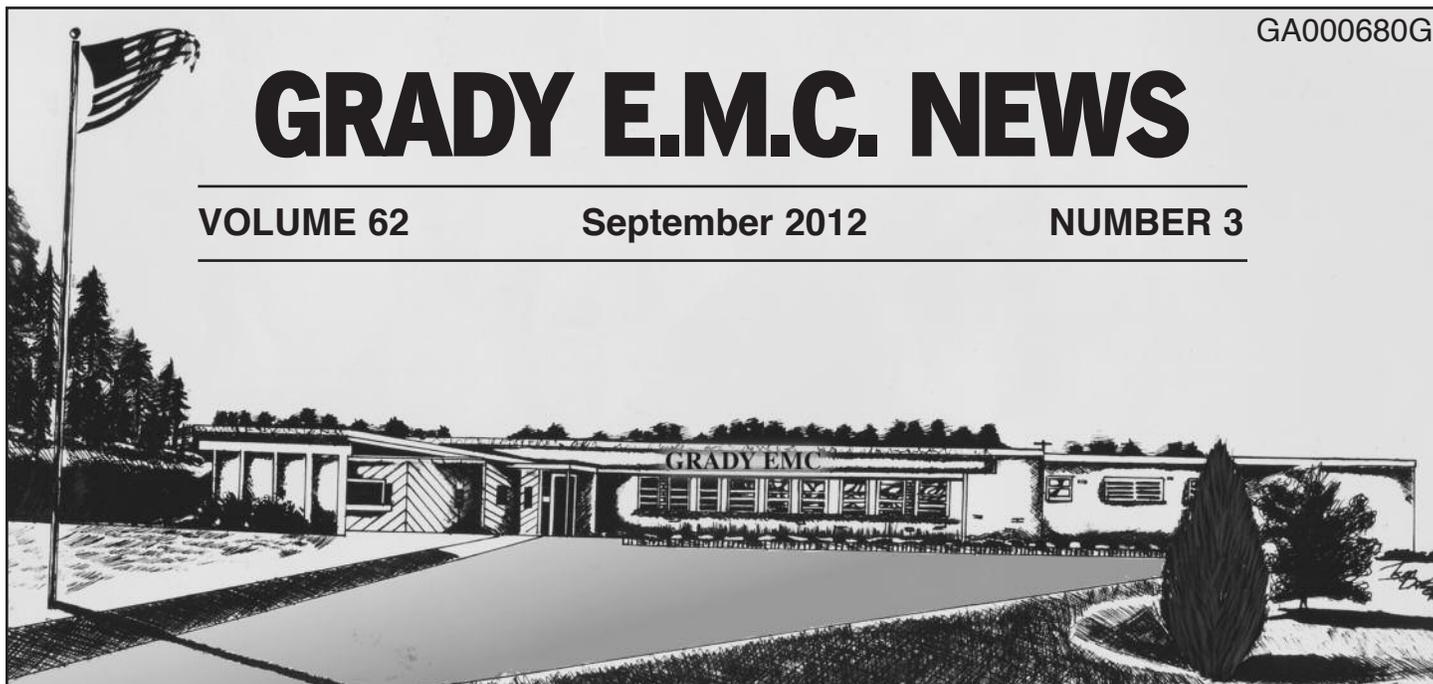


GRADY E.M.C. NEWS

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74th Annual Meeting

Friday, October 19, 2012

The 74th Annual Membership Meeting will be held on Friday, October 19th, 2012 at 10:00 a.m. in the EMC operations complex located directly behind the EMC headquarters office building on Highway 84 West in Cairo, Georgia. Registration and voting on directors will begin at 8:00 a.m. and end promptly at 10:00 a.m. The business meeting will begin at 10:00 a.m.

As mentioned earlier, members will have the opportunity to participate in the election of directors who will represent them in the Co-op. The directors are elected each year on a rotation basis to serve three-year terms. This year, directors will be elected from districts one, four and seven. You are encouraged to participate in this process as you are vital to the progress and service of your co-op.

Entertainment for this year's meeting will be provided by the **Willing Servants** of Colquitt, Georgia. The group consists of Cory and Holly Thomas and Rick and Judy Thursby. Willing Servants has a very unique musical style. Their ministry is Christ centered and is dedicated to spreading the Gospel of Jesus Christ through song, testimony, and delivery of the preached word. Willing Servants began their ministry in 1996 and have performed in concerts, special events, worship services, and revivals while traveling predominantly throughout the Southeast. They will perform from 8:30 a.m. till 10:00 a.m. You are invited to come and enjoy the entertainment, refreshments, and fellowship. Free gifts will be given to those registering at the meeting.

The directors, staff and employees of your Co-op look forward to seeing and visiting with you on this day. The mission of Grady EMC remains the same; to provide high quality, affordable electricity to all our membership. Remember, Grady EMC is owned by you and is directed by a Board of Directors that you have elected.

Registration begins at 8:00 A.M.
Meeting Begins at 10:00 a.m.



MEMBERSHIP DOES HAVE ITS PRIVILEGES.



GRADY EMC



"Your local cooperative with access to the world's power."

T.A. ROSSER
President

BOARD OF DIRECTORS

DONALD COOPER
Chairman - District 2

DEWEY BROCK, Jr.
District 1

LAMAR CARLTON
Vice-Chairman - District 3

ROBERT E. LEE
Secretary - Treasurer - District 6

JAMES FREEMAN
District 4

H. LAMAR STRICKLAND
District 5

G. WILLIS SMITH
District 7

Attorney
CLAIRE CHASON

**United States Department of Agriculture
Rural Utilities Service
STATEMENT OF NONDISCRIMINATION**

Grady Electric Membership Corporation, is the recipient of Federal financial assistance from the Rural Utilities Service, an agency of the U. S. Department of Agriculture, and has filed a Compliance Assurance in which it assures the Rural Utilities Service that it will comply to the provisions of Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination Act of 1975, as amended; and the rules and regulations of the U. S. Department of Agriculture. In accordance with the Federal law and the U. S. Department of Agriculture's policy, this organization is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, or disability. (Not all prohibited bases apply to all programs.)

The person responsible for coordinating this organization's nondiscrimination compliance efforts is T.A. Rosser. Any individual or specific class of individuals, who feels that this organization has subjected them to discrimination, may obtain further information about the statutes and regulations listed above from and/or file a written complaint with this organization. To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410, or call (202) 720-5964 (voice or TDD). USDA and Grady Electric Membership Corporation are an equal opportunity provider and employer. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.

Annual Report

for Year 2011

Chairman and Manager's Report

For those members that come by the office, you have been seeing the progress of our remodeling. I know you think it's taking a long time, but remember, we are trying to use our people as much as possible, and do it in our spare time, which there is not much of. The front is finished and most of the inside is finished. By this time next year, the entire project should be completed. The members that have stopped in have all been very encouraging, and complimentary of the work. That means a lot to your employees. We want to finish with a complex that all the membership, as well as the employees, can be proud of.

The rate increases we were planning to implement two years ago are still on hold. As everyone knows, the economy is still not doing well, and your Board of Directors is still requiring that we operate without an increase. If you look at the statement of revenues, you will see our operating margins are down quite a bit. Finishing the building, inspecting poles, trimming right-of-way, maintaining a fleet of 60 vehicles and buying fuel while not increasing the margins is a balancing act. Even though some things are not being done completely, we are managing to keep going. Hopefully, we will be fortunate and not have a major storm.

The pole inspection project is ongoing. Poles have to be checked, and the bad ones replaced. It is easier and cheaper to replace a pole during the day, than replace one on a stormy night. We will eventually inspect all the poles we have, which is currently more than 50,000. We are also replacing wire that is either undersized for future growth, or showing signs of age. Both of these projects are being done by our own personnel.

Our right-of-way program is ongoing also. Even though this area of our business creates the most complaints, it has proven to be cost effective in keeping power outages to a minimum. We appreciate the members understanding of the necessity of this program. Poor right-of-way can cause blinks during good weather, which create havoc with today's electronics, and during bad weather, can cause outages.

Georgia Energy Cooperative does our power scheduling, and provides some of our wholesale power requirements, along with Oglethorpe Power Corporation. By being a member of these coop groups, it is easier to negotiate future power supply. We are anticipating that the group purchasing will assist in keeping the wholesale power cost increases lower than they might have otherwise been.

Green Power supplies us a portion of our wholesale power generated from Green Projects, such as landfills, wood chips, solar, etc. The total output of its various projects is not that great; however, it is one method of providing green energy to our members. Another method is provided by our members. We currently have three members that are selling their excess energy back to us, which becomes part of our overall energy mix.

The electronic meter replacement program is finished. We can now read your meter from the office, and have the ability to disconnect from the office. This saves a tremendous amount of time and labor cost, from both reading your meter as well as disconnecting non-payers.

Your elected Board of Directors is constantly looking for ways to make your cooperative more efficient, and more responsive to your needs. If you know of something you would like to have changed, or wonder why something is being done a certain way, ask us, and we will try to answer your question.

Grady EMC's directors and employees are proud of the job they do for you, the member, and look forward to seeing you at the 74th Annual Meeting of YOUR CO-OP. ■

Secretary and Treasurer's Report

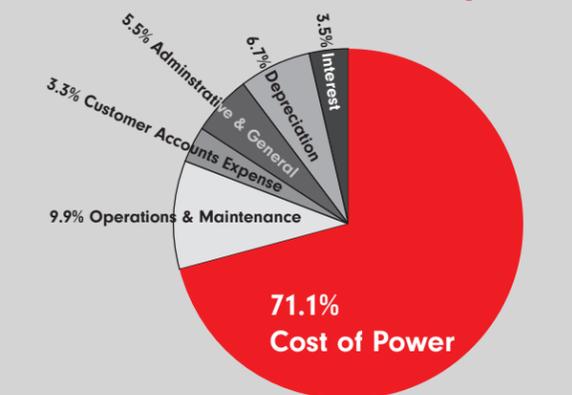
FINANCIAL STATEMENTS for the fiscal year ended December 31, 2011 reflect the sound status of Grady Electric Membership Corporation.

Each year we obtain the services of Certified Public Accountants to perform an audit of the corporation's accounting records. This audit includes an examination of the cooperative's balance sheets, related statements of revenue and expenses and appropriate remarks concerning each.

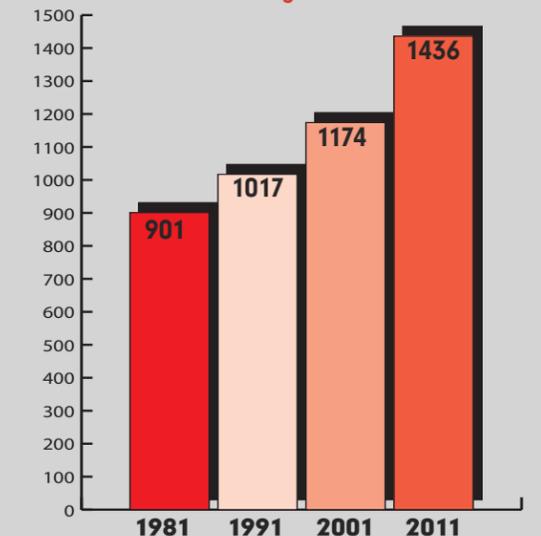
Our auditor, Nichols, Cauley & Associates, LLC, conducts our audit in accordance with generally accepted auditing standards and Government Auditing Standards.

Respectfully Submitted,
Robert E. Lee
Secretary-Treasurer

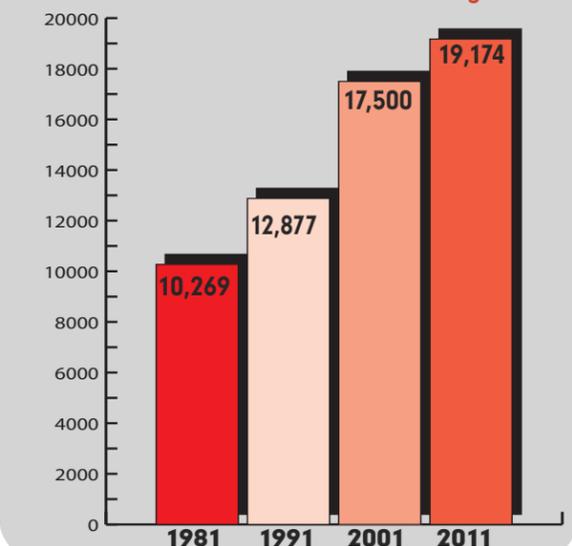
Where Your Dollars Were Spent



Average Kilowatt Hours used per month per meter 1981 through 2011



Number of Active Meters 1981 through 2011



STATEMENT OF REVENUE AND PATRONAGE CAPITAL

	2011	2010
Revenues	\$38,004,639	\$34,989,900
Operating Expenses:		
Cost of Power	\$26,873,836	23,684,740
Distribution Expense—Operation of Lines	1,826,418	1,695,188
Distribution Expense—Maintenance of Lines	1,899,746	1,844,623
Consumer Accounts Expense	1,251,945	747,432
Administrative and General Expense	2,091,606	2,254,223
Depreciation and Amortization Expense	2,533,402	2,451,430
Interest	1,311,688	1,267,668
Total Expenses	\$37,788,641	\$33,945,304
Operating Margins	\$215,998	\$1,044,596

BALANCE SHEET As of December 31, 2011

	2011
What We Own—Assets	
Cash on Hand and Temporary Investments	1,319,520
Investments in Associated Organizations	13,004,413
Accounts Receivable	5,819,216
Stock Materials and Supplies	477,130
Cost of System, Less Depreciation	67,905,469
Deferred Charges	23,783
Other Current Assets	172,770
Total Assets	\$88,722,301
Our Equity and What We Owe—Liabilities & Equity	
Long-Term Mortgage Notes, RUS, CFC & Other	34,001,921
Membership Fees	66,285
Patronage Capital and Other Equities	40,597,403
Other Liabilities	14,056,692
Total Liabilities & Equity	\$88,722,301

"Election of Directors"

(Excerpted from By Laws of Grady EMC Directors)

SECTION 4.01. NUMBER AND GENERAL POWERS. The business and affairs of the Cooperative shall be managed by a Board of seven (7) Directors. The Board shall exercise all of the powers of the Cooperative except such as are by laws or by the Cooperative's Articles of Incorporation or Bylaws conferred upon or reserved to the members. The Board of Directors shall not appoint or elect any committee to exercise the authority of the Board. However, the Board may appoint or elect from its own membership one or more committees, each consisting of at least two directors, for the purpose of serving in an advisory or recommendatory capacity to the Board.

SECTION 4.02. QUALIFICATIONS. No person shall be eligible to become or remain a director of the Cooperative who is a close relative of an incumbent director or of an employee of the Cooperative, or is not a member in good standing of the Cooperative and receiving service therefrom at his primary residential abode: PROVIDED, that the operating or chief executive of any member which is not a natural person, such as a corporation, church, etc., or his designee, shall notwithstanding that he does not receive service from the Cooperative at his primary residential abode, be eligible to become a director, from the Directorate District in which such member is located, if he or such designee (1) is in substantial permanent occupancy, direction or use of the premises served by the Cooperative, and (2) is a permanent and year round resident within or in close proximity to an area served by the Cooperative; BUT PROVIDED FURTHER, that no more than one (1) such person may serve on the Board of directors at the same time. No person shall be eligible to become or remain a director of, or to hold any other position of trust in, the Cooperative who is not at least (18) years of age or is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies, to among others the members of the Cooperative. Notwithstanding any of the foregoing provisions of this Section treating with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be re-elected as a director if he becomes a close relative of another incumbent director or of a Cooperative employee because of a marriage to which he was not a party. Upon establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the cooperative lacks eligibility under this section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him to be removed therefrom, as the case may be. Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Cooperative.

SECTION 4.03 ELECTION. At each annual meeting of the members, directors shall be elected by secret written ballot by the members and, except as provided in the first proviso of Section 4.02 of these Bylaws, from among those members who are natural persons: PROVIDED that, Directors shall be elected by a plurality of the votes cast. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 4.04. TENURE. Directors shall be so nominated and elected that one director from or with respect to Directorate Districts Nos. 1, 4 and 7 shall be elected for three-year terms at an annual member meeting in 2012; one director from or with respect to Directorate Districts Nos. 2 and 5 shall be elected for three-year terms at the next succeeding annual member meeting in 2013; one director from or with respect to Directorate District Nos. 3 and 6 shall be elected for three-year terms at the next succeeding annual member meeting in 2014, and so forth. Upon their election, directors shall, subject to the provisions of these Bylaws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

SECTION 4.06. Nominations.

(a) The Board shall appoint, not less than sixty (60) days nor more than one hundred twenty (120) days before the date of the meeting at which members of the Board are to be elected, a committee on nominations, consisting of not less than five (5) nor more than eleven (11) Members who shall be selected so as to give equitable representation on the Committee for the geographical areas served by the Cooperative (the "Nominating Committee"). The committee shall meet and nominate not less than one (1) nor more than two (2) qualified Member(s) for each seat on the Board for which a vacancy will occur by term expiration. The committee shall report such nominations to the Board not less than thirty (30) days before the meeting. Such nominations shall be posted at the principal office of the Cooperative at least thirty (30) days before the meeting.

(b) In addition, any fifty (50) or more Members of the Cooperative acting together may make additional nominations in writing submitted to the Secretary of the Cooperative not less than thirty (30) days prior to the meeting (the "Nominating Petition"), and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. The Nominating Petition shall:

(1) list on each page of the Nominating Petition the name of the proposed nominee;

(2) indicate on each page of the Nominating Petition the Director position for which the proposed nominee will run; and

(3) contain the printed names, addresses, telephone numbers and original dated signatures signed within sixty (60) days of the first signature.

(c) The Cooperative shall include in the notice of the meeting a statement of the number of Directors to be elected and showing separately the nominations made by the Nominating Committee and the nominations made by petition, if any.

At the Member Meeting, no nominations may be made from the floor except that such nominations may be made and shall be allowed for any position to be filled for which there would not otherwise be any eligible nominee. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board after the election of Directors.

SECTION 4.07. Manner of Voting for and Election of Directors.

(a) Directors shall be elected to fill the seats for those Directors whose terms are expiring at each Annual Meeting.

(b) Voting for election of Directors shall be by secret ballot; PROVIDED, however that when a nominee has no opposition, secret written ballots shall be dispensed with in respect to that particular election, and voting may be conducted at the Annual Meeting of the Members by voice vote or in any other proper manner. Balloting for contested elections of Directors shall begin not less than one and one-half hours (1 ½) and not more than (3) hours prior to the commencement of the business session of the Annual Meeting with the report on the

number of Members present and Persons represented in order to determine the existence of a quorum. Ballot boxes shall be opened and maintained until the commencement of the business session of the Annual Meeting. Upon commencement of the business session, an announcement shall be made that the voting shall come to a close. Those Members in line to register and vote at the time the announcement is made to close the voting shall be allowed to vote.

Directors shall be elected by a majority vote of those Members authorized to vote for them at the meeting at which the election is to be held. Should no candidate receive a majority vote of those Members present and voting, then a run-off ballot shall be taken between the two candidates receiving the greatest number of votes.

Nominating Committee Meeting

The Nominating Committee is scheduled to meet September 6, 2012 at 2:00 p.m. at the Grady EMC office building. They will appoint designated names from each district in which two of whom will be elected as Directors of Grady Electric Membership Corporation. The Board of Directors met August 1 and approved the following names as the 2012 Nominating Committee:

Douglas Roddenberry
James Robert Maxwell
Robert L. Gainey
James M. Lewis

W. H. Ansley
Lowell E. Dollar
Freddie Bryant
Julian E. Robinson