

**TEXAS CO-OP POWER**



***Just in time for Christmas,  
CoServ Electric retires  
a record \$9 million in  
Capital Credits.***



***Watch for your  
check or credit in  
December's mail.***

## Capital Credits

**The power of membership.** As a Member of CoServ Electric, you are also one of our 140,000+ owners. You have a voice in the direction of the co-op through the election process where you help elect the directors that oversee the management of the company.

Electric cooperatives exist to provide Members with reliable electric service and high satisfaction. Investor-owned utilities, on the other hand, create a rate structure that will maximize their margins (profits) so they can pay dividends to their stockholders. In a cooperative business structure, your Capital Credit retirement represents your share in the margins of the cooperative.

This year, CoServ Electric will return a record \$9 million to current and former Members in the form of Capital Credit retirements. Enclosed you will find information that should answer your questions about Capital Credits and show how your Capital Credit retirement amount was calculated. If your Capital Credit retirement amount is \$20 or greater, a check is enclosed. If it is less than \$20, the amount will be applied to an upcoming electric bill. Capital Credits are just one way we show you the value of being a Member.

## Membership Makes Sense (and Dollars)

**Conclusion:** To be trusted and exceed Members' and for reliability, service, support.

Electric utilities that generate electric cooperatives electric cooperative to their CoServ Electric are reinvested in the margin is proportionally the year) to Capital Credit Members. When the Board has met its financial decide to retire (pay) the

**Capital Credits?** Capital Credits are Board of Directors retirements and other between the allocation be 20 or more years 100% of the 1% of the outstanding

**and?**

with a list of the years ber as well as the rt. Years in which ing Capital Credit and B respectively

100% of the credit allocation turn C.

(Retirement Amount), and Column F (Check Amount) of your Capital Credit statement will, therefore, be identical for those years.

- For the years 1994 through 2010, CoServ Electric has elected to retire 19.1% of the outstanding Capital Credits. For these years, Column C (Retirement Amount) on your Capital Credit statement represents the existing Capital Credit balance multiplied by 19.1%.
- Because the credits from 1994 through 2010 have not reached the end of the normal retirement cycle, they are paid at a discount. Column D on your Capital Credit statement represents the discounted percentage that you will receive.
- The Capital Credit retirement amount is multiplied by the early payment discount percentage<sup>1</sup> to determine the amount you are being paid. Column F on your Capital Credit statement represents this amount.
- Finally, an outstanding or new Capital Credit balance is determined and shown in Column G of your Capital Credit statement. The new balance represents the Capital Credits remaining in your account for each year of allocation. These credits will remain available for future retirements at the discretion of the CoServ Electric Board of Directors.

### Why are the 1994 through 2010 Capital Credits being retired at a discount?

Because the 1994 through 2010 Capital Credits are being retired before the end of the normal retirement cycle, CoServ Electric is paying you the discounted, net present value of these Capital Credits today, as opposed to waiting to pay the face value of these Capital Credits at the end of the normal cycle, which can typically be 20 or more years. CoServ Electric wants our Members to realize the benefits of Capital Credits today in the form of a cash payment or credit, and net present value discounting accomplishes that goal.

**What happens to the money marked "Early Payment Discount Amount"?** Column E of your Capital Credit statement represents the difference between the retirement amount and the amount paid to you upon early retirement at a net present value discount. This difference is retained by the cooperative as permanent equity and may be payable, after all liabilities and obligations of the cooperative have been satisfied, on a pro-rata basis to Members upon any dissolution or liquidation of the cooperative.

### My statement has "Write-off Amount Applied" written at the bottom. What does this mean?

If you have an outstanding balance with CoServ Electric, the amount of this balance has been subtracted from your check amount. This amount will be applied to your debt.

### Is this check considered income and will I be taxed?

In general and based upon information furnished to us by our tax advisors, the accompanying payment has the same characteristic of your payments to us for electricity. That is—if your payment for electricity represented a deduction for either federal or state income tax purposes to you, then this credit represents either taxable income or a reduction in the amount of deductible electricity expense for the current year. However, we suggest that you consult with your tax advisor regarding taxability and proper tax reporting of your credit or enclosed check.

### What happens to allocated Capital Credits if I terminate service with CoServ Electric?

If you terminate service with CoServ Electric, you will become a former Member and will no longer receive future allocations. The existing Capital Credit balance will be maintained in a Capital Credit account in your name until it is retired in full. When and if the CoServ Electric Board of Directors elects to retire any 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.

### How are Capital Credits handled upon the death of a Member?

Capital Credits will remain in the name of the deceased Member or be changed to the estate of the deceased Member upon request. The CoServ Electric Board of Directors may elect to retire estates early.

<sup>1</sup>This figure is based on a discount period of 18 years and a discount rate of 5.19%, which reflects the current rate available to CoServ for long-term fixed borrowing from one or more of its traditional lenders. The CoServ Electric Board of Directors establishes the discount period and discount rate in accordance with CoServ Electric's bylaws and policies.

**CoServ  
Electric**  
Capital Credit Retirement

**This month, CoServ Electric will pay a record \$9 million to current and former Members in the form of Capital Credit retirements for a total of \$40 million returned to our Members since 2003. Keep an eye out later this month for your Capital Credit check (or bill credit) to come in the mail with brochure pictured above. Here's how the process works:**

CoServ's annual net margins, or net income, are "allocated" to each Member based on the Member's annual purchase of energy and the margins generated by those purchases. Allocation notices are typically generated in September—if you were a CoServ Electric Member in 2010, you should have received an allocation notice in the mail. Each year's margins become the Member's equity investment in the cooperative utility. To learn about the specific details, turn to page 19 and read President/CEO Mike Dreyspring's CEO Message.

<sup>1</sup>Current Members whose Capital Credit retirement amount is less than \$20 will receive a credit on their bill. Or, if the Capital Credit retirement amount is \$20 or more, current Members will receive an enclosed check.



**Reliable • Safe • Local • Trusted**



7701 S Stemmons  
Corinth, TX 76210-1842

(940) 321-7800

[contact@coserv.com](mailto:contact@coserv.com)

[CoServ.com](http://CoServ.com)

**CoServ Electric is different.** Why? Because as a cooperative, we oversee this entire system—the meters, lines, poles, transformers, and more. We maintain our equipment every day with you in mind—knowing that you count on us. Dedicated local Employees answer the phone and skilled linemen come running to restore power as quickly as possible when weather causes service disruptions.

CoServ Employees are your neighbors and friends. We live here, and we know this system like the back of our hand. **Trust CoServ to be there when you need us.**



CoServ.com

CoServ Electric  
7701 S Stemmons  
Corinth, TX 76210-1842

(940) 321-7800  
contact@coserv.com

# LIKE • FOLLOW • FAVORITE

“Like us” on Facebook, “Follow us” on Twitter, and “Favorite” **CoServ.com** in your web browser to ensure you have access to the latest news about CoServ.

Watch for outage information, energy-saving tips, service enhancements, company news, and more.



**facebook** Email  
  
 Keep me logged in

**Sign Up** Facebook helps you connect and share with the people in your life.

**CoServ** Like  
Local Business · Corinth, Texas

**Wall**

**CoServ**  
CoServ is proud to support Susan G. Komen for the Cure. This year, an army of CoServ Employees, family, and friends participated in the inaugural Denton Race for the Cure. For more information and to view the slide show, visit <http://www.bit.ly/uri.com/0f15c5>.

**About CoServ - Newsroom - Community Events - Race for the Cure**  
[www.coserv.com](http://www.coserv.com)  
Team CoServ participated in the 1st Annual Denton Race for the Cure on Sept. 24, 2011. CoServ sponsored a booth, and a record 91 CoServ Employees, family, and friends "lived pink"—check out our slideshow.

**CoServ**  
At 3:41 pm, we received a report of an outage affecting parts of Bartonville, Double Oak, and Flower Mound. At this time, we have not confirmed the cause of this outage but rest assured our crews are responding immediately. We will advise once we confirm the power is back on. You can also monitor the situation by visiting our Contact Us page on CoServ.com at <http://bit.ly/e4f3A>

**Contact Us**  
[www.coserv.com](http://www.coserv.com)  
Have a question? Need help with your CoServ account? You can reach us via: E-mail: Write to [Contact@Coserv.com](mailto:Contact@Coserv.com), or fill out the form below. We will respond within two business days (in many cases, within 24 hours). If you smell gas, call 911 or CoServ at (940) 321-7800 or (800) 274-4014. Please do ...

**twitter** Search Home Profile Messages Who To Follow

**CoServ** @CoServ\_Energy Corinth, Texas  
Vision statement: To be trusted to apply and consistently exceed members' and customers' expectations for reliability, service, value and community support. <http://www.coserv.com>

178 Tweets 5 Following 410 Followers 18 Lists

**You and @CoServ\_Energy**  
You follow an account that follows @CoServ\_Energy

**Similar to @CoServ\_Energy**

- DENTONPO** Denton Power Plant
- FriscoSavvy** Frisco Savvy
- CityOfMcKinney** City of McKinney

**CoServ\_Energy** CoServ  
Check out our Retail Directory to find retailers who offer discounts for Members who present the Co-op Connections Card. [bit.ly/mV48XC](http://bit.ly/mV48XC)

**CoServ\_Energy** CoServ  
CoServ Gas is a sponsor at the 5th Annual Fall Festival & Trick-or-Treat event in Frisco on Fri, Oct. 28 from 6-9 p.m. [bit.ly/sRPLKp](http://bit.ly/sRPLKp)

**CoServ\_Energy** CoServ  
At 2:37, approx 5,000 Plano, Carrollton, and The Colony Members