

“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 member. 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. 2 and 5 shall be elected for three-year terms at an annual member meeting in 2004; one director from or with respect to Directorate Districts Nos. 3 and 6 shall be elected for three-year terms at the next succeeding annual member meeting in 2005; one director from or with respect to Directorate District Nos. 1, 4 and 7 shall be elected for three-year terms at the next succeeding annual member meeting in 2006, 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.

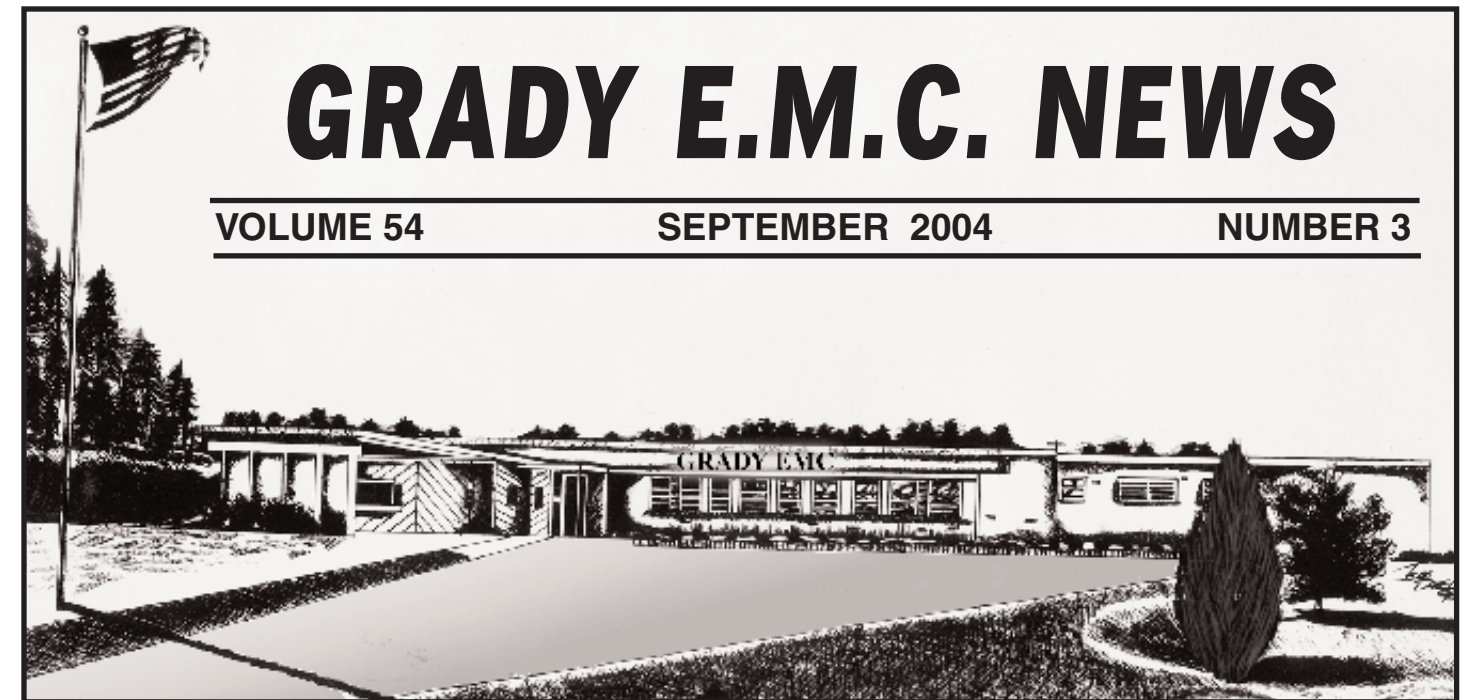
Nominations of Directors Article IV of The By-Laws Of The Grady EMC

SECTION 4.06. NOMINATIONS. It shall be the duty of the Board of Directors to appoint not less than sixty (60) nor more than ninety (90) days prior to the date of a meeting of the members at which directors are to be elected, a Committee on Nominations, consisting of not less than eight (8) nor more than twelve (12) members of the cooperative who are not existing Cooperative employees, agents, officers, directors or known candidates for director, who are not close relatives (as hereinafter defined) or members of the same household thereof, and who are so selected that each of the Cooperative's directorate districts shall have representation thereon in proportion to the number of authorized directors from or with respect to such District. The Committee shall prepare and post at the principal office of the Cooperative at least thirty (30) days prior to the meeting a list of nominations for directors to be elected, listing separately the nominee(s) for each Directorate District from or with respect to which a director must, pursuant to this Article, be elected at the meeting. The Committee shall include two (2) nominees for each Directorate District. Any fifteen (15) or more members of the Cooperative, acting together, may make additional nominations in writing over their signatures, listing their nominee(s) in like manner, not less than twenty (20) days prior to the meeting, and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. The Secretary shall mail to the members with the notice of the meeting, or separately, but at least five (5) days prior to the date of the meeting, a statement of the names and addresses of all nominees for each Directorate District from which directors must be elected, showing clearly those nominated by the Committee and those nominated by petition, if any. Nominations shall be closed at 5:00 p.m. on the date twenty (20) days before the meeting. Candidates failing to be placed on the ballot through nominations shall have the opportunity of running for the Board as write-in candidates. Any member desiring to vote for a member not nominated may vote for such person by writing in such person's name on the ballot. All ballots shall provide space for the names of such candidates. Notwithstanding the provisions contained in this Section, failure to comply with any such provisions shall not affect in any member whatsoever the validity of any action taken by the Board of Directors after the election of directors.

Nominating Committee Meeting

The Nominating Committee is scheduled to meet September 9, 2004 at 10:00 a.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 4 and approved the following names as the 2004 Nominating Committee:

J.C. Hortman	W. H. Ansley
H. Lamar Strickland	Lowell Dollar
Robert L. Gainey	Freddie Bryant
Willie B. Hickey	Julian Robinson



2004 ANNUAL MEETING FRIDAY, OCTOBER 15

Registration Begins at 8:30 A.M.
Meeting Begins at 10:30 A.M.

The 66th Annual Membership Meeting will be held on Friday, October 15, 2004 at 10:30 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 **8:30 A.M.** and end promptly at **10:30 A.M.** The business meeting will begin at 10:30 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 two and five. You are encouraged to participate in this process as you are vital to the progress and service of your co-op.

The Harmony Boys Quartet of Camilla, GA will provide the entertainment for this year's meeting. They began their ministry of Southern Gospel music in 1976. While some members have changed over the years, the message remains the same: God is still on His throne and in control. The Harmony Boys Quartet is a family oriented group with a strong desire to help win souls for the Kingdom of God. They will perform from 9:30 a.m. until 10:30 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.

MEMBERSHIP DOES HAVE ITS PRIVILEGES.

DOING
BUSINESS
WITH PEOPLE
WHOM YOU
KNOW
AND
TRUST

GRADY EMC



GRADY
EMC...
PROVIDING
SERVICE
THAT
SHINES

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

T.A. ROSSER
General Manager

BOARD OF DIRECTORS

DONALD COOPER
Chairman - Dist. 2

DEWEY BROCK, Jr.
Dist. 1

LAMAR CARLTON
Vice-Chairman - Dist. 3

ROBERT E. LEE
Secretary - Treasurer - Dist. 6

JAMES FREEMAN
Dist. 4

L. O. MAXWELL, III
Dist. 5

G. WILLIS SMITH
Dist. 7

ATTORNEY
KEVIN CHASON

**UNITED STATES DEPARTMENT
OF AGRICULTURE
Rural Utilities Service
Statement of Nondiscrimination**

Grady Electric Membership Corporation has filed with the Federal Government a Compliance Assurance in which it assures the Rural Utilities Service that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964, all requirements of Section 504 of the Rehabilitation Act of 1973, as amended, all requirements of the Age Discrimination Act of 1975, as amended, all requirements under the Americans Disabilities Act of 1990 and all requirements of the rules and regulations of the U.S. Department of Agriculture to the end that no person in the United States shall, on the ground of race, color or national origin, of solely by reason of such person's disabilities or on the basis of age, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program or the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against any person on the ground of race, color or national origin, solely by reason of such person's disabilities, or on the basis of age, in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants including employment, rates, conditions and extensions of service, admissions or access to or use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization. The person in this organization responsible for coordinating the nondiscrimination compliance efforts of this organization is Vickie L. Peak.

Any individual, or any specific class of individuals, who feel subjected by this organization to discrimination prohibited by Title VI of the Civil Rights Act, by Section 504 of the Rehabilitation Act, by the Age Discrimination Act, by the Americans Disabilities Act or by the rules and regulations of the U.S. Department of Agriculture may personally or through a representative, file with the Office of the Secretary, U.S. Department of Agriculture, Washington, D.C. 20250; the office of the Administrator, Rural Utilities Service, Washington, D.C. 20250; The Office of Advocacy and Enterprise, U.S. Department of Agriculture, Washington, D.C. 20250; or this organization, or all, a written complaint. Such complaint must be filed no later than 180 days after the alleged discrimination, or by such later date to which the Secretary of Agriculture of the Administrator of the Rural Utilities Service extends the time for filing. Identity of complaints will be kept confidential except to the extent necessary to carry out the purposes of the rules and regulations of the U. S. Department of Agriculture.

“ANNUAL REPORT”

F o r Y e a r 2 0 0 3

**Chairman and
Manager’s Report**

2003 has come and gone as Grady EMC has continued to strive to provide the service and benefits our members have come to expect. Even though the wholesale cost of power has been rising, along with the price of gas at the pump and the price of natural gas and propane, we have been able to avoid a general rate increase. A rate increase is something we have not had since 1992. Hopefully, the price of coal and natural gas will drop, taking some of the pressure off the wholesale power suppliers, helping us avoid a general increase.

On the brighter side, our right of way program is on schedule, resulting in the continued drop in outage time suffered by the membership. We know everyone says when the sky gets cloudy, the lights go out. That might have been true 30 years ago, but not today. Our consumer outage times have fallen every year for the last several years, and with continued careful planning, we can continue to improve service and lower outage times.

Our growth is continuing to be steady, with the membership increasing fro 14,132 to 14,328. Even though this isn't rapid membership growth, it does require constant monitoring to be sure we don't increase demand unnecessarily, and thereby increase cost more than necessary. Our total KWH sales decreased in 2003, due to the cool weather, dropping from 269,475,494 to 264,819,218. KWH sales thus far in 2004 are rebounding to what we had previously projected.

One benefit of belonging to a rural electric co-op is receiving capital credit distributions. We paid \$158,191.17 to the estates of deceased members in 2003. Some co-ops also do a general distribution each year. Your board, based on previous experience, has found that the expense of doing this, along with the number of checks that are returned as undeliverable, takes away the benefit to the member. Generally, these distributions would be very little anyway, which is another reason not to do them. In addition, any unclaimed refunds may eventually have to be turned over to the state. Paying to estates, which general encompasses several years of credits, has proven to be a benefit to the heirs of members to help offset the rapidly rising cost of burial.

Another co-op benefit is local management. Your elected Board of Directors is constantly looking for ways to make your co-op 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, we will see what we can do to answer your questions.

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 66th Annual Meeting of YOUR CO-OP. ■

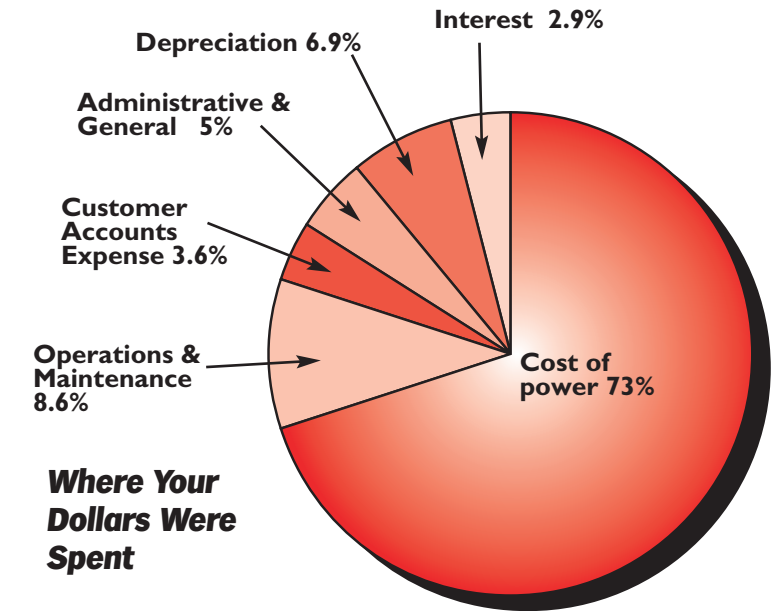
Secretary and Treasurer’s Report

Financial Statements for the fiscal year ended December 31, 2003 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, P.C., conducts our audits in accordance with generally accepted auditing standards and Government Auditing Standards.

*Respectfully Submitted,
Robert E. Lee
Secretary-Treasurer*



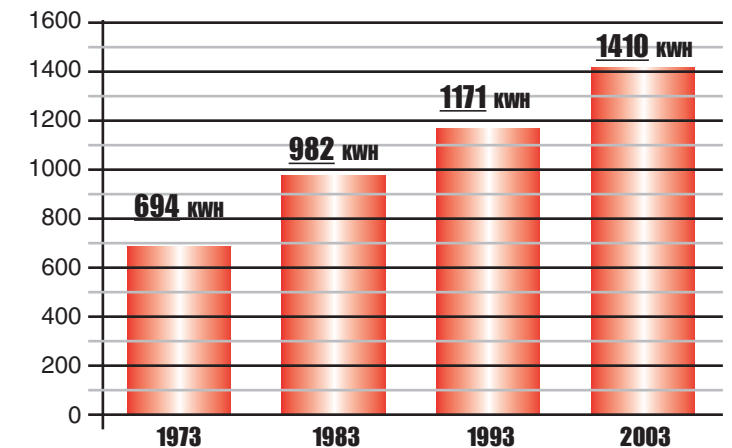
STATEMENT OF REVENUE AND PATRONAGE CAPITAL

	Year 2003	Year 2002
REVENUE	\$25,751,396	\$25,274,556
OPERATING EXPENSES:		
Cost of Power	\$18,537,660	\$16,206,050
Distribution Expense—Operation of Lines	1,087,644	1,052,634
Distribution Expense—Maintenance of Lines	1,092,849	1,179,570
Consumer Accounts Expense	912,989	836,528
Administrative and General Expense	1,260,419	1,020,524
Depreciation and Amortization Expense	1,743,300	1,525,907
Interest	722,749	848,136
Total Expenses	\$25,357,610	\$22,669,349
Operating Margins	\$393,786	\$2,605,207

BALANCE SHEET
As of December 31, 2003

WHAT WE OWN—ASSETS:	2003
Cash on Hand and Temporary Investments	\$1,017,895
Investments in Associated Organizations	8,741,375
Accounts Receivable	2,484,083
Stock Materials and Supplies	290,217
Cost of System, Less Depreciation	46,455,375
Deferred Charges	20,985
Other Current Assets	84,090
Total Assets	\$59,094,020
OUR EQUITY AND WHAT WE OWE - LIABILITIES & EQUITY:	
Long-Term Mortgage Notes, RUS & CFC & Other	\$20,708,438
Membership Fees	71,640
Patronage Capital and Other Equities	28,849,409
Other Liabilities	9,464,533
Total Liabilities & Equity	\$59,094,020

**AVERAGE KWH USED PER MONTH PER METER
1973 THROUGH 2003**



NUMBER OF ACTIVE METERS 1973 THROUGH 2003

