

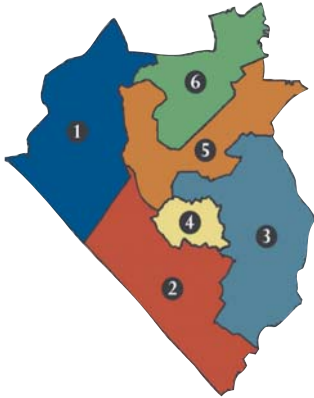
Lumbee River EMC

Annual Report 2009

Focus on the Future



BOARD OF DIRECTORS



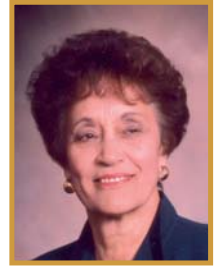
Roger Oxendine
Chairman
District 2



Broughton Oxendine
Vice Chairman
District 5



Robert Strickland
Treasurer
District 3



Ruth Oxendine
Secretary
District 5

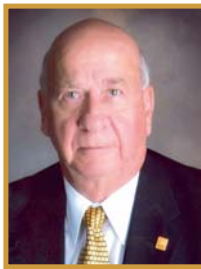
Lumbee River EMC is governed by a 13-member Board of Directors. These member-directors are elected each year by their fellow coop members at the Annual Member Meeting. They bring together a wealth of knowledge, business skills and personal experience that provide the expertise needed to make Lumbee River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

Credentials and Election Committee

- Gene Locklear • Betty Grimsley
- Douglas Locklear • Robert Brayboy
- Robert Fairley • George Lessane
- Bobby Freeman • David Locklear
- Earl Wallace • Freddie Chavis
- Laymon Locklear • Wade Hunt
- Brad McMillian • Brenda Jacobs
- Joan Balfour • Joseph Whitley Jr.
- Mary Jones • Jervis Locklear
- Thomas Cooper • Deborah Purcell
- Shirl Rising

Nominating Committee

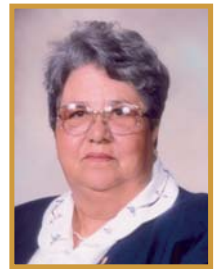
- Cheryl Cunningham, Chairperson
Sherry Carter, Secretary
- Richard Campbell • Gregory Hunt
 - James Jacobs Jr. • Lena Carter Tubbs
 - Cedric Locklear • Annette Jones
 - Irma Wilson • Harold Brock
 - James Leach • Elaine B. Lambert
 - Richard Smith



Wyatt Upchurch
District 6



Madie Rae Locklear
District 5



Maggie Hunt
District 6



Ambrose Locklear, Jr.
District 3



William Hollingsworth
District 6



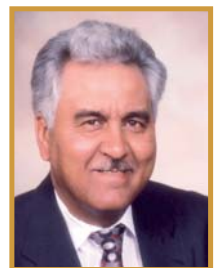
James Hardin
District 6



Herbert Clark
District 1



Proctor Locklear, Jr.
District 6



Lacy L. Cummings
District 4

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.

Total miles of line:

Overhead 3,381
Underground 1,939

Counties served:

- Cumberland • Hoke
- Robeson • Scotland

Number of accounts: 54,040

Cooperative Facts

Number of employees: 111

Monthly Board Meeting: Third Tuesday

Date first energized: April 5, 1941

Power Suppliers:

North Carolina Electric Membership Corp.
Southeastern Power Administration

Minutes of the 2009 Annual Meeting of the Members - October 15, 2009

Pursuant to due notice thereof, the 69th Annual Meeting of the Members of the Lumbee River Electric Membership Corporation was held at the University of North Carolina at Pembroke, Performing Arts Center, beginning at 1:00 p.m. on Thursday, October 15, 2009.

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 Michael McGhee of Red Springs Presbyterian Church to give the invocation.
3. Attorney Jacobs introduced Dr. Charles Harrington, Vice Chancellor of Academic Affairs at the University of North Carolina at Pembroke, to welcome the Lumbee River Members to the campus.
4. Attorney Jacobs introduced Secretary Maggie Hunt who read the proof of mailing notice of the annual meeting and reported that quorum was present. Ms. Hunt reported on September 25, 2009, the Corporation did place 46,185 annual meeting members' 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 9, 2008 Annual Meeting minutes. Upon a motion duly made and seconded, the membership waived the reading of the minutes of the 68th Annual Meeting of 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.
7. Mrs. Cheryl Cunningham presented the report of the Nominating Committee, placing into nomination the following names in the following districts.

District – 3	Ambrose Locklear
District – 4	Lacy Cummings
District – 6	Proctor Locklear
	Wyatt Upchurch
8. Attorney Jacobs introduced Mr. Roger Oxendine, Chairman of the Cooperative's Board of Directors who gave an audiovisual presentation of this report to the membership. A copy of his report is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes of the Corporation.
9. Attorney Jacobs introduced Mr. Talmadge R. Evers, Manager of Technical Training at North Carolina Association of Electric Cooperatives, and Mr. Steve Sampson, Director of Corporate Safety at Lumbee River EMC. Mr. Evers presented the Rural Electric Safety Accreditation Program (RESAP) Award that recognized the achievements of Directors, Staff and Employee's of Lumbee River in the area of safety. Mr. Sampson accepted the award on behalf of Lumbee River EMC.
10. President/CEO Randall S. Jones presented his annual report by audiovisual to the membership. A written copy of the annual report is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
11. President/CEO Randall S. Jones recognized special guests and gave a special thank you to The Mt. Airy Mixed Choir and The Pierce Family for providing entertainment and also to the University of North Carolina at Pembroke for the use of their facility.
12. Attorney Jacobs opened the floor for comments. No questions were put forth; therefore Mr. Jacobs closed the open forum portion of the program.
13. Attorney Jacobs introduced Mr. Tim Locklear, who conducted the drawing and awards of the door prizes and power credits.
14. After the drawing of the prizes, the 2009 Annual Meeting of the Members was proclaimed adjourned.
15. The 2009 Annual Meeting of Members registered 971 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 Cooperation.

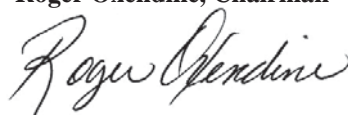
Signed:

Ruth Oxendine, Secretary



Signed:

Roger Oxendine, Chairman



EXECUTIVE REPORT

THE SEVEN COOPERATIVE PRINCIPLES

All cooperative businesses adhere to these seven guiding principles:

VOLUNTARY AND OPEN MEMBERSHIP

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

DEMOCRATIC MEMBER CONTROL

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

MEMBERS' ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

AUTONOMY AND INDEPENDENCE

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

EDUCATION, TRAINING, AND INFORMATION

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

COOPERATION AMONG COOPERATIVES

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

CONCERN FOR COMMUNITY

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

As we look back on 2009, we believe that you will agree with us in saying the year was a year of volatility. This report provides you with year-end financial statements and summarizes a few highlights of the past year.

We think you will see that Lumbee River EMC is well positioned for the future. As the theme of this report states, your Board of Directors, management team and employees are all focused on the future... working intelligently and efficiently to ensure we are prepared to continue to provide you with safe, reliable and affordable electricity.

Additional highlights of 2009:

Cost of Power – As you may recall, during 2008 and well into 2009, we were billing each member an additional monthly charge through a wholesale power cost adjustment (WPCA). This WPCA accounted for the increases we were seeing related to fuels such as coal, natural gas and uranium used in nuclear plants for producing electricity. As a result of this continued upward cost pressure, we conducted a retail rate study in April 2009. This study indicated we needed to adjust our retail rates. The new rates became effective in May.

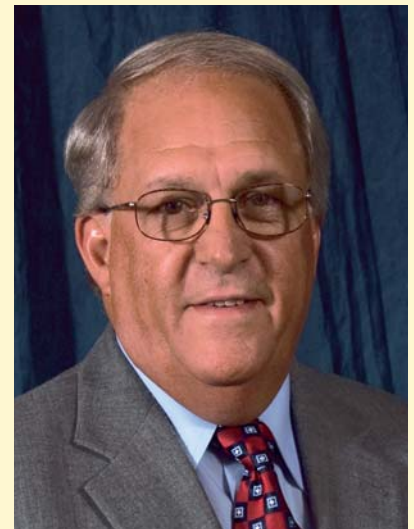
Almost immediately upon this new rate structure implementation, the cost of these fuels began to decrease. As we approached the end of 2009, we found ourselves in a financial position where we could refund \$1.5 million dollars to our member/owners in December.

Since the cost of power makes up the single largest expenditure (68%) of the total cost of service, we diligently keep an eye on these costs. We will continue to use WPCA as a tool to manage short term volatility in purchase power cost.

Construction & Maintenance – During 2009 we extended our distribution system almost 90 additional miles to serve new and expanding member homes and businesses. This brought the total miles of energized distribution lines Lumbee River EMC must maintain to 5,320. Through a balanced use of company employees and contractors, we are able to keep these costs below 20% of our total expenditures.



Roger Oxendine
Chairman, Board of Directors



Randall S. Jones
President and CEO

Economic Development – We have been very fortunate in our service territory to have steady commercial growth even during these difficult economic times. Back when the cooperative was founded, greater than 90% of our revenues came from residential sales. Last year that percentage dropped to 82%. This diversity of revenue is very beneficial to the overall health of Lumbee River EMC.

Capital Credits – As mentioned earlier, the cooperative's favorable financial condition allowed the Board of Directors to provide a WPCA credit in December 2009. In addition, the Board of Directors also approved the refund of \$2.8 million in capital credits to you, our member/owners. Capital credits are your share of the difference between revenues and expenses in any given operating year.

Energy Legislation – As we look toward the future, there are some activities occurring in Washington that potentially will have significant effect on electricity prices across the United States. Currently the Environmental Protection Agency (EPA) is making plans to regulate greenhouse gas emissions on stationary sources starting in January 2011. While we can not quantify the impact of this regulation at this time, we do know that it will be significant. The focus of this regulation will be on the environment. Without the due consideration of economic and social impacts, much higher electric rates are anticipated. We encourage each of our member/owners to contact your legislators and tell them to stop this regulation from occurring.

It appears very unlikely that climate change legislation will pass this year. The supporters of this measure plan to renew efforts to pass comprehensive energy-carbon legislation next year. Currently, North Carolina has a state level standard in place that all electric distributors in the state must meet by 2018.

Energy Efficiency – We continue to expand our programs and offerings to our members in an effort to assist them with their

energy usage. These programs also provide Lumbee River EMC with a mechanism to help achieve the North Carolina mandated Renewable Energy Portfolio Standard. As mentioned earlier, this mandate requires that we have 10% of our energy from renewable resources or through energy efficiency by 2018. Always remember that the cheapest and cleanest power remains the power that's never generated. As a result, energy efficiency education remains at the forefront of Lumbee River's efforts to help members control costs. The programs assist our members with controlling their energy usage and possibly reducing their energy costs. For more information about these programs and to see our new programs, please visit our website at www.lumbeeriver.com.

Safety – During calendar year 2009, the employees of Lumbee River EMC drove 793,209 miles and worked 249,144 hours. During this same time period, your cooperative achieved a safety goal of 200,000 hours worked without a lost-time accident. We continue to place emphasis on safety training for all employees.

Fiber Optics and Broadband Access – In 2009 we entered into negotiations with DukeNet, a subsidiary of Duke Energy, for the purpose of forming a partnership to purchase a 168-mile fiber optics network in Robeson County. This network was originally built to provide high-speed internet access to Robeson County schools. With the purchase of this fiber network, Lumbee River EMC will be able to connect many of our substations to our corporate office. This fiber network will provide better, more stable communications with our distribution system. It will also enable us to take advantage of the many new opportunities that come our way associated with the development and deployment of smart grid technologies.

We hope that each of you, our member owners, is pleased with our service and that we met your expectations throughout the year. Our goal of providing you with excellent service at the most reasonable cost possible continues to be the purpose that drives all we do on your behalf.



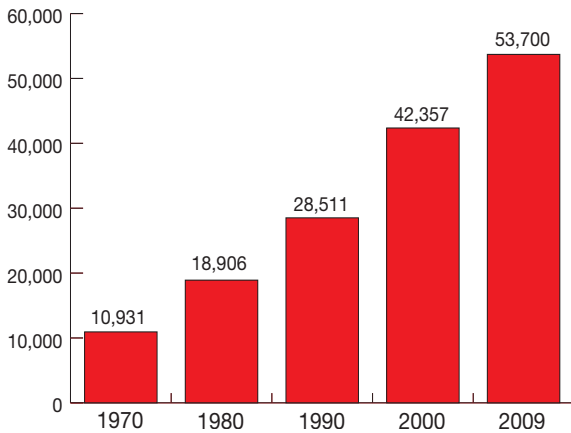
STATEMENT OF AUDIT

The accounting firm of Goodman & Company, Danville, VA, conducted an audit of the balance sheet and related statements of revenues and patronage capital and cash flows as of December 31, 2008 and 2009. 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.

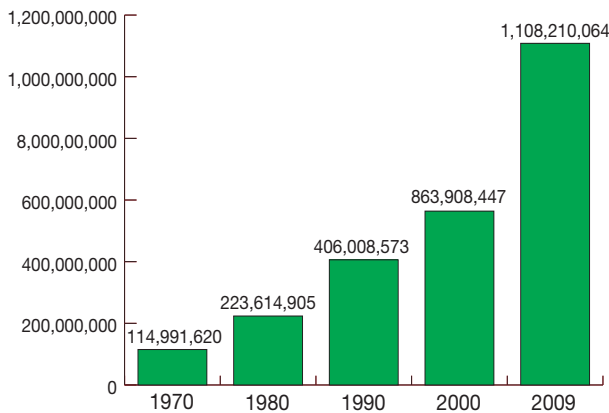
In the opinion of the auditor, the financial statements of Lumbee River EMC present fairly, in all material respects, the financial position of Lumbee River Electric Membership Corporation as of December 31, 2008 and 2009, and the results of its operations and its cash flows for the years then ended to be in conformity with generally accepted accounting principles.

Assets/Deferred Charges	2008	2009
Net Utility	146,941,878	151,248,175
Investments	7,276,44	210,918,467
Cash	3,320,853	8,853,633
Notes & Accts. Receivable	25,351,971	18,285,016
Materials & Supplies	368,512	436,878
Other Current & Accrued Assets	1,311,066	101,287
Deferred Charges	0	1,962,313
Total Assets	184,570,722	191,805,769
Liabilities/Members' Equity	2008	2009
Membership	455,055	456,100
Equities & Margins	68,383,657	77,112,885
Long Term Debt	85,912,219	82,217,789
Accounts Payable	14,409,567	14,030,111
Other Non-Cur. Liabilities	7,329,284	8,313,304
Other Cur. & Accrued Liabilities	8,080,940	9,666,580
Deferred Credits	0	0
Total Liabilities	184,570,722	191,805,769
Monies We Collected		
Revenues	2008	2009
Sales of Electric Power	102,680,154	113,411,044
Miscellaneous Elec. Revenue	1,883,751	2,492,065
Total Electric Revenues	104,563,905	115,903,109
Cost of Providing Service		
Expenses	2008	2009
Purchased Power	69,417,864	78,695,955
Oper. & Maintenance	5,373,855	5,073,863
Consumer Accounting	3,350,179	3,585,926
Admin. & General Expense	6,989,045	7,050,646
Depreciation	5,982,320	6,282,904
Taxes	4,328,482	4,706,295
Interest	4,119,108	4,180,187
Other Deductions	0	13,193
Total Liabilities	99,560,853	109,588,969
What We Had Left		
Margins	2008	2009
Operating Margins	5,003,051	6,314,140
Other Margins	389,393	204,396
Non-Operating Margins	276,172	231,950
Gen. & Trans. Capital Credits	521,401	1,109,620
Income (Loss)	1,126,327	3,302,887
Total Margins Assigned	7,316,344	11,162,993

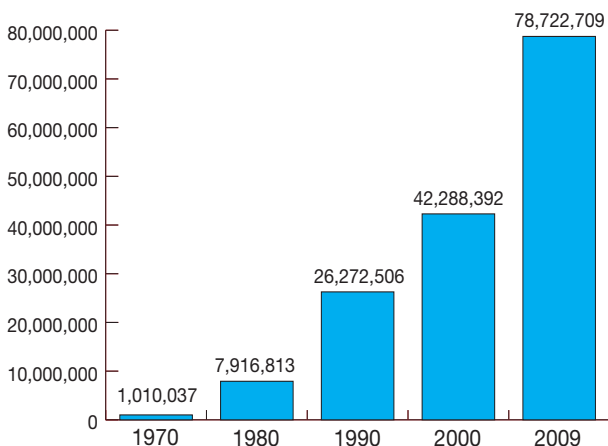
MEMBER GROWTH



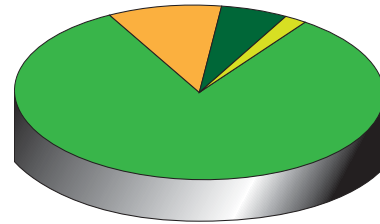
KILOWATT HOURS SOLD



COST OF POWER

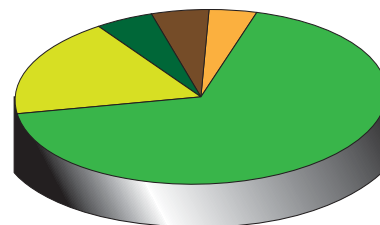


2009 SOURCES OF REVENUE



- RESIDENTIAL – 82%**
Homes, churches, clubs, and community houses provided 82 percent of LREMC's revenue.
- SMALL COMMERCIAL – 10%**
Business accounts whose annual load average is 1000 KVA or less per month provided 10 percent of the revenue.
- LARGE COMMERCIAL – 6%**
Commercial and industrial accounts whose annual load average is over 1000 KVA per month provided 6 percent of the revenue.
- PUBLIC AUTHORITIES – 2%**
Schools, street lighting, and other community accounts provided 2 percent of LREMC's revenue.

2009 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 costs 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 not-for-profit 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, Federal Finance Bank, or the Cooperative Finance Corporation to finance construction of lines and substations.



Lumbee River
ELECTRIC MEMBERSHIP CORPORATION

Committed to our communities

A Touchstone Energy® Cooperative

