

**IRS e-file Signature Authorization
for an Exempt Organization**

For calendar year 2010, or fiscal year beginning _____, 2010, and ending _____.

▶ **Do not send to the IRS. Keep for your records.**
▶ **See instructions.**

2010

Department of the Treasury
Internal Revenue Service

Name of exempt organization

Employer identification number

SAM HOUSTON ELECTRIC COOPERATIVE, INC.

74-0695563

Name and title of officer

KYLE KUNTZ

GEN MANAGER/CEO

Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the return for which you are using this Form 8879-EO and enter the applicable amount, if any, from the return. If you check the box on line **1a**, **2a**, **3a**, **4a**, or **5a**, below, and the amount on that line for the return being filed with this form was blank, then leave line **1b**, **2b**, **3b**, **4b**, or **5b**, whichever is applicable, blank (do not enter -0-). But, if you entered -0- on the return, then enter -0- on the applicable line below. **Do not** complete more than 1 line in Part I.

1 a Form 990 check here	▶ <input checked="" type="checkbox"/>	b Total revenue , if any (Form 990, Part VIII, column (A), line 12)	1 b <u>152,917,173.</u>
2 a Form 990-EZ check here	▶ <input type="checkbox"/>	b Total revenue , if any (Form 990-EZ, line 9)	2 b _____
3 a Form 1120-POL check here	▶ <input type="checkbox"/>	b Total tax (Form 1120-POL, line 22)	3 b _____
4 a Form 990-PF check here	▶ <input type="checkbox"/>	b Tax based on investment income (Form 990-PF, Part VI, line 5)	4 b _____
5 a Form 8868 check here	▶ <input type="checkbox"/>	b Balance Due (Form 8868, Part I, line 3c or Part II, line 8c)	5 b _____

Part II Declaration and Signature Authorization of Officer

Under penalties of perjury, I declare that I am an officer of the above organization and that I have examined a copy of the organization's 2010 electronic return and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the organization's electronic return and, if applicable, the organization's consent to electronic funds withdrawal.

Officer's PIN: check one box only

I authorize AXLEY & RODE, LLP to enter my PIN 07633 as my signature
ERO firm name Enter five numbers, but do not enter all zeros

on the organization's tax year 2010 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.

As an officer of the organization, I will enter my PIN as my signature on the organization's tax year 2010 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Officer's signature ▶ _____ Date ▶ _____

Part III Certification and Authentication

ERO's EFIN/PIN. Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN 75209600701
do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2010 electronically filed return for the organization indicated above. I confirm that I am submitting this return in accordance with the requirements of **Pub 4163**, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature ▶ GARY FORD, CPA Date ▶ _____

**ERO Must Retain This Form – See Instructions
Do Not Submit This Form To the IRS Unless Requested To Do So**

Return of Organization Exempt From Income Tax

2010

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2010 calendar year, or tax year beginning , 2010, and ending ,

B Check if applicable:
 Address change
 Name change
 Initial return
 Terminated
 Amended return
 Application pending

D Employer Identification Number
74-0695563

E Telephone number
936-327-5711

G Gross receipts \$ 153,313,729.

F Name and address of principal officer:
SAM HOUSTON ELECTRIC COOPERATIVE, INC.
P. O. BOX 1121
LIVINGSTON, TX 77351-1121

H(a) Is this a group return for affiliates? Yes No
H(b) Are all affiliates included? Yes No
 If 'No,' attach a list. (see instructions)

I Tax-exempt status 501(c)(3) 501(c) (12) ◀ (insert no.) 4947(a)(1) or 527

J Website: ▶ WWW.SAMHOUSTON.NET **H(c)** Group exemption number ▶

K Form of organization: Corporation Trust Association Other ▶ **L** Year of Formation: 1939 **M** State of legal domicile: TX

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: <u>SALES AND SERVICES OF ELECTRICAL POWER TO MEMBERS ON A COOPERATIVE BASIS.</u>		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3	Number of voting members of the governing body (Part VI, line 1a) 3	
	4	Number of independent voting members of the governing body (Part VI, line 1b) 4	
	5	Total number of individuals employed in calendar year 2010 (Part V, line 2a) 5 169	
	6	Total number of volunteers (estimate if necessary) 6 0	
	7a	Total unrelated business revenue from Part VIII, column (C), line 12 7a 0.	
	b Net unrelated business taxable income from Form 990-T, line 34 7b 0.		
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	133,937,125.	152,862,278.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	143,228.	-280,968.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	506,782.	335,863.
	12 Total revenue – add lines 8 through 11 (must equal Part VIII, column (A), line 12)	134,587,135.	152,917,173.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)		
	14 Benefits paid to or for members (Part IX, column (A), line 4)		
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	1,419,438.	1,568,450.
	16a Professional fundraising fees (Part IX, column (A), line 11e)		
	b Total fundraising expenses (Part IX, column (D), line 25) ▶		
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	118,739,736.	135,554,882.
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	120,159,174.	137,123,332.	
19 Revenue less expenses. Subtract line 18 from line 12	14,427,961.	15,793,841.	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21 Total liabilities (Part X, line 26)	314,850,688.	342,065,363.
	22 Net assets or fund balances. Subtract line 21 from line 20	193,127,078.	207,195,478.
		121,723,610.	134,869,885.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer: KYLE KUNTZ Date: _____
 Type or print name and title: GEN MANAGER/CEO

Paid Preparer Use Only

Print/Type preparer's name: GARY FORD, CPA Preparer's signature: GARY FORD, CPA Date: _____
 Check if self-employed PTIN: N/A

Firm's name: AXLEY & RODE, LLP
 Firm's address: 1307 S. 1ST ST LUFKIN, TX 75901-4717 Firm's EIN: N/A
 Phone no.: (936) 634-6621

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III []

1 Briefly describe the organization's mission:

SALES AND SERVICES OF ELECTRICAL POWER TO MEMBERS ON A COOPERATIVE BASIS.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? [] Yes [X] No

If 'Yes,' describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [] Yes [X] No

If 'Yes,' describe these changes on Schedule O.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code: []) (Expenses \$ [] including grants of \$ [] (Revenue \$ [])

SALES AND SERVICE OF ELECTRICAL POWER TO APPROXIMATELY 52,122 MEMBERS ON A COOPERATIVE BASIS.

4b (Code: []) (Expenses \$ [] including grants of \$ [] (Revenue \$ [])

4c (Code: []) (Expenses \$ [] including grants of \$ [] (Revenue \$ [])

4d Other program services. (Describe in Schedule O.)

(Expenses \$ [] including grants of \$ [] (Revenue \$ [])

4e Total program service expenses ▶

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If 'Yes,' complete Schedule A.</i>		X
2 Is the organization required to complete Schedule B, Schedule of Contributors? (see instructions)		X
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If 'Yes,' complete Schedule C, Part I.</i>		X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If 'Yes,' complete Schedule C, Part II.</i>		
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If 'Yes,' complete Schedule C, Part III.</i>		
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If 'Yes,' complete Schedule D, Part I.</i>		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If 'Yes,' complete Schedule D, Part II.</i>		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If 'Yes,' complete Schedule D, Part III.</i>		X
9 Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If 'Yes,' complete Schedule D, Part IV.</i>		X
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? <i>If 'Yes,' complete Schedule D, Part V.</i>		X
11 If the organization's answer to any of the following questions is 'Yes', then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings and equipment in Part X, line 10? <i>If 'Yes,' complete Schedule D, Part VI.</i>	X	
b Did the organization report an amount for investments— other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If 'Yes,' complete Schedule D, Part VII.</i>		X
c Did the organization report an amount for investments— program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If 'Yes,' complete Schedule D, Part VIII.</i>	X	
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If 'Yes,' complete Schedule D, Part IX.</i>		X
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If 'Yes,' complete Schedule D, Part X.</i>	X	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If 'Yes,' complete Schedule D, Part X.</i>		X
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If 'Yes,' complete Schedule D, Parts XI, XII, and XIII.</i>	X	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If 'Yes,' and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i>		X
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If 'Yes,' complete Schedule E.</i>		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? <i>If 'Yes,' complete Schedule F, Parts I and IV.</i>		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? <i>If 'Yes,' complete Schedule F, Parts II and IV.</i>		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? <i>If 'Yes,' complete Schedule F, Parts III and IV.</i>		X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If 'Yes,' complete Schedule G, Part I (see instructions).</i>		X
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If 'Yes,' complete Schedule G, Part II.</i>		X
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If 'Yes,' complete Schedule G, Part III.</i>		X
20 a Did the organization operate one or more hospitals? <i>If 'Yes,' complete Schedule H.</i>		X
b If 'Yes' to line 20a, did the organization attach its audited financial statements to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)		

Part IV Checklist of Required Schedules (continued)

	Yes	No
21 Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If 'Yes,' complete Schedule I, Parts I and II.</i>		X
22 Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If 'Yes,' complete Schedule I, Parts I and III.</i>		X
23 Did the organization answer 'Yes' to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If 'Yes,' complete Schedule J.</i>	X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, and that was issued after December 31, 2002? <i>If 'Yes,' answer lines 24b through 24d and complete Schedule K. If 'No,' go to line 25.</i>		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an 'on behalf of' issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If 'Yes,' complete Schedule L, Part I.</i>		
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If 'Yes,' complete Schedule L, Part I.</i>		
26 Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If 'Yes,' complete Schedule L, Part II.</i>		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If 'Yes,' complete Schedule L, Part III.</i>		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? <i>If 'Yes,' complete Schedule L, Part IV.</i>		X
b A family member of a current or former officer, director, trustee, or key employee? <i>If 'Yes,' complete Schedule L, Part IV.</i>		X
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If 'Yes,' complete Schedule L, Part IV.</i>		X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If 'Yes,' complete Schedule M.</i>		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If 'Yes,' complete Schedule M.</i>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If 'Yes,' complete Schedule N, Part I.</i>		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If 'Yes,' complete Schedule N, Part II.</i>		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If 'Yes,' complete Schedule R, Part I.</i>		X
34 Was the organization related to any tax-exempt or taxable entity? <i>If 'Yes,' complete Schedule R, Parts II, III, IV, and V, line 1.</i>	X	
35 Is any related organization a controlled entity within the meaning of section 512(b)(13)?		X
a Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If 'Yes,' complete Schedule R, Part V, line 2.</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If 'Yes,' complete Schedule R, Part V, line 2.</i>		
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If 'Yes,' complete Schedule R, Part VI.</i>		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O.	X	

BAA

Form 990 (2010)

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V.

		Yes	No		
1 a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1 a	138		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1 b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1 c	X		
2 a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2 a	169		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2 b	X		
Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file. (see instructions)					
3 a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3 a		X	
b	If 'Yes' has it filed a Form 990-T for this year? If 'No,' provide an explanation in Schedule O.	3 b			
4 a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4 a		X	
b	If 'Yes,' enter the name of the foreign country: ▶ _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5 a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5 a		X	
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5 b		X	
c	If 'Yes,' to line 5a or 5b, did the organization file Form 8886-T?	5 c			
6 a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6 a		X	
b	If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6 b			
7 Organizations that may receive deductible contributions under section 170(c).					
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7 a			
b	If 'Yes,' did the organization notify the donor of the value of the goods or services provided?	7 b			
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7 c			
d	If 'Yes,' indicate the number of Forms 8282 filed during the year.	7 d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7 e			
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7 f			
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7 g			
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7 h			
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8			
9 Sponsoring organizations maintaining donor advised funds.					
a	Did the organization make any taxable distributions under section 4966?	9 a			
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9 b			
10 Section 501(c)(7) organizations. Enter:					
a	Initiation fees and capital contributions included on Part VIII, line 12.	10 a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10 b			
11 Section 501(c)(12) organizations. Enter:					
a	Gross income from members or shareholders.	11 a	146,427,226.		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11 b	6,489,947.		
12 a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12 a			
b	If 'Yes,' enter the amount of tax-exempt interest received or accrued during the year.	12 b			
13 Section 501(c)(29) qualified nonprofit health insurance issuers.					
a	Is the organization licensed to issue qualified health plans in more than one state?	13 a			
Note. See the instructions for additional information the organization must report on Schedule O.					
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13 b			
c	Enter the amount of reserves on hand	13 c			
14 a	Did the organization receive any payments for indoor tanning services during the tax year?	14 a		X	
b	If 'Yes,' has it filed a Form 720 to report these payments? If 'No,' provide an explanation in Schedule O.	14 b			

Part VI Governance, Management and Disclosure For each 'Yes' response to lines 2 through 7b below, and for a 'No' response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI.

Section A. Governing Body and Management

		Yes	No
1 a Enter the number of voting members of the governing body at the end of the tax year.	1 a	11	
b Enter the number of voting members included in line 1a, above, who are independent	1 b	11	
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee or key employee?	2		X
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		X
5 Did the organization become aware during the year of a significant diversion of the organization's assets?	5		X
6 Does the organization have members or stockholders? <i>SEE SCHEDULE O</i>	6	X	
7 a Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? <i>SEE SCHEDULE O</i>	7 a	X	
b Are any decisions of the governing body subject to approval by members, stockholders, or other persons? <i>SEE SCH O</i>	7 b	X	
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a The governing body?	8 a	X	
b Each committee with authority to act on behalf of the governing body?	8 b	X	
9 Is there any officer, director or trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? <i>If 'Yes,' provide the names and addresses in Schedule O.</i>	9		X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10 a Does the organization have local chapters, branches, or affiliates?	10 a		X
b If 'Yes,' does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10 b		
11 a Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11 a	X	
b Describe in Schedule O the process, if any, used by the organization to review this Form 990. <i>SEE SCHEDULE O</i>			
12 a Does the organization have a written conflict of interest policy? <i>If 'No,' go to line 13.</i>	12 a	X	
b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12 b	X	
c Does the organization regularly and consistently monitor and enforce compliance with the policy? <i>If 'Yes,' describe in Schedule O how this is done.</i> <i>SEE SCHEDULE O</i>	12 c	X	
13 Does the organization have a written whistleblower policy?	13	X	
14 Does the organization have a written document retention and destruction policy?	14	X	
15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a The organization's CEO, Executive Director, or top management official.	15 a	X	
b Other officers of key employees of the organization. <i>SEE SCHEDULE O</i>	15 b	X	
If 'Yes' to line 15a or 15b, describe the process in Schedule O. (See instructions.)			
16 a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16 a		X
b If 'Yes,' has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16 b		

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed ► NONE
- 18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.
 Own website Another's website Upon request
- 19** Describe in Schedule O whether (and if so, how) the organization makes its governing documents, conflict of interest policy, and financial statements available to the public. *SEE SCHEDULE O*
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization:
 ► DAVID BABCOCK P. O. BOX 1121 LIVINGSTON TX 77351 936-327-5711

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1 a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of 'key employee.'
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) ROBERT BOYD DIRECTOR	10	X					37,407.	0.	0.	
(2) DON BOYETT DIRECTOR	5	X					30,457.	0.	0.	
(3) KATHERINE HARDIN DIR/AST SEC/TRE	6	X		X			29,257.	0.	0.	
(4) TITUS HENDRIX DIRECTOR	2	X					31,057.	0.	0.	
(5) ROBERT LEISNER DIRECTOR	7	X					37,207.	0.	0.	
(6) THOMAS LUCHER DIRECTOR	5	X					16,448.	0.	0.	
(7) ERNIE MILES DIR/1ST V.P.	8	X		X			29,857.	0.	0.	
(8) MILTON PURVIS DIRECTOR	5	X					14,000.	0.	0.	
(9) R.C. THOMAS DIR/SEC TREAS	3	X		X			27,657.	0.	0.	
(10) TRUITT THOMSON DIR/PRES.	5	X		X			31,256.	0.	0.	
(11) ARNOLD URSPRUNG DIR/2ND V.P.	6	X		X			34,856.	0.	0.	
(12) KYLE J. KUNTZ CEO	45			X	X		228,617.	0.	176,229.	
(13) DAVID BABCOCK CHIEF OPER. OFF	45			X	X		150,824.	0.	97,406.	
(14) KEITH STAPLES CHIEF INFO. OFF	42			X			132,815.	0.	63,912.	
(15) KEITH STAPLETON CHIEF COMM. OFF	43			X			137,916.	0.	78,363.	
(16) DONALD CALVIN CHIEF TECH. OFF	42			X			117,284.	0.	65,625.	
(17) RICKY HARRELL MANAGER MEMBER SER	42					X	122,542.	0.	59,625.	

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (cont)

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Sch O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(18) CHARLES PALMER OPERATIONS MANAGER	42					X	117,276.	0.	83,382.	
(19) DOUG KOUBA ENGINEER	45					X	109,443.	0.	44,076.	
(20) WILLIAM TOWNLEY CONST MANAGER	45					X	117,355.	0.	69,729.	
(21) MOLLY GRAY ACCOUNTING MANAGER	41					X	114,422.	0.	84,205.	
(22)										
(23)										
(24)										
(25)										
(26)										
(27)										
(28)										
(29)										
1 b Sub-total							1,667,953.	0.	822,552.	
c Total from continuation sheets to Part VII, Section A							0.	0.	0.	
d Total (add lines 1b and 1c)							1,667,953.	0.	822,552.	

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization ▶ 11

	Yes	No
3 Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If 'Yes,' complete Schedule J for such individual.</i>	3	X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If 'Yes' complete Schedule J for such individual.</i>	4	X
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If 'Yes,' complete Schedule J for such person.</i>	5	X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization.

(A) Name and business address	(B) Description of services	(C) Compensation
KBS MANAGEMENT PO BOX 4591 BRYAN, TX 77805	MATERIALS MANAGEMENT	8,981,601.
NIROW, INC. P.O. BOX 450 CORRIGAN, TX 75939	RT OF WAY CONTRACTOR	2,749,449.
JOSLIN & COMPANY P.O. BOX 647 CONROE, TX 77305	RT OF WAY CONTRACTOR	3,142,590.
COTTON UTILITY CONSTRUCTORS INC 5101 FM 2666 SHEPHERD, TX 77371	LINE CONTRACTOR	1,828,279.
CADENCE MCSHANE CONSTRUCTION 7701 W LITTLE YORK #400 HOUSTON, TX 770	NEW BLDG CONSTRUCTIO	2,743,198.

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶ 47

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
CONTRIBUTIONS, GIFTS, GRANTS AND OTHER SIMILAR AMOUNTS	1 a Federated campaigns	1 a					
	b Membership dues	1 b					
	c Fundraising events	1 c					
	d Related organizations	1 d					
	e Government grants (contributions)	1 e					
	f All other contributions, gifts, grants, and similar amounts not included above	1 f					
	g Noncash contributions included in lns 1a-1f: \$						
h Total. Add lines 1a-1f							
PROGRAM SERVICE REVENUE	2 a <u>ELECTRICITY ENERGY</u>		Business Code 221000	146091363.	146091363.		
	b <u>PATRONAGE CAPITAL-G&T</u>		221000	5,211,777.	5,211,777.		
	c <u>PATR CAPITAL-COBANK/CFC</u>		221000	1,559,138.	1,559,138.		
	d -----						
	e -----						
	f All other program service revenue						
	g Total. Add lines 2a-2f			152862278.			
OTHER REVENUE	3 Investment income (including dividends, interest and other similar amounts)			104,088.		104,088.	
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
	6 a Gross Rents	(i) Real	(ii) Personal				
		b Less: rental expenses					
	c Rental income or (loss)						
	d Net rental income or (loss)						
	7 a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		b Less: cost or other basis and sales expenses			11,500.		
	c Gain or (loss)				396,556.		
	d Net gain or (loss)				-385,056.		
	8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18		a				
	b Less: direct expenses		b				
	c Net income or (loss) from fundraising events						
	9 a Gross income from gaming activities. See Part IV, line 19		a				
b Less: direct expenses		b					
c Net income or (loss) from gaming activities							
10 a Gross sales of inventory, less returns and allowances		a					
b Less: cost of goods sold		b					
c Net income or (loss) from sales of inventory							
Miscellaneous Revenue		Business Code					
11 a <u>QUALIFIED POLE RENTALS</u>		221000		335,863.		335,863.	
b -----							
c -----							
d All other revenue							
e Total. Add lines 11a-11d				335,863.			
12 Total revenue. See instructions				152917173.	152862278.	0.	
						54,895.	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
 All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,568,450.			
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0.			
7 Other salaries and wages				
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9 Other employee benefits				
10 Payroll taxes				
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting				
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other				
12 Advertising and promotion				
13 Office expenses				
14 Information technology				
15 Royalties				
16 Occupancy				
17 Travel				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	8,362,119.			
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	11,011,524.			
23 Insurance				
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24f. If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O.)				
a COST OF PURCHASED POWER	88,483,239.			
b MAINTENANCE-DISTRIBUTION EXP	10,027,573.			
c CONSUMER ACCTS/SELLING EXP	8,664,848.			
d DISTRIBUTION-OPERATION	4,800,024.			
e ADMINISTRATIVE & GENERAL	2,537,432.			
f All other expenses	1,668,123.			
25 Total functional expenses. Add lines 1 through 24f	137,123,332.			
26 Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720). Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Part X Balance Sheet

		(A)		(B)	
		Beginning of year		End of year	
ASSETS	1	Cash — non-interest-bearing	1,146,610.	1	7,067,271.
	2	Savings and temporary cash investments	1,356,474.	2	1,629,929.
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	15,706,758.	4	16,607,366.
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use	673,296.	8	604,472.
	9	Prepaid expenses and deferred charges	10,975,705.	9	13,989,466.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 392,901,262.		
	b	Less: accumulated depreciation	10b 122,386,424.	10c 259,090,288.	270,514,838.
	11	Investments — publicly traded securities		11	
	12	Investments — other securities. See Part IV, line 11		12	
	13	Investments — program-related. See Part IV, line 11	25,901,557.	13	31,652,021.
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11		15	
16	Total assets. Add lines 1 through 15 (must equal line 34)	314,850,688.	16	342,065,363.	
LIABILITIES	17	Accounts payable and accrued expenses	26,619,277.	17	23,228,043.
	18	Grants payable		18	
	19	Deferred revenue	1,191,120.	19	1,147,782.
	20	Tax-exempt bond liabilities		20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties	161,478,554.	23	178,175,314.
	24	Unsecured notes and loans payable to unrelated third parties		24	
25	Other liabilities. Complete Part X of Schedule D	3,838,127.	25	4,644,339.	
26	Total liabilities. Add lines 17 through 25	193,127,078.	26	207,195,478.	
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 27 through 29 and lines 33 and 34.				
	27	Unrestricted net assets		27	
	28	Temporarily restricted net assets		28	
	29	Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund	750.	31	615.
	32	Retained earnings, endowment, accumulated income, or other funds	121,722,860.	32	134,869,270.
	33	Total net assets or fund balances.	121,723,610.	33	134,869,885.
	34	Total liabilities and net assets/fund balances.	314,850,688.	34	342,065,363.

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Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	152,917,173.
2	Total expenses (must equal Part IX, column (A), line 25)	2	137,123,332.
3	Revenue less expenses. Subtract line 2 from line 1	3	15,793,841.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	121,723,610.
5	Other changes in net assets or fund balances (explain in Schedule O). SEE SCHEDULE O	5	-2,647,566.
6	Net assets or fund balances at end of year. Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	134,869,885.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked 'Other,' explain in Schedule O.		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		X
2b	Were the organization's financial statements audited by an independent accountant?	X	
2c	If 'Yes' to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	X	
2d	If 'Yes' to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both: <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	X	
3b	If 'Yes,' did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.	X	

BAA

Form 990 (2010)

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

Complete if the organization answered 'Yes,' to Form 990, Part IV, lines 6, 7, 8, 9, 10, 11, or 12. Attach to Form 990. See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization

Employer identification number

SAM HOUSTON ELECTRIC COOPERATIVE, INC.

74-0695563

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered 'Yes' to Form 990, Part IV, line 6.

Table with 3 columns: Question, (a) Donor advised funds, (b) Funds and other accounts. Rows include total number at end of year, aggregate contributions, aggregate grants, aggregate value, and two questions about donor advisement.

Part II Conservation Easements. Complete if the organization answered 'Yes' to Form 990, Part IV, line 7.

Table with 3 columns: Question, (a) Donor advised funds, (b) Funds and other accounts. Rows include purpose of easements, total number of easements, total acreage, and various monitoring and reporting questions.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered 'Yes' to Form 990, Part IV, line 8.

Table with 3 columns: Question, (a) Donor advised funds, (b) Funds and other accounts. Rows include questions about reporting art and historical treasures, and amounts related to these items.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a Public exhibition
- b Scholarly research
- c Preservation for future generations
- d Loan or exchange programs
- e Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if organization answered 'Yes' to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian, or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If 'Yes,' explain the arrangement in Part XIV and complete the following table:

	Amount
c Beginning balance	1c
d Additions during the year	1d
e Distributions during the year	1e
f Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If 'Yes,' explain the arrangement in Part XIV.

Part V Endowment Funds. Complete if the organization answered 'Yes' to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as:

- a Board designated or quasi-endowment _____ %
- b Permanent endowment _____ %
- c Term endowment _____ %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

	Yes	No
(i) unrelated organizations	3a(i)	
(ii) related organizations	3a(ii)	
b If 'Yes' to 3a(ii), are the related organizations listed as required on Schedule R?	3b	

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements				
d Equipment				
e Other		392,901,262.	122,386,424.	270,514,838.

Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).) 270,514,838.

BAA

Part VII Investments—Other Securities. See Form 990, Part X, line 12. N/A

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) -----		
(B) -----		
(C) -----		
(D) -----		
(E) -----		
(F) -----		
(G) -----		
(H) -----		
(I) -----		
Total. (Column (b) must equal Form 990 Part X, column (B) line 12.)		

Part VIII Investments—Program Related. (See Form 990, Part X, line 13)

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) PATRONAGE INVESTMENT - SRG&T	22,330,101.	COST
(2) PATRONAGE INVESTMENT - TEX-LA G&T	1,205,624.	COST
(3) PATRONAGE CAPITAL - TEC	312,889.	COST
(4) PATRONAGE CAPITAL - CFC	5,425,336.	COST
(5) PATRONAGE CAPITAL - COBANK	2,353,634.	COST
(6) INVESTMENT IN OTHER ASSOC. ORG.	24,437.	COST
(7)		
(8)		
(9)		
(10)		
Total. (Column (b) must equal Form 990, Part X, column (B) line 13.)	31,652,021.	

Part IX Other Assets. (See Form 990, Part X, line 15) N/A

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, column(B), line 15)	

Part X Other Liabilities. (See Form 990, Part X, line 25)

(a) Description of liability	(b) Amount
(1) Federal income taxes	
(2) POST RETIREMENT BENEFITS	4,644,339.
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, column (B) line 25)	4,644,339.

2. FIN 48 (ASC 740) Footnote. In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740).

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements		
1	Total revenue (Form 990, Part VIII, column (A), line 12)	152,917,173.
2	Total expenses (Form 990, Part IX, column (A), line 25)	137,123,332.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	15,793,841.
4	Net unrealized gains (losses) on investments	
5	Donated services and use of facilities	
6	Investment expenses	
7	Prior period adjustments	
8	Other (Describe in Part XIV). SEE PART XIV	-2,647,566.
9	Total adjustments (net). Add lines 4 through 8	-2,647,566.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	13,146,275.

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return			
1	Total revenue, gains, and other support per audited financial statements	1	152,917,173.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
	a Net unrealized gains on investments	2a	
	b Donated services and use of facilities	2b	
	c Recoveries of prior year grants	2c	
	d Other (Describe in Part XIV)	2d	
	e Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	152,917,173.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
	a Investment expenses not included on Form 990, Part VIII, line 7b	4a	
	b Other (Describe in Part XIV)	4b	
	c Add lines 4a and 4b	4c	
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5	152,917,173.

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return			
1	Total expenses and losses per audited financial statements	1	137,123,332.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
	a Donated services and use of facilities	2a	
	b Prior year adjustments	2b	
	c Other losses	2c	
	d Other (Describe in Part XIV)	2d	
	e Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	137,123,332.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
	a Investment expenses not included on Form 990, Part VIII, line 7b	4a	
	b Other (Describe in Part XIV)	4b	
	c Add lines 4a and 4b	4c	
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5	137,123,332.

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

SCHEDULE D, PART XI, LINE 8
OTHER CHANGES IN NET ASSETS OR FUND BALANCES

COMPREHENSIVE INCOME.....	\$	-426,128.
MEMBERSHIP DECREASE.....		-135.
RETIREMENT OF PATRONAGE CAPITAL.....		-2,221,303.
	TOTAL	<u>\$ -2,647,566.</u>

**SCHEDULE J
(Form 990)**

Compensation Information

OMB No. 1545-0047

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

2010

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organization answered 'Yes' to Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.**

Open to Public Inspection

Name of the organization

Employer identification number

SAM HOUSTON ELECTRIC COOPERATIVE, INC.

74-0695563

Part I Questions Regarding Compensation

1 a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. **PART III**

- | | |
|--|---|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input checked="" type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If 'No,' complete Part III to explain. **1b** Yes No

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? **2** Yes No

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Compensation committee | <input checked="" type="checkbox"/> Written employment contract |
| <input checked="" type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:

- | | |
|--|---|
| a Receive a severance payment or change-of-control payment from the organization or a related organization? 4a | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| b Participate in, or receive payment from, a supplemental nonqualified retirement plan? 4b | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| c Participate in, or receive payment from, an equity-based compensation arrangement? 4c | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
- If 'Yes' to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.

5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- | | |
|--|--|
| a The organization? 5a | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b Any related organization? 5b | <input type="checkbox"/> Yes <input type="checkbox"/> No |
- If 'Yes' to line 5a or 5b, describe in Part III.

6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- | | |
|--|--|
| a The organization? 6a | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b Any related organization? 6b | <input type="checkbox"/> Yes <input type="checkbox"/> No |
- If 'Yes' to line 6a or 6b, describe in Part III.

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If 'Yes,' describe in Part III. **7**

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If 'Yes,' describe in Part III. **8**

9 If 'Yes' to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)? **9**

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2010

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus and incentive compensation	(iii) Other reportable compensation				
1 KYLE J. KUNTZ	(i)	219,017.	0.	9,600.	158,719.	17,510.	404,846.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
2 DAVID BABCOCK	(i)	141,224.	0.	9,600.	80,569.	16,837.	248,230.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
3 KEITH STAPLES	(i)	123,215.	0.	9,600.	47,172.	16,740.	196,727.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
4 KEITH STAPLETO	(i)	128,316.	0.	9,600.	61,619.	16,744.	216,279.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5 DONALD CALVIN	(i)	107,684.	0.	9,600.	49,025.	16,600.	182,909.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
6 RICKY HARRELL	(i)	112,942.	0.	9,600.	48,306.	11,319.	182,167.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
7 CHARLES PALMER	(i)	107,676.	0.	9,600.	66,792.	16,590.	200,658.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
8 DOUG KOUBA	(i)	99,843.	0.	9,600.	32,874.	11,202.	153,519.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
9 WILLIAM TOWNLE	(i)	107,755.	0.	9,600.	53,220.	16,509.	187,084.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
10 MOLLY GRAY	(i)	104,822.	0.	9,600.	72,968.	11,237.	198,627.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

PART 1, LINE 1A - RELEVANT INFORMATION REGARDING COMPENSATION BENEFITS

EMPLOYEES AND DIRECTORS ARE OFFERED THE OPTION OF MEMBERSHIP TO LOCAL HEALTH CLUBS LOCATED IN LIVINGSTON, WOODVILLE AND COLDSRING, TEXAS, AS PART OF THE COOPERATIVE'S WELLNESS PLAN. THE BENEFIT IS REPORTED TO THE PARTICIPANT AS TAXABLE COMPENSATION.

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization

SAM HOUSTON ELECTRIC COOPERATIVE, INC.

Related Organizations and Unrelated Partnerships

▶ **Complete if the organization answered 'Yes' to Form 990, Part IV, line 33, 34, 35, 36, or 37.**
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No. 1545-0047

2010

Open to Public Inspection

Employer identification number

74-0695563

Part I Identification of Disregarded Entities (Complete if the organization answered 'Yes' to Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) -----					
(2) -----					
(3) -----					
(4) -----					
(5) -----					
(6) -----					

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered 'Yes' to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Sec 512(b)(13) controlled entity?	
						Yes	No
(1) -----							
(2) -----							
(3) -----							
(4) -----							
(5) -----							
(6) -----							
(7) -----							

Part III Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered 'Yes' to Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) ----- ----- -----												
(2) ----- ----- -----												
(3) ----- ----- -----												

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered 'Yes' to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) SAM HOUSTON SERVICES, INC. P.O. BOX 1121 LIVINGSTON, TX 77351-1121 76-0549038	INTERNET SERVICE PROVIDER	TX	N/A	C CORP	0.	88,550.	100.00
(2) ----- ----- -----							
(3) ----- ----- -----							

Part V Transactions With Related Organizations (Complete if the organization answered 'Yes' to Form 990, Part IV, line 34, 35, 35a, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

	Yes	No
1 During the tax year did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity.....		X
b Gift, grant, or capital contribution to other organization(s).....		X
c Gift, grant, or capital contribution from other organization(s).....		X
d Loans or loan guarantees to or for other organization(s).....		X
e Loans or loan guarantees by other organization(s).....		X
f Sale of assets to other organization(s).....		X
g Purchase of assets from other organization(s).....		X
h Exchange of assets.....		X
i Lease of facilities, equipment, or other assets to other organization(s).....		X
j Lease of facilities, equipment, or other assets from other organization(s).....		X
k Performance of services or membership or fundraising solicitations for other organization(s).....		X
l Performance of services or membership or fundraising solicitations by other organization(s).....		X
m Sharing of facilities, equipment, mailing lists, or other assets.....		X
n Sharing of paid employees.....		X
o Reimbursement paid to other organization for expenses.....		X
p Reimbursement paid by other organization for expenses.....		X
q Other transfer of cash or property to other organization(s).....		X
r Other transfer of cash or property from other organization(s).....		X

2 If the answer to any of the above is 'Yes,' see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered 'Yes' to Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See Instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproportionate allocations?		(g) Code V-UBI amount in box 20 of Schedule K-1 Form (1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No
(1) _____ _____ _____										
(2) _____ _____ _____										
(3) _____ _____ _____										
(4) _____ _____ _____										
(5) _____ _____ _____										
(6) _____ _____ _____										
(7) _____ _____ _____										
(8) _____ _____ _____										

SCHEDULE O
(Form 990 or 990-EZ)

Supplemental Information to Form 990 or 990-EZ

OMB No. 1545-0047

2010

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

Name of the organization

SAM HOUSTON ELECTRIC COOPERATIVE, INC.

Employer identification number

74-0695563

FORM 990, PART VI, LINE 6 - EXPLANATION OF CLASSES OF MEMBERS OR SHAREHOLDER

THE COOPERATIVE HAS ONLY ONE CLASS OF MEMBERS. EACH MEMBER HAS A RIGHT TO: RECEIVE ADEQUATE AND DEPENDABLE ELECTRIC SERVICE, PRIVACY, BE HEARD AT MEMBER MEETINGS, THEIR SHARE OF CAPITAL CREDITS, INFORMATION ABOUT SAM HOUSTON ECI, HAVE THEIR PROPERTY TREATED WITH CARE BY COOPERATIVE EMPLOYEES, BE HEARD IF THEY HAVE A DISPUTE OR COMPLAINT, AND HAVE SERVICE WITHOUT REGARD TO RACE, COLOR, SEX, NATIONALITY, RELIGION, OR MARITAL STATUS.

FORM 990, PART VI, LINE 7A - HOW MEMBERS OR SHAREHOLDERS ELECT GOVERNING BODY

THE MEMBERS HAVE THE ABILITY TO ELECT THE GOVERNING BODY. DIRECTORS ARE ELECTED FOR 5 YEAR TERMS AND MUST MEET CERTAIN QUALIFICATIONS AS DEFINED BY THE COOPERATIVE BYLAWS. ELECTIONS ARE CONDUCTED BY MAIL. THE BOARD OF DIRECTORS APPOINTS AN ELECTION COMMITTEE WHOSE TERMS AND QUALIFICATIONS ARE DEFINED IN THE BYLAWS. NOMINEES ARE CHOSEN AND A BALLOT IS PREPARED AND POSTED AS WELL AS MAILED. NOMINATIONS BY PETITION ARE ALSO ACCEPTED. A DEADLINE FOR RECEIPT OF BALLOTS IS DEFINED IN THE COOPERATIVE BYLAWS. A NOMINEE RECEIVING THE MOST VOTES FOR A PARTICULAR PLACE SHALL BE DEEMED ELECTED.

FORM 990, PART VI, LINE 7B - DECISIONS OF GOVERNING BODY APPROVAL BY MEMBERS OR SHAREHOLDERS

THE MEMBERS MUST APPROVE BY VOTE ALL DIRECTORS AS WELL AS ANY CHANGES TO THE ARTICLES OF INCORPORATION.

FORM 990, PART VI, LINE 11B - FORM 990 REVIEW PROCESS

THE BOARD OF DIRECTORS DETERMINES WHETHER THE FORM 990 WILL BE REVIEWED BY ALL DIRECTORS, AN EXISTING COMMITTEE, OR A SPECIAL COMMITTEE APPOINTED FOR SUCH PURPOSE PRIOR TO FILING. ONCE THE RETURN IS COMPLETED, IT IS PROVIDED TO THE DIRECTORS OR THE COMMITTEE RESPONSIBLE FOR REVIEWING. EMPLOYEES OF THE COOPERATIVE RESPONSIBLE FOR FILING ARE AVAILABLE TO RESPOND TO QUESTIONS OR PROVIDE BACKGROUND AS NEEDED.

ONCE THE DIRECTORS RESPONSIBLE FOR REVIEWING THE FORM 990 ARE SATISFIED IT IS

Name of the organization

SAM HOUSTON ELECTRIC COOPERATIVE, INC.

Employer identification number

74-0695563

FORM 990, PART VI, LINE 11B - FORM 990 REVIEW PROCESS (CONTINUED)

COMPLETE, THE RETURN IS FILED. SUBSEQUENTLY, THE RETURN IS MADE AVAILABLE TO ALL DIRECTORS FOR THEIR REVIEW.

FORM 990, PART VI, LINE 12C - EXPLANATION OF MONITORING AND ENFORCEMENT OF CONFLICTS

THE COOPERATIVE HAS INCLUDED A CONFLICT OF INTEREST POLICY IN THEIR BOARD POLICY MANUAL. BOARD MEMBERS ARE QUESTIONED ANNUALLY AND ASKED TO SIGN AN AFFIDAVIT IDENTIFYING WHETHER ANY SUCH CONFLICTS EXIST. THE BOARD OF DIRECTORS IS RESPONSIBLE FOR INTERPRETING AND ENFORCING THE POLICY.

FORM 990, PART VI, LINE 15B - COMPENSATION REVIEW & APPROVAL PROCESS FOR OFFICERS & KEY EMPLOYEE

INDEPENDENT WAGE AND SALARY SURVEYS ARE OBTAINED ANNUALLY. FOR THE PAST SEVERAL YEARS, SURVEYS WERE OBTAINED FROM NRECA AND AN ADDITIONAL INDEPENDENT SOURCE. THE CEO SALARY IS REVIEWED BY A SPECIAL BOARD COMMITTEE. THE OTHER OFFICERS AND KEY EMPLOYEE SALARIES ARE REVIEWED BY THE CEO AND RECOMMENDATIONS ARE MADE TO THE FULL BOARD FOR APPROVAL.

FORM 990, PART VI, LINE 19 - OTHER ORGANIZATION DOCUMENTS PUBLICLY AVAILABLE

GOVERNING DOCUMENTS AND FINANCIAL STATEMENTS ARE AVAILABLE ON THE COOPERATIVE'S WEBSITE. FINANCIAL STATEMENTS ARE ALSO INCLUDED IN AN ANNUAL REPORT AND MAILED TO ALL MEMBERS.

FORM 990, PART XI, LINE 5
OTHER CHANGES IN NET ASSETS OR FUND BALANCES

COMPREHENSIVE INCOME.....	\$	-426,128.
MEMBERSHIP DECREASE.....		-135.
RETIREMENT OF PATRONAGE CAPITAL.....		-2,221,303.
TOTAL	\$	<u>-2,647,566.</u>

**BALANCE SHEET
MISCELLANEOUS**

DISTRIBUTION PLANT.....	\$ 290,552,420.
TRANSMISSION PLANT.....	41,208,724.
GENERAL PLANT.....	40,190,282.
CONSTRUCTION IN PROGRESS.....	20,744,081.
NON UTILITY PLANT.....	205,755.
TOTAL	<u>\$ 392,901,262.</u>