



Membership Matters • Local Leadership

Many years ago, Mecklenburg Electric Cooperative (MEC) was created out of necessity to bring electricity to rural Southside Virginia, to an area that investor-owned utilities refused to serve. They didn't believe it would be profitable to extend the lines into sparsely populated areas, and they were likely correct. While MEC's first mission was to build the lines and supply electricity to the countryside, through its many years of service it has evolved into much, much more. Every home and business we serve is more than a customer purchasing electricity — they are *members* of Mecklenburg Electric Cooperative, and there are many differences between the two. Cooperatives put money, and the power of ownership, back into the hands of those they serve, not shareholders, and strengthen the communities they serve in the process.

The word “cooperative” comes from the word “cooperate,” which means to work or act together with others, and members of a cooperative voluntarily agree or “cooperate” to be a part of the association for the mutual benefit of receiving electricity and other services. The cooperative business model has proven to be successful all over the world and, in fact, the United Nations has named 2012 as



Chairman of the Board Bobby Conner (left) and President and CEO John Lee

the “International Year of Cooperatives.” Nearly 1 billion people worldwide are cooperative member-owners, and the business model is expected to be the world's fastest growing by the year 2025.

MEC's foremost mission is to provide our members safe, reliable, affordable and environmentally responsible electric service, and while doing so, to support communities throughout our territory. Every program we develop, every service we offer, and every decision we make is to ensure MEC brings ongoing value to your membership in the organization.

In being a Touchstone Energy member, your Cooperative belongs to a federation of cooperatives that includes over 660 local, consumer-owned utility cooperatives serving members in 46 of the 50 United States. Touchstone Energy co-ops serve more than 30 million members. Electric utility cooperatives distribute power for 75 percent of the U.S. land mass with over 2.4 million miles of power lines.

This past year, Touchstone Energy recognized Mecklenburg Electric Cooperative by featuring your Cooperative in its Best

Practices Knowledgebase. We were selected for the honor as a result of the high marks we received from you, our membership, in the 2010 Touchstone Energy (TSE) Survey. The results show that MEC received high marks from its members across the board. In fact, our scores exceeded the national benchmark in every category by a statistically significant margin, as shown in the graph on the facing page. There are only a handful of electric cooperatives that have been honored in this manner; and we are, of course, very proud of the recognition because it comes from meeting, and exceeding, your expectations.

In the electric distribution business there are basically two other types of organizations — investor-owned utilities and municipalities — both of which have customers instead of members. There are vast differences between the organizations and the areas they serve. An investor-owned utility (IOU) is for-profit and owned by stockholders; municipalities are owned by a city, state or federal government agency and serve densely populated areas. As a comparison, IOU's serve an average of 35 customers per

Reliability:

Mecklenburg Electric Cooperative takes pride in the quality and reliability of service provided to our members, and we continue to believe in the necessity of maintaining and enhancing the value of our service. Our scope of dedication goes from the chairs around the board room table to the top of the electric pole.

About our cover:

MEC members Charlie and Melanie Vaughan and their children, Clara and Kyle, look on with interest as lineman/serviceman Joe Hostetter restores their power by replacing the current limited fuse, a device that protects the transformer from lightning strikes.

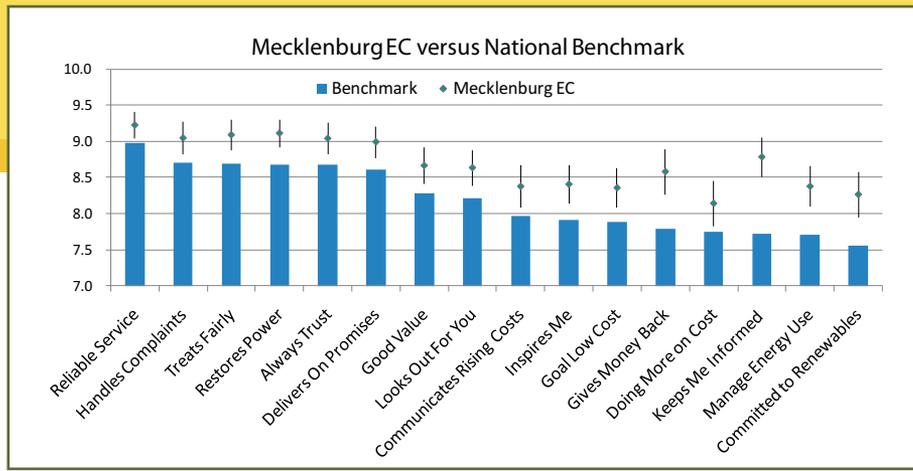
mile of line, municipalities serve an average of 45 customers per mile of line, and your Cooperative serves about seven members per mile of line.

Membership Matters

Being a member of Mecklenburg

Electric Cooperative is more than receiving electricity and paying your bill. You are part of a local organization whose sole goal is to serve you. The dollars you pay for electricity stay at work close to home and what is left is returned to you, not sent to faraway stockholders to never be used in the local economy again. We exist to provide you with safe, reliable, and affordable electric service — and to do so in a way that positively impacts the quality of life found in our communities. And because MEC operates on a not-for-profit basis, we have no need to increase revenues above what it takes to operate the business in a financially sound manner. This structure helps us keep your electric bill affordable.

Membership also matters because Mecklenburg Electric Cooperative is devoted to the areas it serves. From sponsoring a local sports team, to assisting with the American Cancer Society's Relay for Life, to taking donations for the local food bank, MEC invests in its service territory and contributes time and resources to causes in the neighborhoods where you live and work. Its employees spend their income on goods and services locally in our communities and give generously of their free time to make our communities a better place to live, work, and raise a family. Dollars you pay your cooperative for electric service are re-invested in the community time and again.



The chart above shows the outstanding results Mecklenburg Electric Cooperative received on the Touchstone Energy Survey relating to our core competencies. The scores exceeded the benchmark, comprised of 90 industry-leading cooperatives nationwide, in every category by a statistically significant margin.

Reliability – Keeping Your Lights On

Our number one priority at Mecklenburg Electric Cooperative is to provide safe and reliable service to our members. According to surveys and the many complimentary letters we receive, our members agree that our work to keep the lights on, or getting them back on fast, is the top benefit of being a MEC member. We take great pride in our service, and we work through some of the worst conditions imaginable to make sure our members have electricity. All of the work performed for you by our linemen conforms to the National Electrical Safety Code. Working with electricity is not a job that one approaches haphazardly or takes lightly. Each of our line workers receives extensive and ongoing, high-quality training to perform their work safely and efficiently, assuring that poles, lines, transformers, substations, and all other equipment necessary to supply electricity to your home or business are in good working order and are safe and reliable.

We constantly stress the importance of safety around electrical equipment and caution our members and the general public to be careful around electricity through safety presentations and programs that our trained professionals conduct. Demonstrations are performed free of charge for schools, civic clubs, church groups, com-

munity festivals, and other organizations upon request.

MEC Membership Benefits

Because of its not-for-profit status, Cooperative profits, or margins, are initially reinvested in the

organization to finance operations, but are eventually returned to the members through Capital Credit refunds. Your Cooperative has one of the most aggressive capital credit return policies in the nation and has returned over \$31 million to its members.

Our members benefit from the local presence of their Cooperative. We have three district offices open Monday through Friday to serve your needs. Our offices are open from 8 a.m. to 5 p.m. for personal service concerning your account or you can call us toll-free. We are familiar with your area because we live there too, we shop and bank where you do, and attend the same churches and Friday night football games. We are you.

We're pleased to see many of you at our Annual Meeting of the Members each year. This event, held every third Wednesday in June, gives you an opportunity to gather with other members, have some dinner, hear reports from your directors and management, and participate in the election of directors.

MEC directors and staff members protect the best interests of the membership by establishing and maintaining relationships with elected officials and political leaders. They ensure you are represented at the table when decisions are being made that will impact our ability to serve you and the cost to do so. We keep them well informed regarding matters that would have an impact on rural Americans.

Another unseen benefit of MEC membership is a silent service that our MEC line workers perform every minute of every work day. They help protect members from crime through the Cooperative Watch program. Our employees are trained to recognize and report criminal or suspicious activities that they may encounter while working in your community. It works and is just one more way that we are there for you.

Our Other Services

Of the many no-cost services we offer to our members, perhaps our home energy audits have received the most attention and compliments from our members. Our energy efficiency advisor will come to your home or business and help you identify ways you can save money on your electric bill and be more energy efficient.

We also hear many positive comments about our *Cooperative Living* magazine that is delivered through the U.S. Postal Service ten times a year. This publication keeps our mem-

bers informed on issues affecting their electric service as well as offering interesting feature articles about people and places in our service territory and in other areas served by cooperatives.

MEC members are saving dollars every day through our Co-op Connections Card program where local and national businesses provide discounts on merchandise and services when MEC members show their Co-op Connections card. Discounts can be found at participating pharmacies, motels, restaurants, jewelers, and many other types of business.

A relatively new service that we now offer provides consultation with our system arborist. The arborist can assist members with right-of-way concerns or provide expertise in the species selection and location when planting trees near power lines.

Educational Opportunities

Your Cooperative is a big supporter of our area's youth. They represent the future of Southside Virginia and our nation, and every year we provide \$500 scholarships at nine high schools to students who are college-bound sons and daughters of MEC members. We encourage scholastic achievement through the sponsorship of Accelerated Reader programs, Scholar Dollar awards, the F.I.R.S.T. robotics program, and many, many others. We also sponsor educational trips for students, such as the Electric Cooperative Youth Tour and the Virginia Cooperative Council's youth leadership conference, and conduct countless programs in schools for kids of all ages regarding cooperatives and the electric service business.

Economic Development

The areas served by Mecklenburg Electric Cooperative and the small towns surrounded by our territory are economically challenged. Economic development is vital to these areas, and MEC has a history of utilizing its resources to assist new businesses and industries in the development of facilities that will assist in preparing our workforce for the future. The Cooperative was instrumental in the formation of The

Estes Community Center in Chase City, and in the following businesses locating in our area: Wheaton Industries in Chase City, J. M. Huber Corp. in Crystal Hill, Valley Proteins in Emporia, and Beach Mold & Tool in Emporia, among other businesses that have added jobs to the community. We have also assisted established businesses such as the Good Earth Peanut Company in the Emporia area with expansion efforts that resulted in more jobs for those we serve. More recent efforts include assistance to Oran Safety Glass (OSG), whose parent company is one of Israel's leading flat and curved glass processing companies.

Over a decade ago, we assisted Capps Shoe Company, a Cooperative business member in Gretna, qualify for a no-interest rural economic development loan when times were lean and they needed to expand their capabilities and offerings. They now produce high-quality men's and women's footwear that is made in the USA and primarily sold to, and used by, the military. Over 120 jobs were saved then, and now the company employs over 175 local citizens and is going strong with a new contract with the military.

Conclusion

The theme of this year's Annual Report and Annual Meeting of the Members is "MEC Membership Matters." This annual report is presented to you with the news that there is value to your membership in MEC and that your Cooperative is both in sound financial condition and is well positioned to meet your current and future electric needs. We hope you'll agree that there is so much more to being a part of the Mecklenburg Electric Cooperative family than paying your electric bill.

As Chairman of the Board and President and CEO, we consider it a privilege and an honor to represent and serve all of you and we are proud of your organization and the way it efficiently and reliably meets your needs. When you drive by our office or one of our substations, or you see one of our trucks rolling down the highway, or even when you flip on a light switch ... we hope you feel the same sense of pride in the organization that you own and of which you are a member.

The Seven Guiding Principles of Cooperatives

Today's cooperatives have their beginnings in the founding of an early cooperative that was started in Rochdale, England, in 1844 by a group of weavers. Because these early cooperative pioneers put their organizing principles down in writing, the legacy of this early cooperative lives on. These principles are guidelines by which all cooperatives put their values into practice. The following principles were reaffirmed and adopted at the 1995 General Assembly of the International Cooperative Alliance (ICA), held in Manchester, England, to mark the Alliance's 100th Anniversary.

- 1. Voluntary and Open Membership*
- 2. Democratic Member Control*
- 3. Members' Economic Participation*
- 4. Autonomy and Independence*
- 5. Education, Training, and Information*
- 6. Cooperation among Cooperatives*
- 7. Concern for Community*

Membership Matters • Local Presence



The Employees of Mecklenburg Electric Cooperative — Dedicated to Serving Our Members

The employees of Mecklenburg Electric Cooperative are an experienced and knowledgeable group of men and women who are dedicated to providing the very best of service to you. They brave all kinds of weather conditions to make sure that your electric service is safe and reliable. They strive to provide you with the same quality service that they desire for their own families, homes and businesses.

There are three local district offices staffed by people who are your neighbors, friends, relatives and fellow citizens. You

can call and be assisted, not by an out-of-state representative, but by someone who lives in your area and is familiar with your community.

You shop at the same grocery stores as our employees, and they are members of your civic groups and churches. You can find them donating their spare time in the community working to make our service area a better place to live and raise a family. You can count on them to coach your child's little league or soccer team, and you can feel secure know-

ing that they volunteer to serve on local rescue squads and fire departments.

As a member of Mecklenburg Electric Cooperative, you are entitled to all of the benefits of Cooperative membership. The value of your Cooperative's local presence is a benefit that cannot be measured in mere dollars and cents.

We are here to help you, work with you, support you and, most of all, serve you. Together we have the power to make a difference in Southside Virginia.

Serving Members from Three Local District Offices:

Chase City District

11633 Highway 92
Chase City, VA 23924
434-372-6200
Toll-Free 800-989-4161

Emporia District

1413 Pleasant Shade Drive
Emporia, VA 23847
434-634-6168
Toll-Free 800-989-0776

Gretna District

606 Vaden Drive
Gretna, VA 24557
434-656-1288
Toll-Free 800-989-1289

Email us at info@meckelec.org

Membership Matters • Representation

One more of the benefits of being a member of Mecklenburg Electric Cooperative (MEC) is that you are represented in business decisions by a member just like yourself. Decisions by your board of directors are made in the best interest of the membership while keeping MEC financially sound. The color-coded map on the next page can help you determine which district is yours and who represents you. The men and women pictured below serve three-year terms, and are elected by the membership to set strategic direction and establish policies under which the Cooperative conducts business.

MEC Board of Directors



Robert W. Conner
Chairman
Nathalie



Michael H. McDowell
Vice Chairman
Vernon Hill



D. Stanley Duffer
Secretary-Treasurer
Red Oak



John L. Waller
Assistant Secretary
Hurt



Brandon G. Hudson
Virgilina



David J. Jones
Bracey



Fletcher B. Jones
Boydton



**Peggy Lee
Freeman**



Donald L. Moore
Chatham

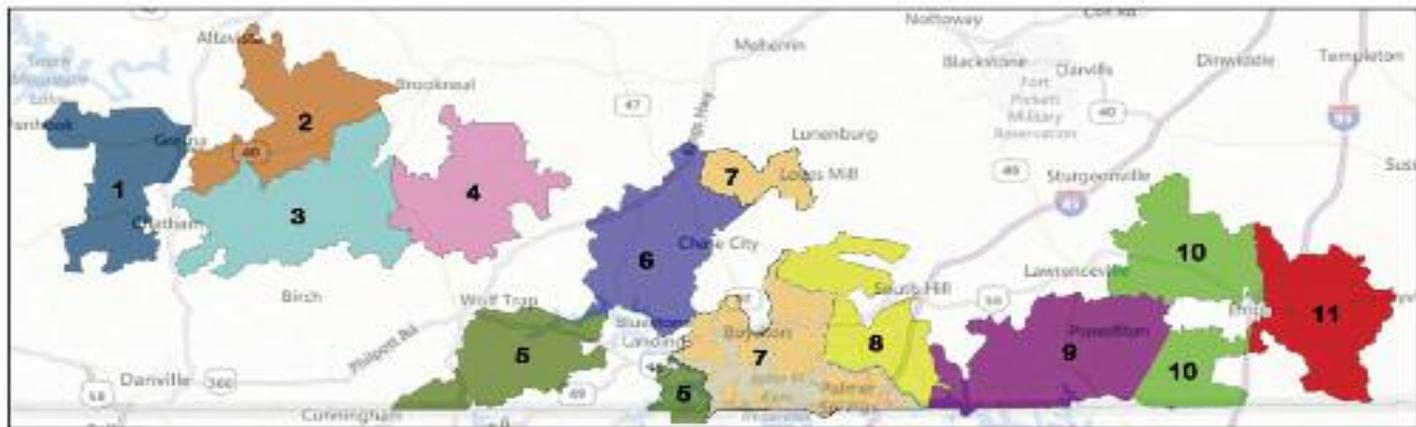


Franklin B. Myers
Gasburg



Angela B. Wilson
Emporia

Each Member Belongs to One of Eleven Districts



District 1 - Donald L. Moore of Chatham represents the Gretna District areas around Pittsville, Sandy Level, Pickerel, Redeye, Toshes, and rural areas around Chatham and Gretna.

District 2 - John L. Waller of Hurt represents the Gretna District areas around Renan, Stovall, Mt Airy, Chalk Level, Cedar Forest, Straightstone, Level Run, and Grit.

District 3 - Michael H. McDowell of Vernon Hill represents the Gretna District areas around Riceville, Ridgeway, Java, Markham, White Oak Mountain, Pickaway, Rodden, Sign Rock, Plato, Hickory Grove, and Republican Grove.

District 4 - Robert W. Conner of Nathalie represents the Gretna District areas around Whitesville, Crystal Hill, Mount Laurel, Lennig, Providence, Clarkton, Clays Mill, and Dudley.

District 5 - Brandon G. Hudson of Virgilina represents the Chase City District areas around Denniston, Aarons Creek, Redbank, Harmony, Hitesburg, Midway, Moffett, Centerville, and Highway #15 N. to Clarksville.

District 6 - D. Stanley Duffer of Red Oak represents the Chase City District areas west of Chase City, including Barnes Junction, Red Oak, Wylliesburg, Organville, Laconia, Bynums Store, and Finneywood.

District 7 - Fletcher B. Jones of Boydton represents the Chase City District areas around Rehoboth, Traffic, Palmer Springs, Smiths Store, Keats, Paschall, Eppes Fork, Phillis, Antler, Muck Cross, Callahan's Corner, Norvelle, and Finchley.

District 8 - David J. Jones of Bracey represents the Chase City District areas west of South Hill, including Bracey, Redlawn, Dunns and Pettys Corners, Ogburn, Union Level, east of Baskerville, Ivermay, Dockery, and Haygood.

District 9 - Franklin B. Myers of Gasburg represents the Emporia District areas around White Plains, Gasburg, Triplet, Barker Crossroads, Ebony, Valentines, Bowers Corner, and Ante.

District 10 - Peggy Lee of Freeman represents the Emporia District areas around Brunswick County Lake, Freeman, Bufford Crossroads, and also Brink, Turners Crossroads, Slates Corner, Barley, Racume, Pleasant Shade, Cowie Corner, and Callaville.

District 11 - Angela B. Wilson of Emporia represents the Emporia District areas east of Emporia including Grizzard, Adams Grove, Mason, Claesville, Bryants Corner, Green Plain, and Slagles Lake.

MEC Statistics (as of December 31, 2011)	
Number of Active Services.....	31,107
Capital Credits Returned to date.....	\$31,792,503
Number of Substations.....	24
Miles of Distribution Lines.....	4,401
Average Residential kWh/month.....	1,020
Services Per Mile of Distribution Line.....	7.03
Average Member Service Reliability (%).....	99.97
Number of Full Time Employees.....	115
Net Utility Plant.....	\$113,975,397

Membership Matters • Benefits & Services



Great Customer Service – Customer service led the way in MEC receiving a high American Customer Satisfaction Index (ACSI) score. We credit the passion and dedication of our employees for these exceptional results. Pictured right, Myles Moore, equipment operator from our Emporia District, takes time to meet with member Clarence Barnes.



Economic Development – Through the assistance of Mecklenburg Electric Cooperative (MEC), Capps Shoe Company was able to obtain a loan through the Rural Economic Development Loan and Grant (REDLG) program. Loans of this type are designated to create or retain jobs. Capps, located in Gretna, is an industrial member of MEC and has successfully grown to employ 175 people.



Energy Savings – The objective of all MEC programs is to bring value to its members. Our free energy audits include a 100-point efficiency checklist, infrared pictures, and recommendations to help you save energy and money. Pictured above, energy efficiency advisor Brian Morris (right) meets with Wayne Vaughan of Saxe to discuss the findings of an energy audit.



Community Support – Mecklenburg Electric Cooperative has a strong reputation for supporting the communities we serve. Pictured above are Nancy Holbrook (executive secretary) and President and CEO John Lee displaying an expression of thanks received from students at Meadville Elementary School in Nathalie.

Youth Programs – Pictured right: Gloria White from our Emporia District Office (left) presents a scholarship to Marina Clements, a graduate of Brunswick High School who is now furthering her education at Ferrum College. In addition to scholastic scholarships, Mecklenburg Electric Cooperative offers other educational opportunities for the children of MEC members.





Capital Credits — Your board of directors and president & CEO display a giant check representing Capital Credit returns to members in 2011. This allocation of margins is one of the unique benefits of receiving electric service from a not-for-profit cooperative. MEC has one of the most aggressive return policies in the nation; and to date, more than \$31.7 million have been given back to MEC members.



Communications — Ann Ecker of Gretna is among our many members who stay informed by reading Cooperative Living magazine. It has the largest circulation in Virginia, with a pressrun of over 494,000. Other communication tools that we use to keep you updated on your electric service include bill stuffers, messages on your bill, press releases, radio commercials, Facebook, email, Twitter, and our newly redesigned website (www.meckelec.org).



Co-op Connections Card — Mike Lewis, owner/manager of Gretna Dairy Queen, offers a 10 percent discount on food and confections when MEC members present their Co-op Connections card. Countless more dollars are saved every day when members use the card at various local and national businesses. Visit our website at www.meckelec.org to see other participants.

Treasurer's Report



D. Stanley Duffer

It is my pleasure to present to you the Treasurer's Report. As you can glean from this report, the financial statements for the fiscal year ending December 31, 2011, reflect the sound status of Mecklenburg Electric Cooperative.

The Cooperative retains the service of Adams, Jenkins and Cheatham, certified public accountants and business consultants, to perform an audit of the corporation's accounting records. This audit includes an examination of the Cooperative's balance sheets, statements of operations and comprehensive income (loss), and statements of equities, statements of cash flows, and remarks concerning each.

The balance sheet is presented to the right. Copies of the complete audited financial statements are on file at the Cooperative's office for your review.

Balance Sheet

Assets

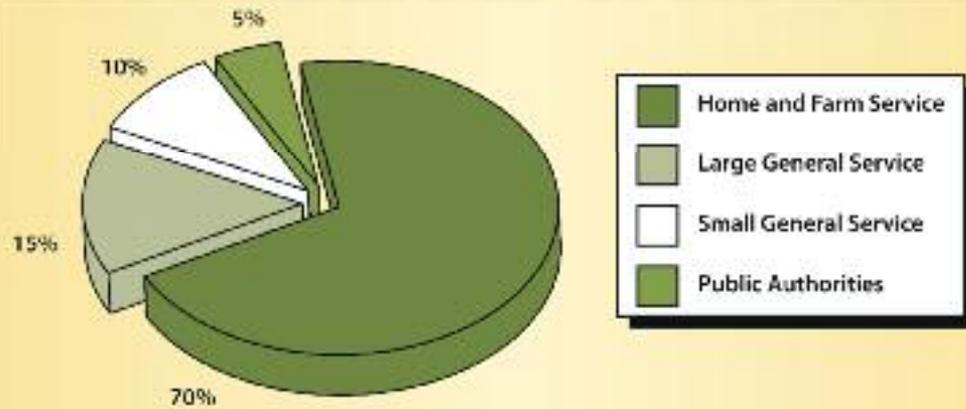
Electric plant	
Electric plant	\$158,452,608
Less accumulated provision for depreciation	<u>(44,477,211)</u>
Net electric plant	113,975,397
Other property and investments	
Investments in associated organizations	26,525,842
Other investments	764,028
Investments in economic development projects	424,998
Notes receivable	<u>3,023</u>
Total other property and investments	27,717,891
Current assets	
Cash and cash equivalents	7,851,605
Accounts receivable	4,944,746
Materials and supplies	1,109,978
Other current assets	343,564
Investments in economic development projects	72,224
Current portion of notes receivable	<u>7,683</u>
Total current assets	14,329,800
Deferred charges	<u>244,674</u>
Total assets	<u>\$156,267,762</u>

Equities and Liabilities

Equities	
Patronage capital	\$50,148,925
Other equities	6,692,305
Accumulated other comprehensive loss	<u>(1,952,107)</u>
Total equities	54,889,123
Noncurrent liabilities	
Long-term debt	82,673,314
Other	<u>4,759,220</u>
Total noncurrent liabilities	87,432,534
Current liabilities	
Accounts payable	6,586,866
Current portion of long-term debt	3,205,012
Consumer deposits	2,094,063
Other current and accrued liabilities	<u>1,926,308</u>
Total current liabilities	13,812,249
Deferred credits	<u>133,856</u>
Total equities and liabilities	<u>\$156,267,762</u>

For the year ending December 31, 2011

2011 Sources of Revenue



HOME AND FARM SERVICE - 70 PERCENT

Homes, farms, and small service accounts provided 70 percent of MEC's revenue.

LARGE GENERAL SERVICE - 15 PERCENT

Large commercial and industrial accounts provided 15 percent of the revenue.

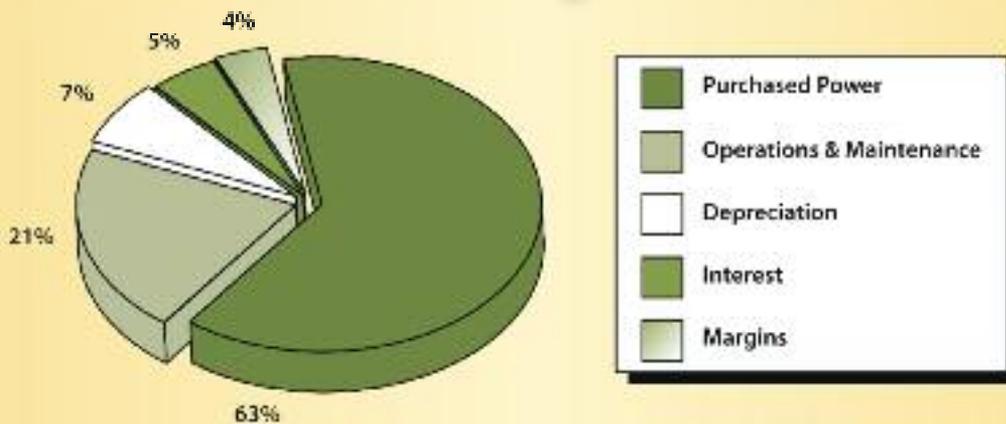
SMALL GENERAL SERVICE - 10 PERCENT

Business accounts whose annual load average is less than 50 kW per month provided 10 percent of the revenue.

PUBLIC AUTHORITIES - 5 PERCENT

Schools, street lighting, and other governmental accounts provided five percent of MEC's revenue.

2011 Expenses



PURCHASED POWER - 63 PERCENT

Purchased Power is your Cooperative's largest expense item and is the cost involved in generating and then getting the electricity to our substations.

OPERATIONS & MAINTENANCE - 21 PERCENT

This includes construction, maintenance, equipment, vehicle and employee costs. It's all the expenses to deliver electricity from our substations to your home or business.

DEPRECIATION - 7 PERCENT

Equipment, buildings, and distribution lines have a "quantity of usefulness" and day by day as they are used, the "quantity of usefulness" is consumed or expires.

INTEREST - 5 PERCENT

This is interest paid on long-term debt – money borrowed from the Rural Utilities Service, Federal Finance Bank, or the Cooperative Finance Corporation to finance construction of lines and substations.

MARGINS - 4 PERCENT

Margins represent the amount of money taken in by the Cooperative over and above expenses. Other organizations call this "profit." Since we are a not-for-profit organization, the margins are reinvested to build and maintain lines. This helps decrease the amount of money that must be borrowed. The margins are ultimately returned to the members in the form of Capital Credits.

Annual Meeting of the Members

Wednesday, June 20, 2012 – MEC Pavilion, Chase City

- 5:00 p.m. *Registration begins*
Meal served
- 6:20 p.m. *Meeting Kickoff Prize Drawing (winner must acknowledge presence)*
- 6:30 p.m. *Call to Order – Robert W. Conner, chairman*
The National Anthem
Pledge of Allegiance
“God Bless America”
Invocation – Michael H. McDowell, vice chairman
Welcome – Robert W. Conner
Coming Home video
Introduction of Board of Directors – D. Stanley Duffer, secretary-treasurer
Recognition of Special Guests – David J. Jones, director
Introduction of Guest Speaker – John C. Lee, Jr., president and CEO
Guest Speaker – Louis Mitchener, OSG Inc.
Business Session
Secretary/Treasurer’s Report – D. Stanley Duffer
President’s Report – John C. Lee, Jr.
Election of Directors
Adjournment
Awarding of Door Prizes (winners must acknowledge presence)



**Louis Mitchener, V.P. US Operations
Oran Safety Glass, Inc.**



President and CEO John Lee greets members as they arrive for the meeting.



A large crowd enjoys the 2011 Annual Meeting of the Members

For more information about the 2012 Annual Meeting and to view additional pictures from last year’s event, go to www.meckelec.org.