

POWERING YOUR DAYS



**South Alabama
Electric Cooperative**

A Touchstone Energy® Cooperative
The power of human connections®



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Executive Report

Powering Your Days

Our mission is the same today as it was in 1937 when we opened the doors to South Alabama Electric Cooperative. For over 70 years, we have strived to provide our member-owners with affordable, reliable electric power and related services. We work to continually improve the value and quality of our services to better meet our members' needs.

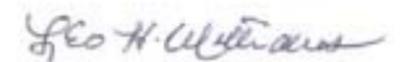
That's why our Automated Meter Infrastructure (AMI) program is such an important one. Not only do these meters collect valuable information about our electric system, but they also allow us to provide you with many valuable tools as well.

The cost of purchased power has remained stable, and your cooperative has worked diligently to keep controllable costs from impacting your bottom line. We work hard to keep your cooperative financially sound while not impacting the reliable service you expect.

At South Alabama Electric Cooperative, the board, management and employees always want to be the power that gets you through the days ahead.



Max Davis
General Manager
South Alabama Electric Cooperative



Leo Williams
President
South Alabama Electric Cooperative

The future remains bright. And while we work to incorporate new technology into our daily work, we never want to forget the core values and principles by which your cooperative was founded.

We also work hard to honor the principles set in place when we joined the national branding movement of Touchstone Energy over 10 years ago.

These principles included: integrity, innovation, commitment to community and accountability. That's one reason we're pleased to let you know that we have finished the successful installation of our Automated Metering system.

Beginning in July 2010, South Alabama Electric Cooperative (SAEC) replaced all of the existing electric meters at your homes and businesses with meters that deliver valuable kilowatt usage information to our office so we can serve you better.

COLLECTING KILOWATT USAGE DATA

These meters read your meter automatically each day, and return your usage information over the power lines back to South Alabama Electric. This usage data is then incorporated into the utility's computerized operating and billing systems. Because the metering system communicates over the power line, there is additional information that the system provides that helps us identify outages and conduct preventative maintenance.



Through a Web portal, you, the member, will have access to valuable information about the kilowatt usage at your home or business. This tool helps you make educated decisions about energy usage and conservation.

Another advantage of the metering system is it enables two-way communication. This allows SAEC to provide services such as load control and remote service connect/disconnect.

MEMBER ADVANTAGES

More advantages of the program include:

- Reductions in the potential for human error caused when reading, recording and entering your meter reading into SAEC's billing system, ensuring the accuracy of your bill each month. These readings are now sent automatically, over the powerlines, to our office, eliminating the need for SAEC personnel to visit your home each month.

- Meters now provide SAEC with an indication of power outages. Once power is restored, SAEC receives verification without the need to call you... in the middle of the night.

- Enables SAEC to monitor the maximum demand at your home to ensure that the transformer serving your home is adequately sized to accommodate your energy usage. This is very important when it is 100 degrees outside and your air conditioner is running constantly. Our engineers can now monitor our distribution system and the data will show if transformers are too large or small for the load at a particular location. This means that our equipment will be better utilized across the system and possibly help us reduce equipment purchases in the future.

- Provides daily meter readings, which we can use to better help you, our members, understand when you are using electricity and make smarter energy decisions.

- Helps deter power theft, which ultimately affects all our members. When meters are by-passed or stolen from another location, it's costly and dangerous. The new metering system will send us a notification if a meter is removed from its proper location.

- Employees can identify power blinks, voltage fluctuation and actual outages. Having this information quickly allows us to respond to a potential problem before the actual outage occurs.





INDOORS or OUT - The Cooperative is working for you

Since 2006, you have had the opportunity to participate in the Green Power Choice program by purchasing green power in 100 kilowatt-hour increments.

Your participation is just one way we are meeting the environmental challenges facing electric utilities today. Looking toward the future, our power supply costs are predicted to continue to rise. In large part, this increase will be due to government mandates through legislation like the Clean Air Act.

No longer is carbon the only gas that power plants will be expected to cap, contain or in some-how measure. If nothing changes, these mandates will result in higher than ever power costs. We must then pass along these increases along to you – our members, the end users of electricity.

By incorporating renewable energy into our system, we are being proactive in trying to meet the demands placed on electric utilities by agencies such as the EPA.

Green Power Choice uses captured landfill gas — methane — to produce electricity. A member who consumes 400 kilowatt-hours of electricity generated from methane gas for one year prevents 3.6 tons of emissions – the environmental equivalent of planting 1.2 acres of trees or refraining from driving 9,600 miles in the family car. You can participate in Green Power Choice by purchasing green power in 100 kilowatt-hour blocks for just \$2 per month in addition to your monthly power bill.

Your cooperative is managed with you — our members — in mind. We work to ensure you get the best value for your dollar – reliable, affordable and environmentally sound electric energy. Electricity is still your best energy value.



It's a joint effort

You can assist us by participating in our water heater load management program - H2O+. Currently over 350 devices have been installed across our system. This program is designed to help us make sure our system will always meet your electric needs — even when you place a high demand on our electric distribution system (like those below-freezing winter mornings and those 99-plus-degree days in the summer). A licensed electrician is sent to your home and a device is wired into your water heater. When demand is high, a signal is sent to the device and your water heater is shut off for a specific period of time. But since you have a storage tank on your water heater, you are never without hot water at your home or business.

This program is designed to postpone the building of new electric generation facilities. This means those costs will not have to be passed along to you.



We need you to continue to do your part to ensure bright days for South Alabama Electric Cooperative. Wise use of electricity is critical, and we encourage you to continue your conservation and efficiency efforts.

Together we will make a difference.

SAEC shares your concerns over the rising price of energy in all forms, and we are diligently searching for ways to cut costs while maintaining the level of service our members expect and deserve.

We encourage PowerSouth to actively weigh the cost of generation with the cost of power available for purchase from other utilities, making market purchases when feasible. PowerSouth staff is also diligent in purchasing fuel in advance, projecting fuel needs, negotiating lower prices and ensuring adequate supply.

An aggressive natural gas hedging program and long-term fixed coal contracts ensure adequate supply and

predictable costs for PowerSouth's fuel purchases.

Although the cost of electricity generation is largely beyond our control, your electricity consumption ultimately determines your total bill. The typical residence has numerous electricity-consuming appliances and devices, and only you have the power to choose how, when and how much electricity is used in your home.

SAEC remains committed to our mission of providing reliable service, maintaining competitive rates and financial strength, and adding long-term value for you – today and in the future.

So while you make wise decisions about your consumption, SAEC will work to achieve greater operating efficiencies as we face cost increases. All of us working together can ensure that we are the power behind your days now and for the ones to come.



Financial Report

South Alabama Electric Cooperative (SAEC) is a not-for-profit electric cooperative whose principal business is providing distribution electric service to its 16,201 electric meter members. The operations of SAEC primarily consist of members located in six counties in south Alabama and is headquartered in Troy, Alabama.

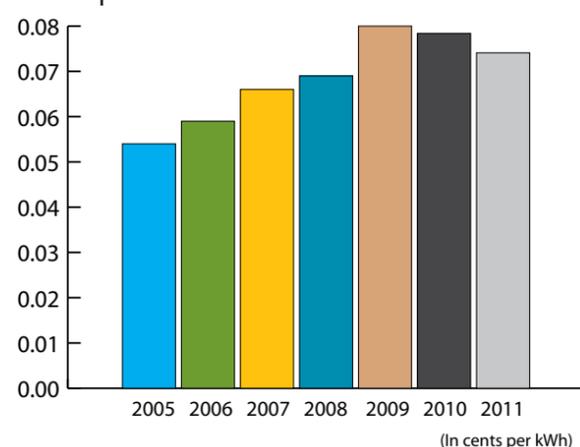
For SAEC, the year ending March 31, 2011, was a year that experienced mild temperatures in the latter part of the summer but incurred extreme cold temperatures in December 2010 and January 2011. This extreme temperature did not cause a historical record system peak in kilowatts as it did in January 2010, but reflects increases in kilowatt-hour sales and steady operating margins. Weather has always been the primary driver of SAEC energy sales but the economy is a driver also. The economy continues to be a focal point in our community. SAEC's management staff and board will continue to keep a watchful eye on issues that affect the electric industry and will continue to aggressively manage its operating costs to provide reasonably priced electricity to its members. SAEC is committed to building a solid economic base for future business and industry within its service territory, creating positive energy for the communities it serves. With energy on the forefront of our economy, SAEC feels that its financial condition is positioned to serve the energy needs of its membership.

Operating Revenue:

SAEC's operating revenues were \$39,174,685 in 2011, compared to \$39,670,629 in 2010. This represents a 1.25 percent decrease in total operating revenues from the

prior year. SAEC's existing rate structure provides for a power cost adjustment clause that gives SAEC the ability to recover or refund power cost fluctuation above or below the budgeted power cost rate. The decrease in operating revenue was created by the cooperative by applying a negative power cost adjustment throughout most of the year. Due to the weather, SAEC had an increase in the kilo-

Cost per kilowatt hour



Power cost per kilowatt-hour purchased decreased 5.45 percent in 2011.

watt-hour sales for 2011 but due to the electric rate tariff change in August 2009, SAEC was able to refund the power cost reductions to its members. The revenues for the 12 months ending March 31, 2011, were adequate to cover all costs and satisfy all debt service obligations and financial covenants. SAEC purchases its wholesale electric service from the generation and transmission cooperative, PowerSouth Energy Cooperative (PowerSouth), which delivers energy to the distribution substations and SAEC delivers to the distribution cooperative end user. Wholesale power costs are largely driven by fuel and purchased power costs. Relatively steady natural gas and coal market prices allowed the distribution cooperatives' power cost to remain stable. Energy sales

to the members were 318,473,432 kWh, which reflect an increase in kilowatt-hour sales of 1.7 percent. The average cost of electric sales to members for 2011 was 12.02 cents per kWh compared to 12.36 cents per kWh in 2010. The average monthly use for SAEC's members was 1,638 kWh, which reflects an average monthly bill in 2011 of \$196.89 compared to \$198.87 in 2010.

Operating Expenses:

Energy purchases from PowerSouth were 342,544,500 kWh. The average cost of electric purchases for 2011 was 7.41 cents per kWh compared to 7.84 cents per kWh in 2010. The cooperative system peak was 83,458 kilowatts in January 2011, compared to 88,077 kilowatts in January 2010. In January 2010, SAEC set a new historical peak demand in kilowatts. The peak in 2011 was below the past all-time system peak demand by 5.2 percent.

Distribution operations and maintenance expense increased \$198,475 (6.2 percent) from \$3,184,641 in 2010 to \$3,383,116 in 2011. This increase is mainly due to the additional rights of way clearing and spraying under the distribution power lines.

Depreciation expense increased \$123,075 or 6.3 percent, mainly due to the installation of the Advanced Metering Infrastructure (AMI) or smart metering. The smart metering equipment has a reduced asset life.

Interest expense decreased from \$2,181,163 in 2010 to \$2,100,496 in 2011, for a decrease of \$80,667 or 3.7 percent. Decrease in interest cost is due to SAEC refinancing higher fixed and variance interest rates to a lower fixed interest rate. SAEC has a composite interest rate of 4.35% in 2011 compared to 4.67% in 2010.

Overall, the cost of service de-

creased a net total of \$328,349 for 2011.

Non-Operating Margins:

The non-operating margins increased from \$1,605,203 in 2010 to \$1,874,113 in 2011. Non-operating margins increased due to patronage capital credits from PowerSouth increasing by 12 percent. The other features of non-operating margins come from interest income from investments and management fees obtained from energy conservation measures with Fort Rucker Army post.

Net Margins:

The net margin was \$4,308,123, compared to \$4,206,813 in 2010. These net margins reflect the allocation of generation and transmission capital credit income from PowerSouth of \$1,012,005. The operating margins of SAEC reflect a gain in 2011 of \$2,434,010, compared to \$2,601,610 in 2010. The decrease in operating margins can be traced to the refund of the energy purchase cost adjustment. SAEC has increased its controllable expenses to \$11,360,268 in 2011, compared to \$10,743,174 in 2010, or 5.7 percent. SAEC will continue to review all controllable expenses to obtain its financial goals and its service reliability goals of your electric distribution cooperative.

Significant Balance Sheet Changes:

Assets:

The total utility plant increased from \$65,903,347 in 2010 to \$70,987,408 in 2011, or 7.7 percent. The largest portion of this increase is due to the installation of the AMI or smart metering. The AMI project is a 100 percent change out of SAEC distribution meters. This change to smart metering will allow SAEC to provide various customer services to the member and improve the reliability of electric service to the end user. In this operating period, SAEC continues to implement the construction work plan approved by Rural Utilities Service (RUS) in 2008. The work plan involves \$23.5 million in expenditures to expand, update, improve and enhance the capabilities of SAEC's distribution system. This four-year work plan will be completed in February 2012.

Cash and cash equivalents decreased \$150,606. Temporary investments and marketable securities increased \$98,794. The members account receivables decreased \$730,536 at March 31, 2011, as compared to March 31, 2010. Members account receivables were lower due to decreased operating revenue in 2011.

Equities and Liabilities:

SAEC's equities at March 31, 2011, were \$38,250,703, a 12.5 percent increase compared to 2010.

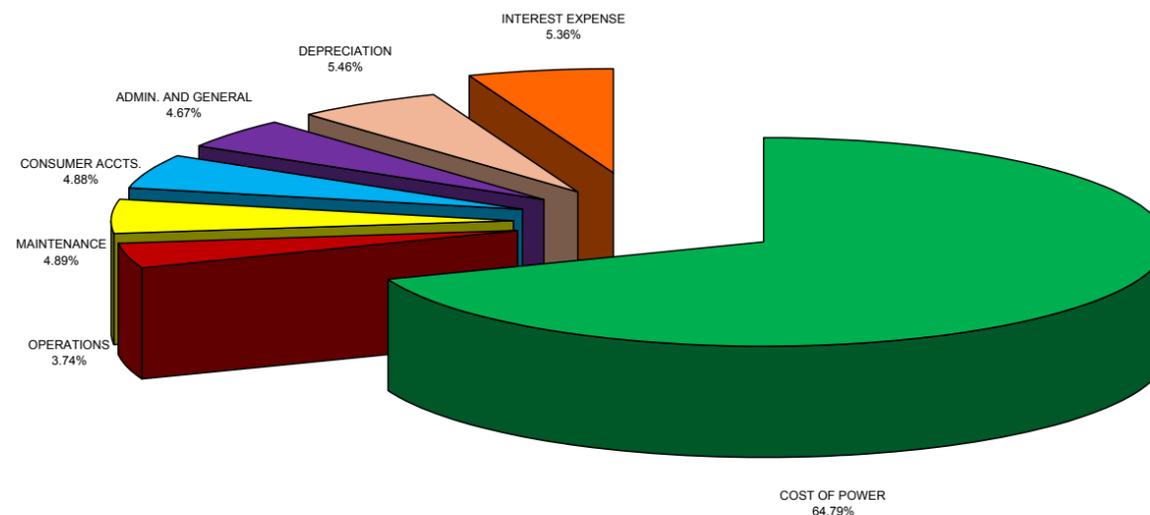
The equity-to-asset ratio increased from 38.6 percent at March 31, 2010, to 41.3 percent at March 31, 2011. SAEC generated a times interest earned ratio (TIER) of 2.9 in 2010 and 3.1 in 2011, which exceeds the ratio required under the mortgage indenture.

The total long-term debt increased from \$44,695,380 in 2010 to \$46,686,665 in 2011. The increase of \$1,991,285 is composed of \$11,093,490 debt repayments, and \$13,160,694 in loan advances. Included in these amounts was \$7,110,692 of refinanced debt. This amount was refinanced with CoBank, ACB at an interest rate of 4.13% compared to 5% and 4.95% at RUS and National Rural Utilities Cooperative Finance Corporation. SAEC's blended interest rate was 4.35 percent at March 31, 2011, compared to 4.67 percent at March 31, 2010.

Your member-owned cooperative remains in excellent financial condition.

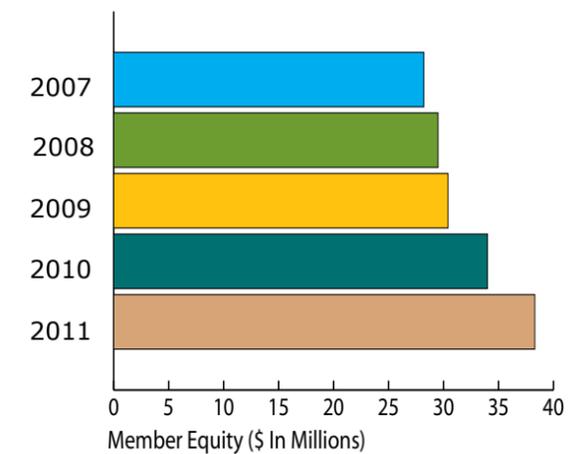
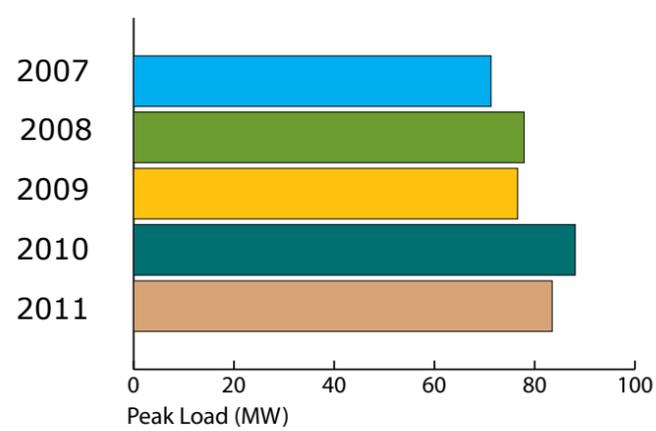
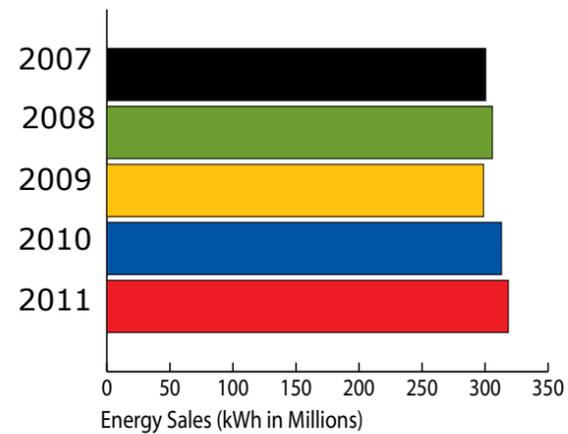
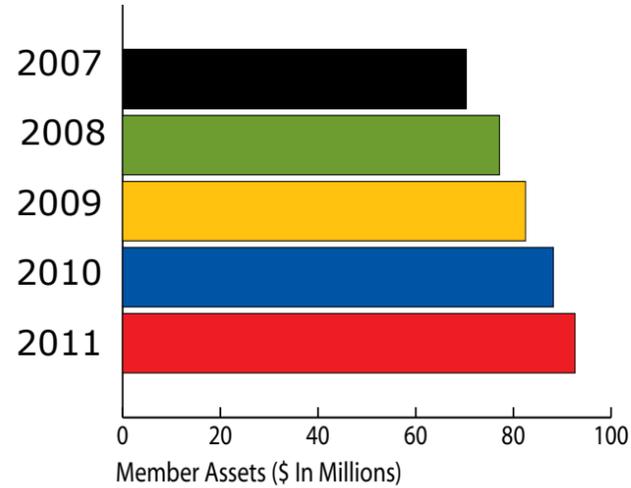
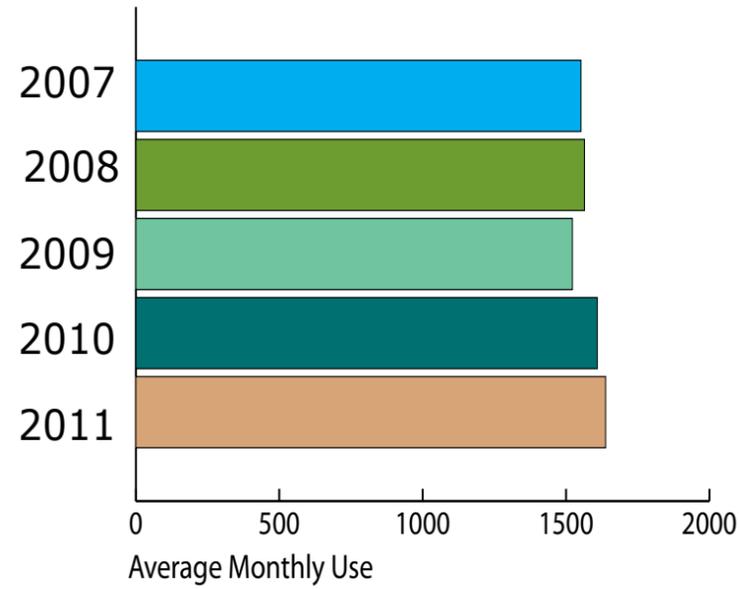
Each year, South Alabama Electric Cooperative is audited by an independent certified public accounting firm. The following audited financial statements represent only a portion of the complete financial audit. A copy of the complete financial audit is maintained at the Cooperative's office.

Distribution of Expense Dollar By Percentage of Operating Revenue



This graph provides a breakdown of our expenses by category and percentage. As you can see, the greatest expense incurred by your cooperative is purchased power. Power cost accounts for approximately 65 percent of our expenses.

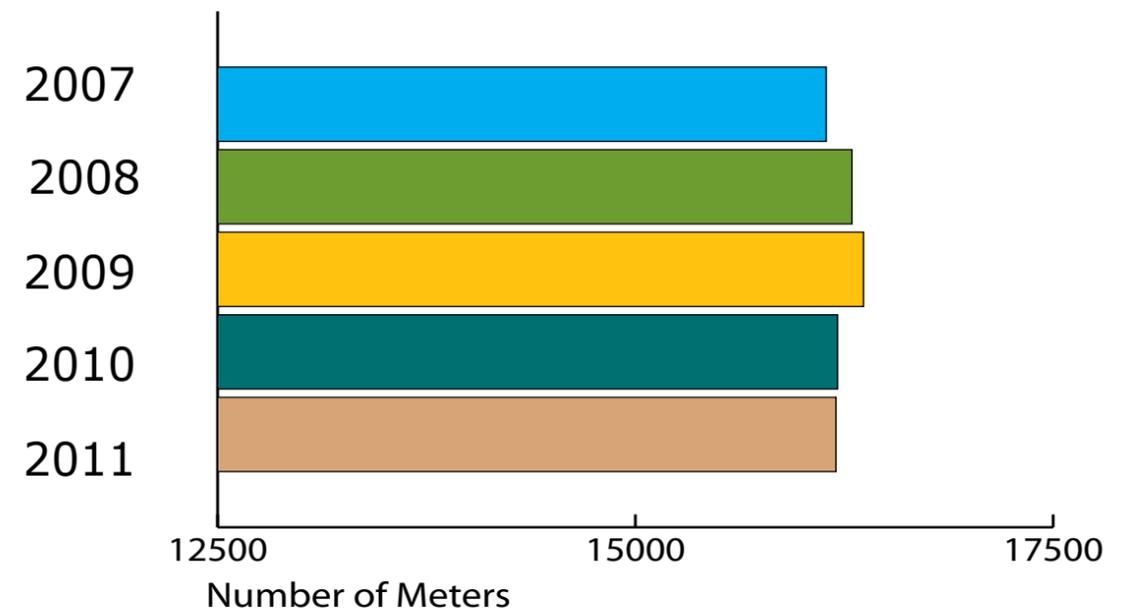
SAEC By The Numbers



South Alabama Electric Cooperative Year Ended March 31

Summary of Operations

	2011	2010	2009	2008	2007
Operating Revenue	\$ 39,174,685	\$ 39,670,629	\$ 35,817,638	\$ 32,775,576	\$ 31,699,244
Cost of Power	25,380,407	26,325,845	25,467,435	22,572,930	21,445,940
Operating Expenses	11,360,268	10,743,174	10,602,194	10,863,808	9,320,463
Nonoperating Margins	1,874,113	1,605,203	1,834,379	1,190,518	1,193,871
Net Margins	\$ 4,308,123	\$ 4,206,813	\$ 1,582,388	\$ 529,356	\$ 2,126,712
Energy Sales - KWH	318,473,432	313,050,607	298,803,581	305,857,770	300,543,414
Energy Purchases - KWH	342,544,500	335,947,620	320,066,920	328,078,400	323,364,700
Utility Plant In Service	\$ 69,942,961	\$ 65,287,696	\$ 63,502,395	\$ 60,753,618	\$ 57,729,701
Construction Work in Progress	1,044,447	615,651	249,409	863,102	1,653,231
Total	70,987,408	65,903,347	63,751,804	61,616,720	59,382,932
Less Accumulated Depreciation	11,308,754	10,891,006	10,549,960	10,518,024	10,891,202
Net Utility Plant	\$ 59,678,654	\$ 55,012,341	\$ 53,201,844	\$ 51,098,696	\$ 48,491,730
Total Assets	\$ 92,630,416	\$ 88,208,024	\$ 82,486,533	\$ 77,140,950	\$ 70,345,155
Total Equities and Margins	\$ 38,250,703	\$ 34,003,021	\$ 30,442,823	\$ 29,465,961	\$ 28,186,815



SOUTH ALABAMA ELECTRIC COOPERATIVE
TROY, ALABAMA

BALANCE SHEETS AT MARCH 31, 2011 AND 2010 (AS RESTATED)

ASSETS	2011	2010
UTILITY PLANT:		
Electric plant in service - at cost	\$ 69,942,961	\$ 65,287,696
Construction work in progress	<u>1,044,447</u>	<u>615,651</u>
	70,987,408	65,903,347
Less: Accumulated provision for depreciation and amortization	<u>11,308,754</u>	<u>10,891,006</u>
Net utility plant	<u>59,678,654</u>	<u>55,012,341</u>
OTHER ASSETS AND INVESTMENTS:		
Investments in associated organizations	9,657,478	8,624,509
Marketable securities	6,807,835	4,822,941
Notes receivable, economic development	1,731,574	1,166,333
Other investments	<u>3,151,615</u>	<u>3,809,030</u>
Total investments	<u>21,348,462</u>	<u>18,423,813</u>
CURRENT ASSETS:		
Cash and cash equivalents	3,065,548	3,216,154
Temporary cash investments	1,325,000	2,620,000
Marketable securities	349,904	940,000
Accounts receivable:		
Customers, less provision for doubtful accounts of \$240,928 in 2011 and \$190,219 in 2010	2,795,130	2,786,652
Unbilled revenue	1,045,411	1,784,425
Other accounts receivable, less provision for doubtful accounts of \$19,377 in 2011 and \$19,405 in 2010	224,596	465,795
Materials and supplies	187,312	167,994
Other current and accrued assets	<u>104,873</u>	<u>103,749</u>
Total current assets	<u>9,097,774</u>	<u>12,084,769</u>
DEFERRED CHARGES	<u>2,505,526</u>	<u>2,687,101</u>
Total assets	<u>\$ 92,630,416</u>	<u>\$ 88,208,024</u>

LIABILITIES AND EQUITIES

	2011	2010
EQUITIES:		
Memberships	\$ 75,522	\$ 74,282
Patronage capital	37,857,054	33,741,665
Other equities	619,083	549,486
Accumulated other comprehensive income (loss):		
Marketable securities	(177,588)	(233,376)
Unrecognized components of net periodic benefit costs	<u>(123,368)</u>	<u>(129,036)</u>
Total equities	<u>38,250,703</u>	<u>34,003,021</u>
LONG-TERM LIABILITIES:		
Mortgage notes payable	47,326,802	42,583,495
Note payable - past service liability		2,246,959
Note payable - energy conservation measures	1,210,163	1,639,307
Less: Current maturities	<u>1,850,300</u>	<u>1,774,381</u>
Total long-term debt	<u>46,686,665</u>	<u>44,695,380</u>
CURRENT LIABILITIES:		
Current maturities on long-term debt	1,850,300	1,774,381
Purchased power	341,617	1,955,992
Other accounts payable	337,708	429,171
Customer deposits	661,408	594,551
Accrued liabilities:		
Taxes	997,563	1,033,478
Other	<u>509,264</u>	<u>507,061</u>
Total current liabilities	<u>4,697,860</u>	<u>6,294,634</u>
OTHER LIABILITIES:		
Deferred revenue	1,422,223	2,057,028
Rural development grant liability	930,000	630,000
Accumulated post-retirement benefit obligation	<u>642,965</u>	<u>527,961</u>
Total other liabilities	<u>2,995,188</u>	<u>3,214,989</u>
Total liabilities and equities	<u>\$ 92,630,416</u>	<u>\$ 88,208,024</u>

Note: The financial information above is part of the financial statements for the year ended December 31, 2010. A copy of the financial statements is retained at the cooperative's office.

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SOUTH ALABAMA ELECTRIC COOPERATIVE
TROY, ALABAMA

STATEMENTS OF REVENUE AND PATRONAGE CAPITAL
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	2011		2010	
OPERATING REVENUE	\$ 39,174,685	100.00%	\$ 39,670,629	100.00%
OPERATING EXPENSES:				
Cost of power	25,380,407	64.79%	26,325,845	66.36%
Distribution expenses - operations	1,466,592	3.74%	1,466,462	3.70%
Distribution expenses - maintenance	1,916,524	4.89%	1,718,179	4.33%
Consumer accounts expenses	1,909,848	4.87%	1,806,212	4.55%
Sales expense	76,488	0.20%	62,918	0.16%
Administrative and general expenses	1,751,568	4.47%	1,538,160	3.88%
Depreciation expense	2,073,646	5.29%	1,950,571	4.92%
Taxes - other	65,106	0.17%	19,509	0.05%
Total operating expenses	34,640,179	88.42%	34,887,856	87.94%
OPERATING INCOME	4,534,506	11.58%	4,782,773	12.06%
FIXED CHARGES:				
Interest expense	2,100,496	5.36%	2,181,163	5.50%
OPERATING MARGINS AFTER FIXED CHARGES	2,434,010	6.22%	2,601,610	6.56%
G & T AND OTHER CAPITAL CREDITS	1,070,390	2.73%	951,365	2.40%
NET OPERATING MARGINS	3,504,400	8.96%	3,552,975	8.96%
NON-OPERATING INCOME	803,725	2.05%	653,838	1.65%
NET MARGINS	4,308,125	11.00%	4,206,813	10.61%
PATRONAGE CAPITAL AT BEGINNING OF YEAR	33,741,665		29,745,163	
RETIREMENT OF CAPITAL CREDITS	(250,000)		(250,000)	
UTILITY TAX REFUND	57,266		59,689	
PATRONAGE CAPITAL AT END OF YEAR	\$ 33,857,054		\$ 33,741,665	

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SOUTH ALABAMA ELECTRIC COOPERATIVE
TROY, ALABAMA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED March 31, 2011 AND 2010
Increase (Decrease) in Cash and Cash Equivalents

	2011	2010
OPERATING ACTIVITIES		
Net margins	\$ 4,308,123	4,206,813
Adjustments to reconcile net margins to net cash provided by operating activities		
Depreciation	2,073,646	1,950,571
Patronage dividends	(1,070,390)	(951,365)
Bad debt expense	271,855	291,005
Amortization of deferred charges	200,085	200,085
Provision for post-retirement benefits	120,672	11,783
Increase (decrease) in operating assets and increase (decrease) in operating liabilities		
Accounts receivable	699,880	(947,436)
Materials and supplies	(19,318)	(5,782)
Other current and accrued assets	(1,124)	(12,014)
Deferred charges	(18,510)	(109,575)
Accounts payable	(1,705,858)	(4,470,075)
Consumer deposits	66,857	51,285
Accrued liabilities	21,554	218,064
Total adjustments	641,569	(3,769,450)
Net cash from operating activities	4,949,692	437,363
INVESTING ACTIVITIES		
Net additions of property and equipment	(6,739,959)	(3,761,068)
Proceeds from maturity of temporary cash investments	1,295,000	720,000
Purchase of temporary cash investments		(2,872,000)
Purchases of marketable securities	(3,973,972)	(1,970,596)
Proceeds from maturity of marketable securities	2,665,998	2,277,932
Economic development loans receivable, net	1565,241	262,056
Change in other investments, net	30,035	1,049,384
Net cash used for investing activities	(7,288,139)	(4,294,292)
FINANCING ACTIVITIES		
Principal payments on long-term debt	(11,093,490)	(2,344,028)
Change in line of credit, net		11,550,000
Proceeds from long-term debt	11,160,694	9,500,000
Proceeds from rural development grant	500,000	
Increase in membership fees, net	1,240	1,420
Increase in other equities	69,597	7,026
Retirement of capital credits	(250,000)	(250,000)
Net cash from financing activities	2,188,041	5,164,418
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(150,606)	1,307,489
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,216,354	1,908,665
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,065,748	\$ 3,216,154
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash paid for interest	\$ 2,143,409	2,197,500

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**SOUTH ALABAMA ELECTRIC COOPERATIVE
TROY, ALABAMA**

**STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
NET MARGINS	<u>\$ 4,308,123</u>	<u>\$ 4,206,813</u>
OTHER COMPREHENSIVE INCOME:		
Unrealized gains on securities:		
Holding gains arising during the year	55,788	179,583
Accumulated post-retirement benefit obligation:		
Amortization of actuarial loss	<u>5,668</u>	<u>5,668</u>
COMPREHENSIVE INCOME	<u>\$ 4,369,579</u>	<u>\$ 4,392,064</u>

**STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS AT BEGINNING OF YEAR	<u>\$ (362,412)</u>	<u>\$ (547,663)</u>
OTHER COMPREHENSIVE INCOME	<u>61,456</u>	<u>185,251</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS AT END OF YEAR	<u>\$ (300,956)</u>	<u>\$ (362,412)</u>

Note: The financial information above is part of the financial statements for the year ended December 31, 2010. A copy of the financial statements is retained at the cooperative's office.

Board of Trustees



Bill Hixon, District 1, lives in Banks with his wife Betty. He is a cattle farmer and an active member in the Pleasant Hill Methodist Church. He is on the board of the Pike County Cattlemen's Association, a lifetime member and board member of the Alabama Cattlemen's Association, and President of the Wiregrass Market Association. Hixon has received his Certified Cooperative Director certificate and Board Leadership certification from the National Rural Electric Cooperative Association.



James Shaver, District 2, and his wife, LaRue, live in Goshen where he is a farmer. Shaver is active in the Lions Club and a director in the Pike County Farmers Federation. He is a trustee with Little Oak Methodist Church. He is a member in the Pike County Cattlemen's Association and has received his Certified Cooperative Director certificate and Board Leadership certification from the National Rural Electric Cooperative Association.



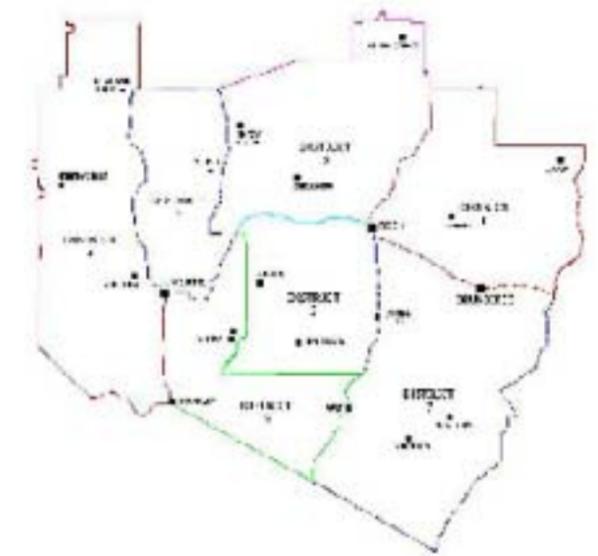
Leo Williams, District 3, resides near Luverne with his wife, Helen. He is a farmer by trade and holds a B.S. degree from the University of Alabama. He is involved in the Shrine Club. He is a member of the Luverne Methodist Church. While serving as a trustee for South Alabama EC, Williams has received his Certified Cooperative Director certificate and Board Leadership certification from the National Rural Electric Cooperative Association.



Ben Norman, District 4, and his wife, Janice, live near Highland Home. He is retired and is an outdoor writer. He holds a B.S. degree in business administration from Troy State University. He is a member of Luverne Baptist Church and a member of the Alabama Treasure Forest Association. He has received his Certified Cooperative Director certificate and Board Leadership certification from the National Rural Electric Cooperative Association.



Delaney Kervin, District 5, is the retired headmaster of Pike Liberal Arts School. He lives in the Oak Grove Community with his wife, Quintilla. He holds a master's degree in Education from Auburn University Montgomery. He serves as a trustee with the Oak Grove United Methodist Church. He has received his Certified Cooperative Director certificate and Board Leadership certification from the National Rural Electric Cooperative Association.



Douglas Green, District 6, is a retired school teacher and holds a master's degree in administrations and supervision from Troy State University. He lives in Jack. He is a member of the Hebron Baptist Church where he serves as deacon, and young adult Sunday school teacher. He has also received his Certified Cooperative Director certificate and Board Leadership certification from the National Rural Electric Cooperative Association.



Glenn Reeder, District 7, is retired from the U.S. Army and holds a master's in education from Troy State University. He and his wife, Eloise, live in the New Hope Community. He is an active member in Roeton Baptist Church serving as a deacon and a discipleship training teacher. He is a member of Gideons International. Reeder has also received his Certified Cooperative Director certificate and Board Leadership certification from the National Rural Electric Cooperative Association as well.



James May, At Large, has been a member of SAEC for over 30 years. He and his wife, Carolyn, are long-time Crenshaw County residents. They have two sons: James Jr. and Jeremy. They are members of the Helicon Baptist Church where he serves as a deacon and chairman of the Trustee Board. He is a project engineer for Montgomery County. May also serves on the Mon-Cre Telephone Cooperative Board and on the Crenshaw County Economic and Industrial Development Authority. May has received his Certified Cooperative Director certificate and Board Leadership certification from the National Rural Electric Cooperative Association.

Annual Meeting

11a.m. - 1 p.m.

HOT DOGS will be served.

You will need the ticket from your goodie bag to pick up the hot dog at the drink window.

11:30 a.m.

ENTERTAINMENT

Provided by Cricket Lee

Noon

REGISTRATION OF MEMBERS

Registration closes at 2 p.m.

Make sure you bring your registration card to the meeting.

No duplicates will be available.

12:30 p.m. - ENTERTAINMENT

Provided by The Dove Brothers

1:30 p.m.

BUSINESS SESSION BEGINS

1:35 p.m.- ENTERTAINMENT

Provided by The Dove Brothers

2 p.m. - REGISTRATION CLOSES

2:05 p.m. - TRUSTEE ELECTIONS

Elections for Districts 3, 4, and At-Large

2:50 p.m.

MAJOR PRIZES AWARDED

You, the members of South Alabama Electric Cooperative, are the most important part of the Cooperative.

Through events like the annual meeting, our website, and *Alabama Living* magazine, we work hard to make sure you are informed about your cooperative's programs and activities.

This year's annual meeting is scheduled for Tuesday, October 25, 2011, at the Pike County Cattlemen's Complex located on Highway 231 in Troy and will feature entertainment by The Dove Brothers.

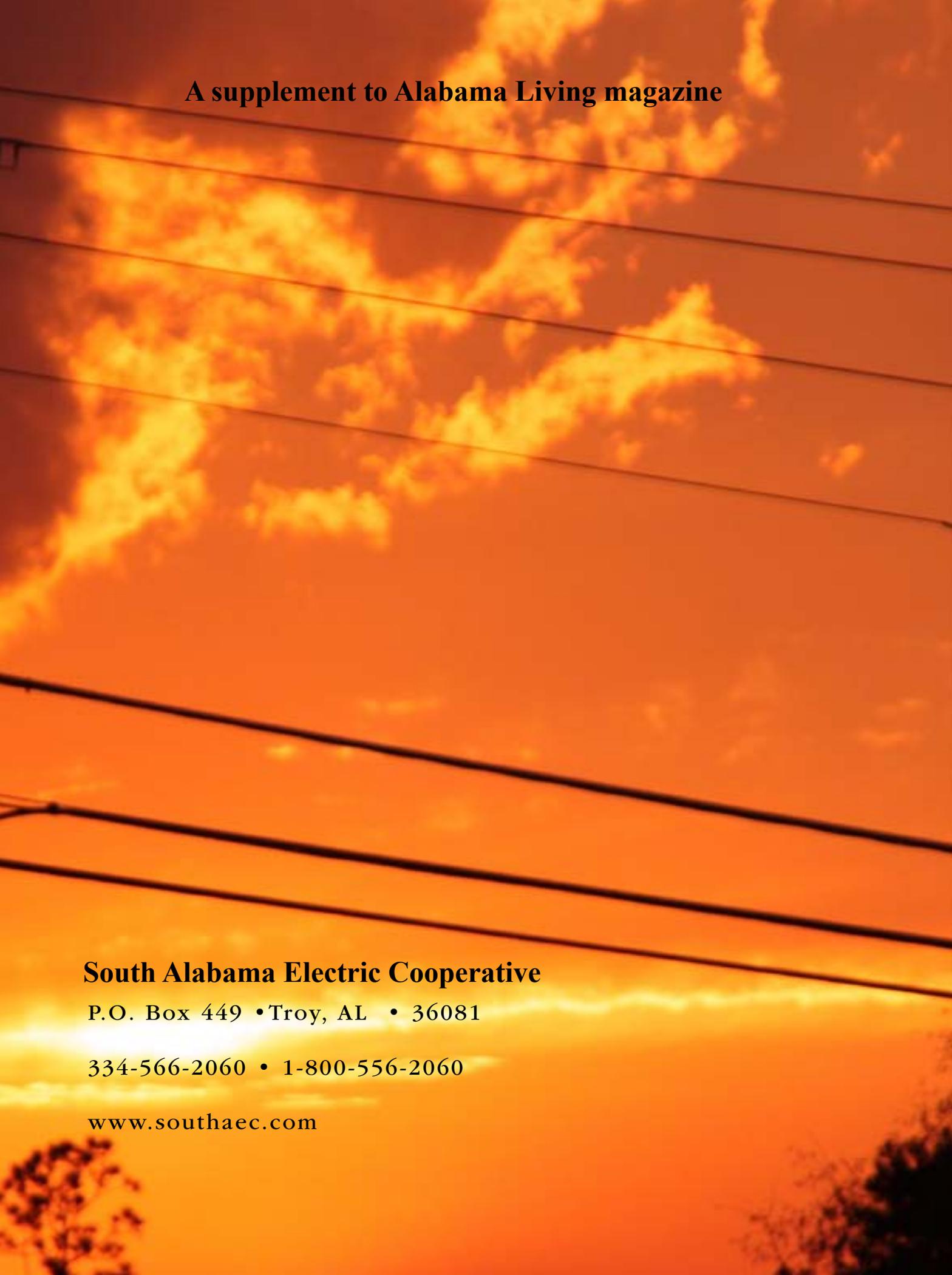
Registration is scheduled to begin at noon and entertainment will begin at 12:30 p.m.

You will receive a bag filled with goodies when you complete the registration process. It will include a calendar, a compact fluorescent light bulb, pen, and much more. You will also find your ticket for a free hot dog inside your bag as well. In addition, there will be drawings for numerous doorprizes.

The business session will begin at 1:30 p.m. and will include the manager's report and trustee elections for Districts 3, 4 and At-Large.

As a member of the Cooperative, it is important that you take part in the business session. The democratic process will not work without your input.





A supplement to Alabama Living magazine

South Alabama Electric Cooperative

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