cooperative will benefit from Farmers Mutual's stake in a new, energy efficient power plant to address its need for long-term power supply planning.
- The co-op will experience an increase in equity.

Q: How will this be funded?

A: When two cooperatives come together, no money changes hands.

Q: Can Farmers Mutual members continue to read and self pay their bills?

A: After the combination, those members historically served by Farmers Mutual can continue to read their meters for their own information, but for billing purposes, meter reading and billing will be done by the combined cooperative.

Q: Do you foresee closing the Geneseo office anytime in the future?

A: The Farmers Mutual office in Geneseo will remain open to accept payments, answer member questions, and serve as an outpost for line personnel serving the area. We expect to keep an office open in Geneseo for the long term.



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Q: What number should I call to report an outage?

- A:** The same number you've always called is staffed to receive outage calls 24/7.
- For members in areas served by Farmers Mutual, call 309.944.4669.
 - For members in areas served by Jo-Carroll Energy, call 800.858.5522.

Q: What services are available to members?

- A:** A variety of new services currently provided to Jo-Carroll Energy members will begin rolling out to Farmers Mutual members after the combination is complete, such as:
- Automated meter reading
 - Budget billing
 - Discounts on many goods and services, including prescriptions, through the Touchstone Energy Co-op Connections Card
 - Efficiency programs
 - Energy audits
 - Online bill pay
 - Scholarships for children of cooperative members

Q: What is Touchstone Energy?

- A:** Touchstone Energy is a service of the National Rural Electric Cooperative Association that provides support to cooperatives to help them with their member services, energy efficiency education, marketing, and more. There are more than 700 independently owned and controlled utility cooperatives that are Touchstone Energy members.

Billing and Account Questions

Q: Will my rate change as a result of the combination?

- A:** Rates for the two cooperatives are similar and will remain separate for the time being. As the systems are integrated over time, the cooperative will merge rates so members in the same rate classes pay the same rates.

Q: Will billing procedures stay the same?

- A:** For the near term, yes. However, once the combination is complete, all accounts will be migrated to a software program currently used by Jo-Carroll Energy. When that occurs, Farmers Mutual members will receive notice of that transition. Until that notice, Farmers Mutual members should continue to read their own meters and remit their payments.

Q: What happens to my capital credits?

- A:** All capital credits accrued by Farmers Mutual members will be transferred and paid out according to a special capital credit retirement agreement approved by both boards. Pay outs on capital credits accrued by Jo-Carroll Energy members will continue to follow Jo-Carroll Energy's capital credit policy.

Q: Who do I call with a question?

- A:** Call the same number you've always used.
- For accounts in areas served by Farmers Mutual, call 309.944.4669.
 - For accounts in areas served by Jo-Carroll Energy, call 800.858.5522.

Q: Where do I mail my payment?



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A: You will continue to mail your payment to the same address as before.

- For accounts in areas served by Farmers Mutual Electric Company, mail your payment to:
Farmers Mutual Electric Company
P.O. Box 43
Geneseo, IL 61254-0043.
- For accounts in areas served by Jo-Carroll Energy, mail your payment to:
Jo-Carroll Energy
P.O. Box 390
Elizabeth, IL 61028.

Once the combination is complete and billing systems are integrated, the payment address for Farmers Mutual members will change. Affected members will be notified when that change occurs.

Q: I have accounts with both Farmers Mutual and Jo-Carroll Energy. Can I write one check?

A: Not yet. Once the combination is complete, all accounts will be merged into a single software program currently used by Jo-Carroll Energy. Once that process is complete, you will be able to write one check for all of your accounts.

Q: What other bill payment options will I have?

- A:** Once the combination of the two cooperatives is complete, Farmers Mutual members will no longer have to read their own meter, calculate and remit payments. Instead, all members of the combined cooperative will enjoy the following additional payment options:
- Auto draft
 - Budget billing
 - Online bill pay

Q: What other forms of payment will the combined cooperative accept?

- A:** Once the combination of the two cooperatives is complete, Farmers Mutual members will be able to use the following forms of payment that are currently available to Jo-Carroll Energy members:
- Check
 - Electronic transfer from a bank account
 - Credit/debit card
 - Cash

Cash is only accepted when paying a bill in person at a Member Service Center. Do not mail cash, or leave cash in a payment drop box. Once the billing systems have been merged, all members will be able to pay by credit/debit card.

Q: What is budget billing?

A: Budget billing allows eligible members to pay the same or slightly varied amounts each month so that each knows exactly how much a monthly payment will be regardless of the current month's actual usage and charges. Budget billing does not reduce overall energy expense; it simply allows members to spread out annual energy expense evenly over a 12-month period.