

"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 2007; 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 2008; 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 2009, 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 Director Article IV of the By-Laws of The Grady EMC

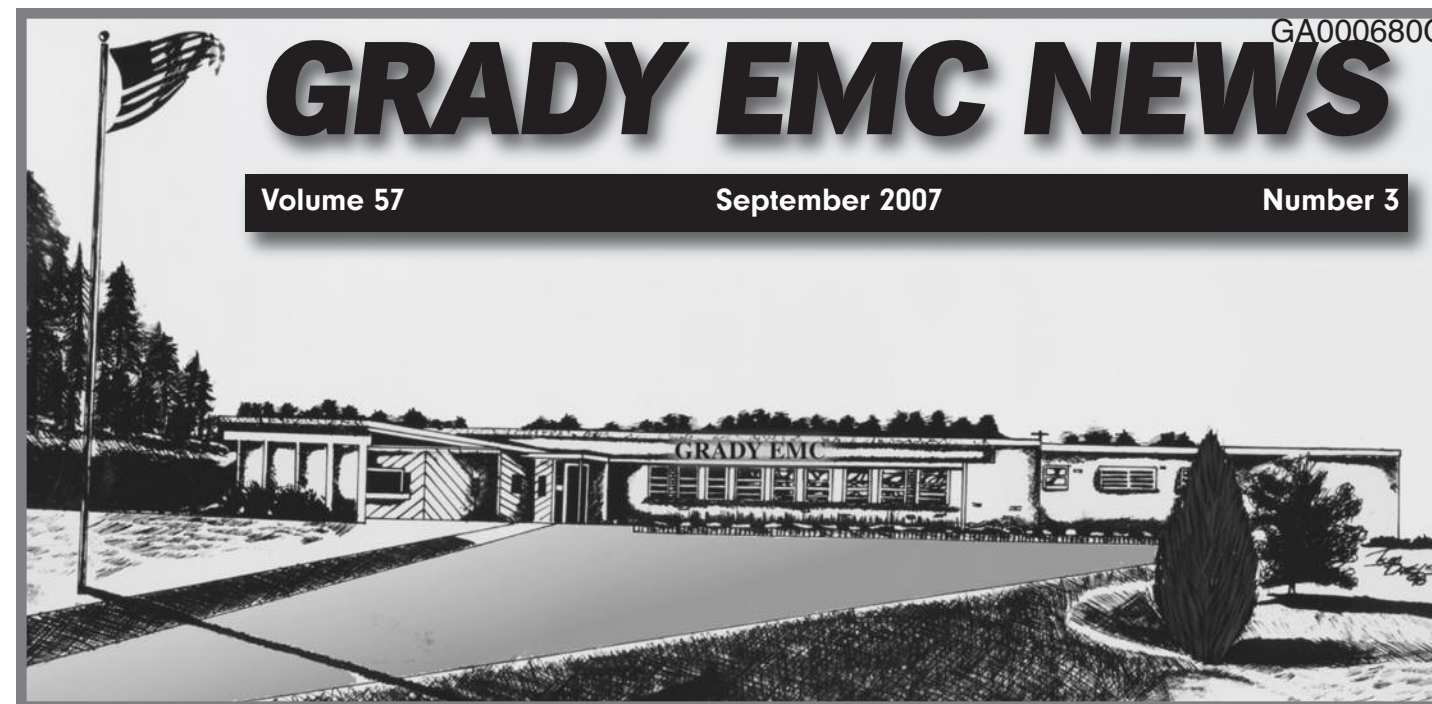
SECTION 4.06. NOMINATIONS. It shall be the duty of the Board of Directors to appoint not less than sixty (60) nor more than ninety (90) days prior to the date of a meeting of the members at which directors are to be elected, a Committee on Nominations, consisting of not less than eight (8) nor more than 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 6, 2007 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 8 and approved the following names as the 2007 Nominating Committee:

J.C. Hortman
H. Lamar Strickland
Robert L. Gainey
Willie B. Hickey

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



2007 Annual Meeting Friday, October 19

Registration Begins at 8:00 A.M. • Meeting Begins at 10:00 A.M.

THE 69TH ANNUAL MEMBERSHIP MEETING will be held on Friday, October 19th, 2007 at 10:00 AM. 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 two and five. 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.

NOTE: TIME OF MEETING HAS BEEN CHANGED AS FOLLOWS. Registration Begins: 8:00 am; Registration Ends: 10:00 am; Business Meeting Begins: 10:00 a.m.

MEMBERSHIP DOES HAVE ITS PRIVILEGES.



GRADY EMC

T.A. ROSSER
General Manager

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

L. O. MAXWELL, III
District 5

G. WILLIS SMITH
District 7

Attorney
KEVIN 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 P. B. Reed. 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 2006

Chairman and Manager's Report

The way we started 2005 with higher fuel and power cost, has continued through 2006 and is continuing as of this date. Even though the "experts" say the price of gas will eventually come back down, we don't truly believe it. If we say the price of electricity will come back down, we don't truly believe that either. We have not had a rate increase in 15 years, but the time may be near. The application of the power cost adjustment has allowed us to closely track the fluctuations of wholesale power cost, which has assisted us in holding rates down. As always, we are researching every aspect of our industry to do all we can to hold down our wholesale power cost.

Higher power cost is making it more important than ever to continue to keep the system operating as efficiently as possible. As always, right of way maintenance is a very large part of the cost of overall system maintenance. Many don't remember the time when the members maintained their own right of way. In those days, we had very few outages from right of way problems. If there was a tree or limb that "might" knock out the power, the member took care of it immediately. The last thing the member wanted was to lose power. Now, the member still doesn't want to lose power, but they also don't want their right of way trimmed. Members can still play a major role in helping to keep right of way costs down by avoiding planting trees and shrubs in or around the power line right of way. As the old saying goes, you can't have your cake and eat it too.

Currently, we are experiencing continued growth in our service area, caused largely by the exodus of people from Florida. As these people move into our area, we are having to build new infrastructure to support them. The membership increased from 14,753 in 2005 to 15,082 in 2006. Even though this isn't rapid membership growth, it is steady, and does require constant monitoring to be sure we don't increase total demand unnecessarily, and thereby increase our fixed cost more than necessary, or even worse, not have the electricity available when it is needed. Our total KWH purchases increased in 2006 to 312,634,609 KWH, up from 302,598,371 KWH...in 2005.

The phone system we installed last year has proven to be a wise investment. It has speeded up the response time for outages, as well as allowed us to handle more calls more efficiently, with less office staff. For this system to continue to improve, the membership has to use it. The days of talking to someone every time your power goes out are rapidly ending. In today's computer world, to use the latest technology, which provides the quickest response time, the information system has to be relied on. As hard as it is to admit, a properly operating computer system is faster and more reliable than people. We realize some still want to talk to a person, but by and large, the fastest and best way to restore power, is by using the computer system to track outages.

One benefit of belonging to a rural electric coop is receiving capital credit distributions. We paid \$236,816.00 to the estates of deceased members in 2006.

Your elected Board of Directors is constantly looking for ways to make your coop 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 69th Annual Meeting of YOUR COOP.

Secretary and Treasurer's Report

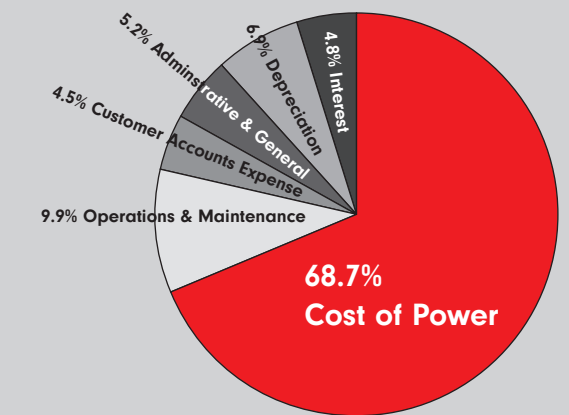
FINANCIAL STATEMENTS for the fiscal year ended December 31, 2006 reflect the sound status of Grady Electric membership Corporation.

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

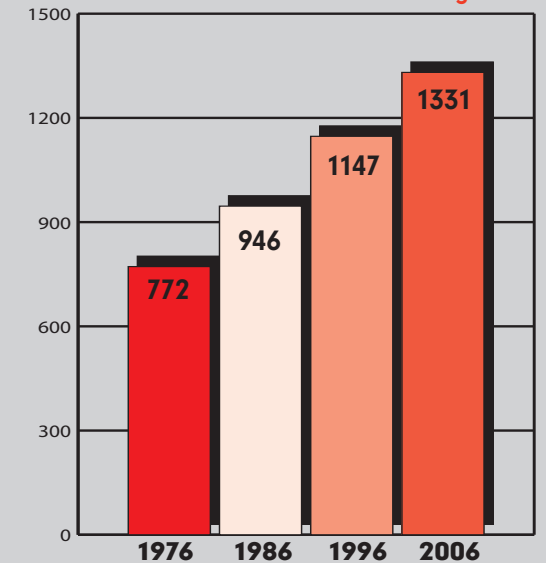
Our auditor, Nichols, Cauley & Associates, LLC, conducts our audits in accordance with generally accepted auditing standards and Government Auditing Standards.

Respectfully Submitted,
Robert E. Lee
Secretary-Treasurer

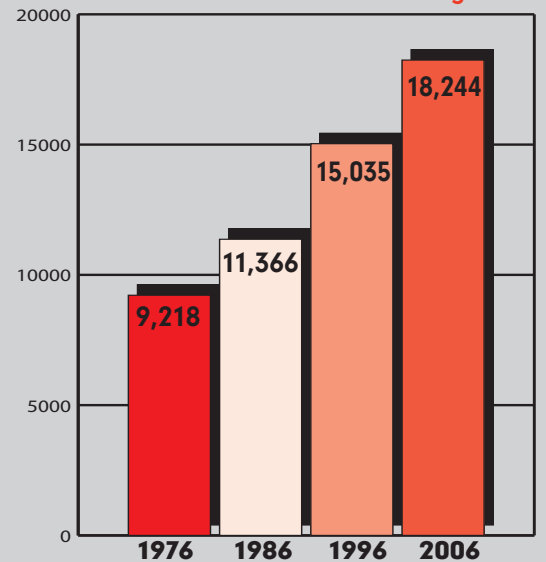
Where Your Dollars Were Spent



Average Kilowatt Hours used per month per meter 1976 through 2006



Number of Active Meters 1976 through 2006



STATEMENT OF REVENUE AND PATRONAGE CAPITAL

	Year 2006	Year 2005
Revenues	\$31,110,330	\$29,530,974
Operating Expenses:		
Cost of Power	\$20,273,321	\$20,635,680
Distribution Expense—Operation of Lines	1,400,514	1,268,148
Distribution Expense—Maintenance of Lines	1,540,824	1,011,889
Consumer Accounts Expense	1,327,760	998,391
Administrative and General Expense	1,526,316	1,250,714
Depreciation and Amortization Expense	2,043,677	2,077,258
Interest	1,404,705	1,224,178
Total Expenses	\$29,517,117	\$28,466,258
Operating Margins	\$1,593,313	\$1,064,716

BALANCE SHEET
As of December 31, 2006

What We Own—Assets	2006
Cash on Hand and Temporary Investments	1,276,067
Investments in Associated Organizations	9,733,837
Accounts Receivable	3,241,925
Stock Materials and Supplies	432,162
Cost of System, Less Depreciation	53,668,050
Deferred Charges	16,537
Other Current Assets	112,389
Total Assets	\$68,480,967
Our Equity and What We Owe—Liabilities & Equity	
Long-Term Mortgage Notes, RUS, CFC & Other	24,039,349
Membership Fees	75,410
Patronage Capital and Other Equities	33,467,667
Other Liabilities	10,898,541
Total Liabilities & Equity	\$68,480,967