

May 26, 2007

Letter to the Editor  
The Reporter  
Whitney, TX

Dear Editor:

I recently received my 70<sup>th</sup> anniversary copy of the Co-op Power magazine from HILCO and could not help but to appreciate the propaganda enclosed therein. I should know since I was the former CEO and have a good memory for what was/is going on in the Co-op finances. What was noticeably absent was information on margins (profits) and the results of activities involving the for-profit subsidiary.

Here's "the rest of the story". They did not show the members the operational margins for 2006. The reason is simple. The operational margins for 2006 totaled approximately \$600,000. In 2006, the directors spent approximately \$300,000 on themselves for various fees, trips with spouses, food, hotels, etc. They also gave themselves \$1,200 each for a Christmas bonus. One Co-op member was responsible for approximately \$700,000 in margins and HILCO may be investigated by the PUC for violating Senate Bill 7 on that account. Without the one account, HILCO would have lost \$100,000.

In addition, the board has not forced Lake Whitney Water customers to subsidize the former Arrowhead and M&H systems that were rebuilt with HILCO funds. Yes, LWWC customers are paying extra to keep several smaller systems from paying what they should be paying for the upgraded systems. Since the majority of LWWC customers are also HILCO members, who gains from this? Not the majority of HILCO members, only the less than 200 or so from the smaller systems.

When Whitney members began complaining in November 2006, the Board quickly shut them out by establishing new policies that restrict information available to the membership and began to restructure the districts. Look on their website at the difference in the size of the voting districts.

The rest of the issues are at [www.rescuehilco.com](http://www.rescuehilco.com). Take a look – you might be ashamed you're letting this go on.

Gerald W. Lemons

Address: 916 East Bear Creek Rd., Glenn Heights, TX 75154