

Capital Credit Allocations









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How To Read Your CAPITAL CREDIT statement



Simply align this key with the top of the chart on your Capital Credit statement. For more information, visit CoServ.com or e-mail contact@coserv.com.

AL0911

 A Account Number Member's electric account number(s)	 B Total Patronage Member's energy purchases in 2010	 C CoServ Factor Total allocable CoServ margins for 2010 (excluding G&T) divided by total patronage of all CoServ Members	 D CoServ Capital Credit Allocation Member's share of CoServ's allocable margins Column B X Column C	 E G&T Factor Total allocable G&T margins for 2010 divided by total patronage of all CoServ Members	 F G&T Capital Credit Allocation Member's share of G&T's allocable margins Column B X Column E
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Dear CoServ Electric Member,

In our day-to-day lives, we probably don't think about the cost of electricity to turn on a lamp, cool or heat a room or cook a hot meal—little tasks that can add to your electric bill. Because CoServ Electric is a cooperative, the margins generated from every kilowatt you use are allocated back to you in the form of Capital Credits. As Member-owners, your satisfaction with CoServ Electric is vital in helping us achieve our goal: **to keep energy affordable and reliable.**

Instead of generating profits like businesses controlled by shareholders, your Board of Directors is able to steer our cooperative in a responsible direction that ensures that you receive the highest value for your energy dollars. As a result of that fiscal and ethical accountability, CoServ Electric has now allocated Capital Credits to all Members who belonged to the cooperative during 2010.

When you signed up for electric service with CoServ Electric and paid a membership fee, you became a Member-owner of one of the fastest growing electric cooperatives in the country. Each year, any margins earned by CoServ Electric are re-invested in the cooperative. At the same time, the value of the margin is proportionally allocated (based on electric purchases during the year) to Capital Credit accounts maintained for each of our Members. Capital Credits are retired (paid) at the discretion of the CoServ Electric Board of Directors. Over the last eight years, CoServ Electric has retired (paid) \$31 million to our Members and former Members.

Enclosed you will find a statement detailing your allocation of CoServ Electric's margins for 2010, that is, the Capital Credits that have been allocated to an account in your name. This brochure also includes common questions and answers regarding Capital Credits. If you have additional questions, visit CoServ.com or e-mail contact@coserv.com.

CoServ Electric appreciates the opportunity to provide you with low-cost, reliable electricity, and we thank you for the privilege of serving your energy needs.

Sincerely,

Michael A. Dreyspring
 President/CEO

Capital Credits



A COOPERATIVE YOU CAN COUNT ON

As a Member of an electric cooperative, you build ownership in CoServ Electric through your kilowatt-hour purchases. There is no stock to be purchased or sold; our Members are owners of the business. When the cooperative has earned a margin, we allocate the margins to you, our Member-owners. Capital Credits are a tangible benefit of belonging to an electric cooperative, and you can trust CoServ to offer fair pricing, value and satisfaction.

We appreciate the opportunity to serve you, and we thank you for being a CoServ Electric Member. If you have additional questions regarding Capital Credits, please visit CoServ.com or e-mail contact@coserv.com.

Questions & Answers

What are Capital Credits?

Capital Credits represent your allocated share of the cooperative's margins during the period of time in which you are a Member of the cooperative. Each year's margins are allocated to Members based on the amount billed per Member for electric purchases during that year. This allocation is credited to a Capital Credit account maintained for each Member until the credits are retired (paid).

When do I receive payment on my Capital Credits?

Capital Credits are retired (paid) at the discretion of the CoServ Electric Board of Directors.

How is my allocation calculated?

Capital Credits are allocated to each Member based on the Member's purchase of energy during the year and the margins generated by those purchases.

Can my Capital Credit allocation be applied to my current energy bill?

No. The Capital Credits shown in this statement are new credits allocated to a Capital Credit account maintained in your name.

What is the CoServ allocation factor and how is it determined?

The CoServ allocation factor is the total allocable margins for the year divided by the total patronage (energy purchases) of all Members. Each Member's total patronage is multiplied by the factor to determine CoServ Electric's Capital Credit allocation.

What is the G&T Capital Credit Allocation?

G&T stands for Generation and Transmission. CoServ Electric does not generate power but buys most of its power from Brazos Electric Power Cooperative, Inc. (Brazos), which is a G&T cooperative. CoServ Electric and other electric cooperatives in northern and central Texas own Brazos. Just as CoServ Electric allocates its margins to you, our Member-owners, Brazos allocates its margins to the electric cooperatives

that own Brazos. When CoServ Electric receives allocations of margins from Brazos, it allocates those margins to you, and the allocations are kept separate from the allocation of CoServ Electric margins. At the point CoServ Electric receives payment from Brazos to retire (pay) any portion of the G&T allocations, CoServ Electric will retire the corresponding G&T allocation made to you.

What happens to my Capital Credits if I move and terminate service with CoServ Electric?

Once you terminate service, you become a former Member and will no longer receive additional allocations. Your existing Capital Credit balance will be maintained in a Capital Credit account in your name until it is retired (paid) in full. When the CoServ Electric Board of Directors elects to retire (pay) Capital Credits in the future, a check will be mailed to the last forwarding address on record.

NOTE: It is the former Member's responsibility to maintain a correct mailing address with CoServ Electric for the receipt of any future payments or information concerning your Capital Credits.