

"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. 3 and 6 shall be elected for three-year terms at an annual member meeting in 2008; one director from or with respect to Directorate Districts Nos. 1, 4 and 7 shall be elected for three-year terms at the next succeeding annual member meeting in 2009; one director from or with respect to Directorate District Nos. 2 and 5 shall be elected for three-year terms at the next succeeding annual member meeting in 2010, 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 forty-five (45) days before the meeting. Such nominations shall be posted at the principal office of the Cooperative at least forty-five (45) 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.

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

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 1/2) 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.

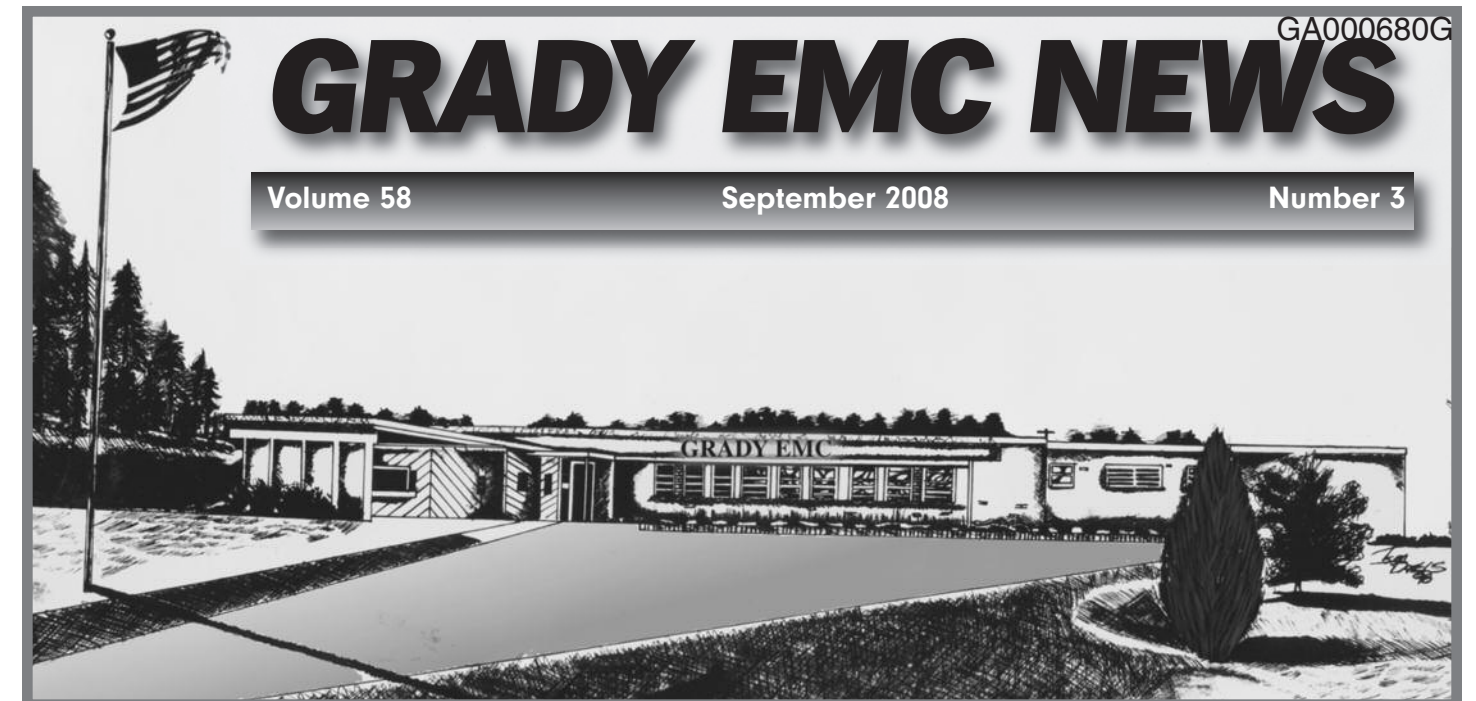
Directors shall be elected by a majority vote of those Members authorized to vote for them at the meeting at which the election is to be held. Should no candidate receive a majority vote of those Members present and voting, then a run-off ballot shall be taken between the two candidates receiving the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

Nominating Committee Meeting

The Nominating Committee is scheduled to meet September 4, 2008 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 6 and approved the following names as the 2008 Nominating Committee:

Douglas Roddenberry
H. Lamar Strickland
Robert L. Gainey
Julian Branche

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



2008 Annual Meeting

Friday, October 17

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

THE 70TH ANNUAL MEMBERSHIP MEETING will be held on Friday, October 17th, 2008 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 three and six. 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 8:30 a.m. until 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.



The Harmony Boys Quartet

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.



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 2007

Chairman and Manager's Report

The way we started 2006 with higher fuel and power cost, continued on through 2007. Now, we are experiencing increases in material costs, which are directly related to the cost of fuel. We have not had a rate increase in 16 years, but that will no longer be true this time next year. The current plan is to request rate changes which will go into effect on January 1, 2009 and again on January 1, 2010. As always, we are researching every aspect of our industry to do all we can to hold down our wholesale power cost, as well as material and operating cost.

Higher 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. Members 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.

Our total KWH purchases increased in 2007 to 331,762,821 KWH, up from 312,640,915 KWH in 2006. The total power cost for the year 2007 was \$22,624,289. The main ways we have to hold down power costs are through load control and right of way clearing. When the weather is extremely hot or cold, please don't use any power you don't have to.

We are continuing to improve the phone system. Our response time for outages is quicker, plus we can handle more calls, with less office staff. For this system to work, the membership has to use it. The days of talking to someone every time your power goes out are ending. In today's world, a computer system is faster and more accurate. 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 and guide power restoration.

One benefit of belonging to a rural electric coop is receiving capital credit distributions. We paid \$262,807.00 to the estates of deceased members in 2007.

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 70th Annual Meeting of YOUR COOP.

Secretary and Treasurer's Report

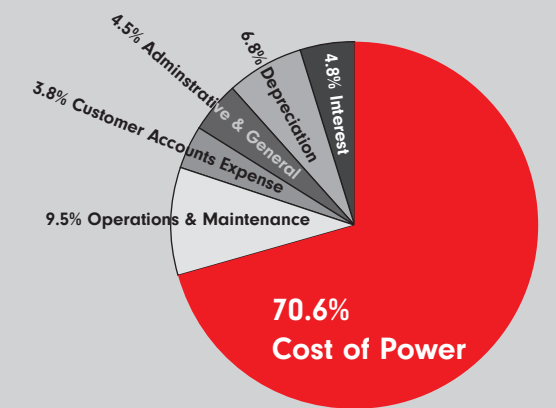
FINANCIAL STATEMENTS for the fiscal year ended December 31, 2007 reflect the sound status of Grady Electric Membership Corporation.

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.

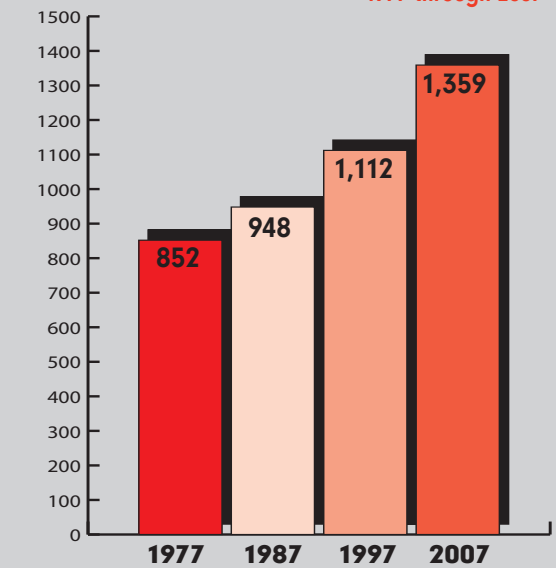
Our auditor, Nichols, Cauley & Associates, LLC, conducts our audits in accordance with generally accepted auditing standards and Government Auditing Standards.

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

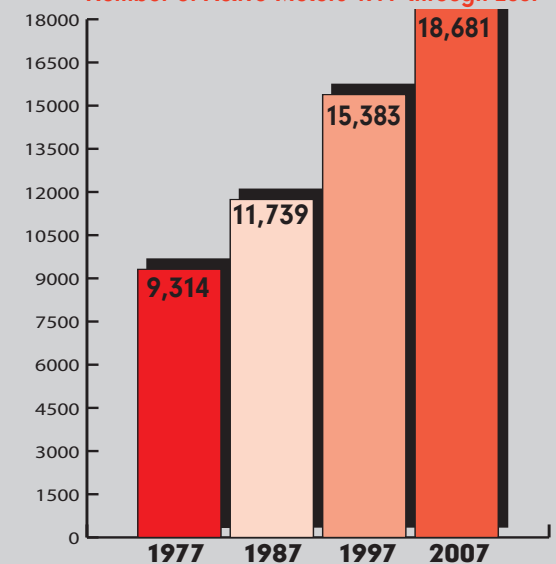
Where Your Dollars Were Spent



Average Kilowatt Hours used per month per meter 1977 through 2007



Number of Active Meters 1977 through 2007



STATEMENT OF REVENUE AND PATRONAGE CAPITAL

	Year 2007	Year 2006
Revenues	\$32,820,816	\$31,110,330
Operating Expenses:		
Cost of Power	\$22,624,291	\$20,273,321
Distribution Expense—Operation of Lines	1,351,604	1,400,514
Distribution Expense—Maintenance of Lines	1,693,844	1,540,824
Consumer Accounts Expense	1,203,395	1,327,760
Administrative and General Expense	1,444,720	1,526,316
Depreciation and Amortization Expense	2,162,979	2,043,677
Interest	1,540,290	1,404,705
Total Expenses	\$32,021,123	\$29,517,117
Operating Margins	\$799,693	\$1,593,213

BALANCE SHEET

As of December 31, 2007

What We Own—Assets	2007
Cash on Hand and Temporary Investments	1,368,747
Investments in Associated Organizations	9,355,176
Accounts Receivable	3,016,067
Stock Materials and Supplies	428,877
Cost of System, Less Depreciation	56,595,543
Deferred Charges	14,050
Other Current Assets	92,905
Total Assets	\$70,871,365
Our Equity and What We Owe—Liabilities & Equity	
Long-Term Mortgage Notes, RUS, CFC & Other	26,166,113
Membership Fees	75,295
Patronage Capital and Other Equities	34,031,554
Other Liabilities	10,598,403
Total Liabilities & Equity	\$70,871,365