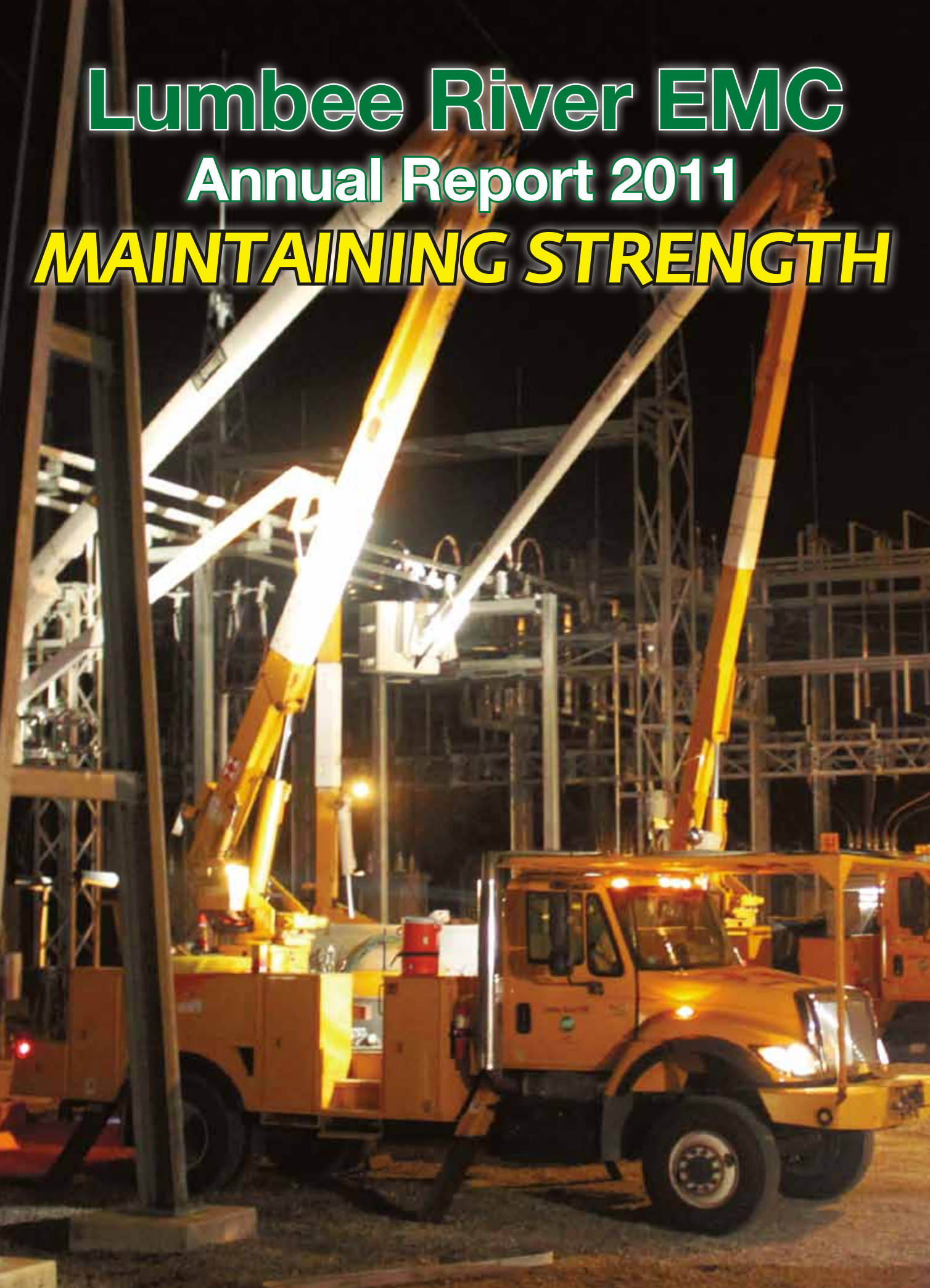


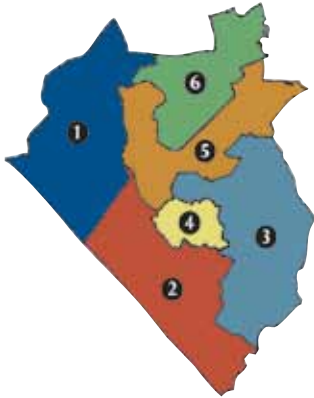
Lumbee River EMC

Annual Report 2011

MAINTAINING STRENGTH



BOARD OF DIRECTORS



James Hardin
Chairman
District 6



Madie Rae Locklear
Vice Chairman
District 5



Ronald Hammonds
Secretary
District 3



Lacy L. Cummings
Treasurer
District 4

Lumbee River EMC is governed by a thirteen (13) member Board of Directors. These member-directors are elected each year by their fellow co-op members at the Annual Member Meeting. They bring together a wealth of knowledge, business skills and personal experience that provide the expertise needed to make Lumbee River EMC a successful cooperative. They are charged with establishing policies and overseeing financial decisions that are in the best interest of cooperative members.

2012 Credentials and Election Committee

- Wade Hunt, Chairperson
Freddie Chavis, Vice Chairperson
Betty Grimsley, Secretary
- Douglas Locklear • Gene Locklear
 - Robert Brayboy • Robert Fairley
 - George Lessane • James R. Jones
 - David Locklear • Laymon Locklear
 - Joseph Whitley, Jr. • Mary Jones
 - Jervis Locklear • Frank Cooper
 - Deborah Purcell • Shirl Rising
 - Carmen Chavis • James Pridgett
 - Larry Jones • Paul Miller
 - Lewis E. Bruce, Jr. • Shelia Locklear

2012 Nominating Committee

- James Leach, Chairperson
Sherry Carter, Secretary
- Richard Campbell • Gregory Hunt
 - James Jacobs Jr. • Cedric Locklear
 - Annette Jones • Harold Brock
 - Terry G. Sampson • Patricia Maynor
 - Richard Smith



Herbert Clark
District 1



Roger Oxendine
District 2



Ambrose Locklear, Jr.
District 3



Elaine Chavis
District 5



Broughton Oxendine
District 5



William Hollingsworth
District 6



Maggie Hunt
District 6



Proctor Locklear, Jr.
District 6



Wyatt Upchurch
District 6

Cooperative Principles

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training, and information
- Cooperation among cooperatives
- Concern for community

Cooperative Facts (as of 12/31/11)

Total miles of line:

Overhead	3,515
Underground	2,030

Counties served:

- Cumberland • Hoke
- Robeson • Scotland

Number of accounts: 55,784

Number of employees: 113

Monthly Board Meeting: Third Tuesday

Date first energized: April 5, 1941

Power Suppliers:

- North Carolina Electric Membership Corp.
- Southeastern Power Administration

Minutes of the 2011 Annual Meeting of the Members - October 13, 2011

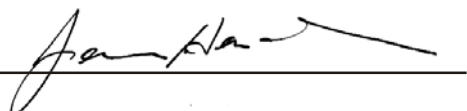
Pursuant to due notice thereof, the 71st Annual Meeting of the Members of the Lumbee River Electric Membership Corporation was held at the University of North Carolina at Pembroke, Givens Performing Arts Center, beginning at 1:00 p.m. on Thursday, October 13, 2011.

1. Registration and voting commenced at 1:00 p.m. and ended at 7:30 p.m.
2. Attorney Arlie Jacobs called the meeting to order and welcomed the members to the meeting. Mr. Jacobs introduced Reverend Terry Cummings of New Bethel Baptist Church to give the invocation.
3. Attorney Jacobs introduced Provost and Vice Chancellor for Academic Affairs, Dr. Kenneth D. Kitts - University of North Carolina at Pembroke, who welcomed everyone to the university campus.
4. Attorney Jacobs introduced Secretary Ruth Oxendine who read the Proof of Mailing for the Annual Meeting Notice and reported that quorum was present. Ms. Oxendine reported on September 23, 2011, the Corporation did place 46,063 annual meeting member notices in the United States mail with postage thereon duly paid. A copy of the proof of mailing is incorporated herein by reference, made a part of these minutes, and is available for inspection in the Minutes Book of the Corporation.
5. Attorney Jacobs called for the approval of the October 14, 2010 Annual Meeting minutes. Upon a motion duly made and seconded, the membership waived the reading of the minutes of the 2010 Annual Meeting of the Members.
6. Attorney Jacobs reported that according to Section 5.05 of the Cooperative's Bylaws, candidates are placed into nomination in one of two ways: (1) nomination by the Nominating Committee; and (2) nomination by petition containing at least fifteen (15) or more members' signatures so nominating the interested members. Attorney Jacobs reported that the cooperative had received three (3) petitions for nomination, placing into nomination Ronald Hammonds for District 3, Elaine O. Chavis for District 5, and Carl A. Pevia for District 6.
 - i.) Ms. Sherry Carter presented the report of the Nominating Committee, placing into nomination the following names in the following districts:

District 1	Herbert Clark
District 3	Robert Strickland
District 5	Ruth Oxendine
District 6	Maggie Hunt
	William Hollingsworth
7. President & CEO Randall S. Jones recognized special guests and gave a special thank you to Echo of Faith of Gray Pond Baptist Church and The Carter Family of the Light of Truth Church for providing entertainment and, also to the University of North Carolina at Pembroke for the use of their facility.
8. Attorney Jacobs introduced Mr. Broughton Oxendine, Chairman of the Cooperative's Board of Directors, who gave an audiovisual presentation of his report to the membership. A copy of his presentation is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
9. President & CEO Randall S. Jones, presented his annual presentation by audiovisual to the membership. A copy of the presentation is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
10. Attorney Jacobs opened the floor for comments and questions. General comments and questions were provided by several members. President & CEO Randall Jones responded to the member's comments or questions. If additional information or research was necessary, Mr. Jones notified the member that LREMC staff would research and follow up individually with a more detailed response. At the conclusion of comments or questions from the floor, Mr. Jacobs closed the open forum of the program.
11. The results of the election, which were certified by Mr. Wade Hunt of the Credential and Elections Committee, were announced by Attorney Jacobs as follows:

District 1	Herbert Clark	1,214
District 3	Ronald Hammonds	1,062
	Robert Strickland	745
District 5	Elaine O. Chavis	1,013
	Ruth Oxendine	728
District 6	William Hollingsworth	1,237
	Maggie Hunt	800
	Carl A. Pevia	507
12. Attorney Jacobs introduced Mr. Tim Locklear, who conducted the drawing and awards of the door prizes and power credits.
13. After the drawing of the prizes, the 2011 Annual Meeting of the Members was proclaimed adjourned.
14. The 2011 Annual Meeting of Members registered 2,061 members. A list of each member registered is attached to these minutes, incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.

Signed: _____



James Hardin, Chairman

Signed: _____



Ronald Hammonds, Secretary



EXECUTIVE REPORT



The year 2012 has been declared the International Year of Cooperatives. It's a chance for us to celebrate our legacy of innovation and to remind us of what's important in business—putting PEOPLE first. Our history demonstrates how we built a better world together. Years ago, our rural ancestors were living in the dark—forced to rely on iceboxes or spring houses to cool food, kerosene lamps for lighting, wood stoves for cooking, and fetching water from wells. We're here today because we believe in the benefits of a community working together. We know we're stronger and can accomplish more when we're united—that's what makes our country great. When we cooperate with each other—pool our resources and focus on a goal—we can do ANYTHING. This is Lumbee River EMC's chance to talk about what makes us special – like the fact that we're committed to improving the quality of life in the communities we serve. Electric co-ops serve 42 million people in 47 states, and Lumbee River EMC is proud to be part of that network.

Maintaining Strength

The dictionary defines strength as “the state or quality of being strong. The ability to withstand or exert great force, stress or pressure.”

In today's world with all of the demands to deliver more diverse services and to protect the environment, while at the same time keeping costs down, Lumbee River EMC continues to maintain strength.

Strength through Growth

As the world economy has continued to struggle over the last several years, we have been blessed to live in an area that has fared much better than most. While we haven't been immune from many of the unemployment problems, we have been fortunate to see the cooperative continue to grow. This strength is demonstrated in the addition of 15,000 new services connected since 2002. This represents a 27% growth in total connected services over that 10 year period. In addition to these services during this time period, we also added over 1,000 miles of line and constructed or upgraded 14 substations. All of these additions enabled Lumbee River EMC to deliver an increase of over 37% in kWh sales to our members.

Financial Strength

This underlying strength from growth has been a big advantage to your cooperative over the years. In the year 2011, our revenues exceeded \$120 million. While growth alone does not guarantee a strong financial position, couple it with cost controls and more efficient use of electricity by our membership, and we are better able to maintain financial strength. Evidence of this on-going strength is reflected in the more than \$19 million in capital credits that have been returned to you over the last 10 years.



James Hardin

Chairman, Board of Directors



Perry Cummings

Interim CEO

Strength through Service

The employees of Lumbee River EMC are here, day in and day out, to serve you, our members. During 2011, Lumbee River EMC employees handled over 184,000 phone calls and nearly 15,000 visits to our offices. From these calls and visits, over 40,000 service orders were generated, directing our service crews to everything from connecting and disconnecting services to repairing security lights. Our on-going operational efforts are focused on the quality of service to our membership. Through the implementation of additional substation circuits and better use of protective devices on our system, we have improved and maintained system performance and reliability.

Strength through Community

Our presence and involvement in the communities where we live and serve has always been a strength for Lumbee River EMC. We are proud to be a part of the community through our participation in events such as parades, community celebrations and Pembroke Day. Through partnerships with local agencies we continue our LREMC Cares Program as well as our Employees' Christmas Care Program.

Lumbee River EMC has always supported education in our communities. Programs such as awarding scholarships, the Washington Youth Tour, the Cooperative Council Leadership Camp and the Bright Ideas Grants for teachers are all examples of this commitment.

All of these on-going efforts demonstrate Lumbee River EMC's commitment to being a contributing and active part of our community.

Challenges to our Strength

While we are strong, there are things that are challenging our strength.

- The transformers, poles, wires and meters we have used over the years have served Lumbee River EMC well. But just as each of us is faced with replacing aging equipment such as vehicles and appliances, Lumbee River EMC also faces the challenge of replacing aging equipment. Much of the underground wiring that was installed back in the 70s and 80s

is approaching an age where it must be replaced. Last year alone we spent over \$1.5 million replacing older poles, wires and transformers on our system to ensure we can continue to provide our members with a high level of service..

- In addition to the challenge of replacing an aging infrastructure, our industry also faces continued challenges of government legislation and regulation. Issues such as Greenhouse Gas Emissions, Renewable Energy mandates and hazardous material handling continue to be debated both at a state and national level. We will continue to work closely with our state and federal legislators to ensure that any impact from these issues is not only sound from an environmental perspective but also are economically affordable to you, our members.

- Finally, as technologies improved over the years, the expectations of our membership to provide new and more convenient services also becomes a challenge to our overall strength. A robust and strong supporting infrastructure is essential to providing increased access to account information, outage information reporting and the member convenience options that our membership views as necessary in today's highly connected world. Our fiber to the home (FTTH) project to install a fiber optics network continues toward a 2013 implementation date. Once completed, this project will not only provide high speed internet access to underserved communities in our service area, but will also provide Lumbee River EMC with improved access to data about our systems performance thus enabling our organization to operate at an optimum level.

While the challenges may sound daunting, we are confident in our abilities to address them. Our strength lies within our cooperative business model. The decision making of the Board of Directors, the day to day work performance of the employees, and the support and involvement of you, our membership are truly what sets us apart. Through these relationships, we pride ourselves in being able to provide you, our members with safe, reliable and affordable electricity.



STATEMENT OF AUDIT

The accounting firm of Dixon Hughes Goodman, LLP, Danville, VA, conducted an audit of the balance sheet and related statements of revenues and patronage capital and cash flows as of December 31, 2010 and 2011. This audit was conducted in accordance with generally accepted auditing standards, including examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presented.

In the opinion of the auditor, the financial statements of Lumbee River EMC present fairly, in all material respects, the financial position of Lumbee River Electric Membership Corporation as of December 31, 2010 and 2011, and the results of its operations and its cash flows for the years then ended to be in conformity with generally accepted accounting principles.

Assets/Deferred Charges	2010	2011
Net Utility	153,731,697	162,118,659
Investments	20,795,047	14,667,135
Cash	7,867,359	8,426,481
Notes & Accts. Receivable	19,757,339	18,570,906
Materials & Supplies	582,126	1,457,755
Other Current & Accrued Assets	127,674	170,578
Deferred Charges	1,769,236	1,233,986

Total Assets	204,630,478	206,645,500
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Liabilities/Members' Equity	2010	2011
Membership	478,650	486,095
Equities & Margins	86,673,178	89,587,981
Long Term Debt	83,110,027	84,829,999
Accounts Payable	15,788,675	12,404,717
Other Non-Cur. Liabilities	8,713,728	9,186,700
Other Cur. & Accrued Liabilities	9,866,220	10,150,008
Deferred Credits	0	0

Total Liabilities	204,630,478	206,645,500
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Monies We Collected

Revenues	2010	2011
Sales of Electric Power	118,764,926	118,903,868
Miscellaneous Elec. Revenue	3,852,394	2,850,435

Total Electric Revenues	122,617,320	121,754,303
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Cost of Providing Service

Expenses	2010	2011
Purchased Power	82,412,585	85,931,738
Oper. & Maintenance	5,635,958	5,760,457
Consumer Accounting	3,612,787	4,366,561
Admin. & General Expense	6,911,407	7,758,469
Depreciation	6,502,655	6,771,265
Taxes	5,045,939	5,036,319
Interest	4,205,577	4,744,173
Other Deductions	2,496	9,927

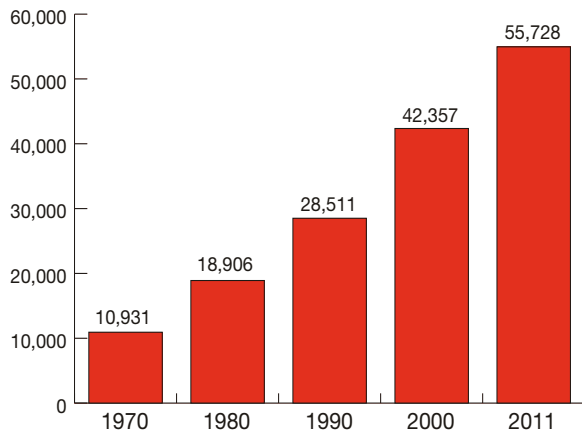
Total Liabilities	114,329,404	120,378,909
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What We Had Left

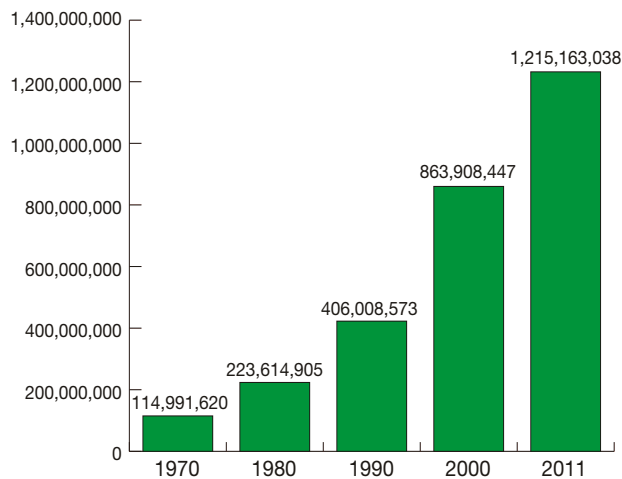
Margins	2010	2011
Operating Margins	8,287,916	1,375,394
Other Margins	135,785	166,467
Non-Operating Margins	665,311	640,651
Gen. & Trans. Capital Credits	1,604,872	1,752,507
Income (Loss)	2,225,204	1,908,084

Total Margins Assigned	12,919,088	5,843,103
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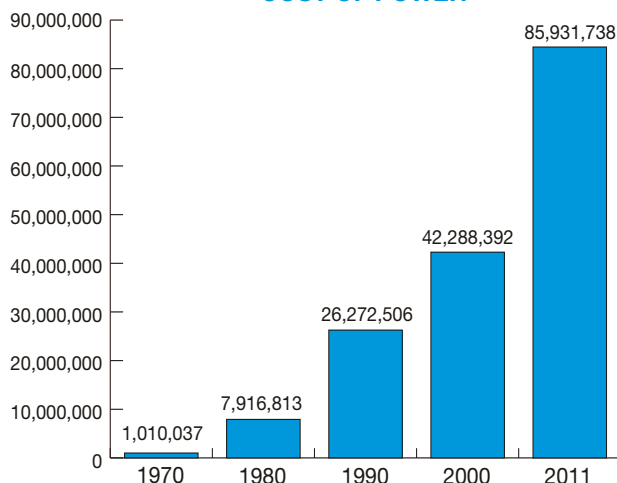
MEMBER ACCOUNT GROWTH



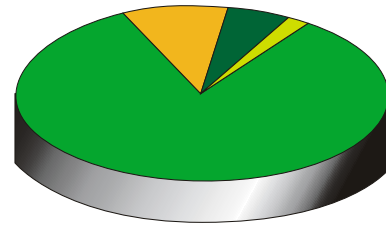
KILOWATT HOURS SOLD



COST OF POWER

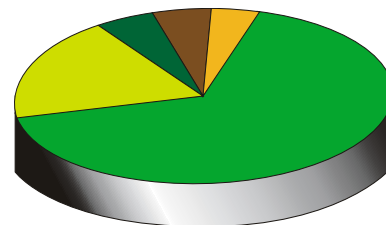


2011 SOURCES OF REVENUE



- RESIDENTIAL – 82%**
Homes, churches, clubs, and community houses provided 82 percent of LREMC's revenue.
- SMALL COMMERCIAL – 9%**
Business accounts whose annual load average is 1000 KVA or less per month provided 9 percent of LREMC's revenue.
- LARGE COMMERCIAL – 7%**
Commercial and industrial accounts whose annual load average is over 1000 KVA per month provided 7 percent of LREMC's revenue.
- PUBLIC AUTHORITIES – 2%**
Schools, street lighting, and other community accounts provided 2 percent of LREMC's revenue.

2011 EXPENSES AND MARGINS



- PURCHASED POWER – 68%**
Purchased power is your Cooperative's largest expense item and is the cost of getting the electricity to our substations from the suppliers who generate it.
- OPERATIONS & MAINTENANCE – 18%**
This includes construction and maintenance cost of lines, as well as trucks and equipment that the employees use in their work. It also includes office equipment, buildings, salaries, and other operational expenses.
- DEPRECIATION – 5%**
Equipment, buildings, and lines have a "quantity of usefulness," and day by day as they are used, the "quantity of usefulness" is consumed or expires.
- MARGINS – 5%**
Margins represent the amount of money taken in by the Cooperative over and above expenses. Other organizations call this "profit." Since we are a nonprofit organization, the margins are reinvested to build lines. This helps decrease the amount of money that must be borrowed. The margins are later returned to the members in the form of Capital Credits.
- INTEREST – 4%**
This is the interest we paid on long-term debt- money borrowed from the Rural Utilities Service, Farmer Mack Loans, and National Rural Utilities Cooperative Finance Corporation to finance construction of lines and substations.



Lumbee River

ELECTRIC MEMBERSHIP CORPORATION

Committed to our communities

A Touchstone Energy® Cooperative

