

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT  
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION

MI0043

PERIOD ENDED December, 2011 (Prepared with Audited Data)

BORROWER NAME

Cloverland Electric Co-operative

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

**CERTIFICATION**

**We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.**

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

**ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII**

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

Daniel Dasho

5/8/2012

DATE

**PART A. STATEMENT OF OPERATIONS**

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	58,516,542	85,476,845	80,426,400	8,310,394
2. Power Production Expense	2,099,593	3,164,252	2,642,200	222,958
3. Cost of Purchased Power	32,037,314	48,033,878	40,254,600	4,792,574
4. Transmission Expense	4,102,588	6,070,419	6,108,000	607,996
5. Regional Market Expense				
6. Distribution Expense - Operation	1,872,080	3,226,660	2,573,645	311,262
7. Distribution Expense - Maintenance	3,223,263	4,959,060	4,986,437	398,751
8. Customer Accounts Expense	1,718,100	3,920,322	2,565,602	202,155
9. Customer Service and Informational Expense	408,974	683,239	603,198	52,342
10. Sales Expense	155,650	171,193	241,279	12,146
11. Administrative and General Expense	3,298,800	5,152,139	5,227,716	561,937
<b>12. Total Operation &amp; Maintenance Expense (2 thru 11)</b>	<b>48,916,362</b>	<b>75,381,162</b>	<b>65,202,677</b>	<b>7,162,121</b>
13. Depreciation and Amortization Expense	4,066,978	3,744,705	6,434,112	318,026
14. Tax Expense - Property & Gross Receipts	1,794,660	2,491,292	2,814,924	288,501
15. Tax Expense - Other	101,957	166,921	201,066	19,712
16. Interest on Long-Term Debt	1,866,364	2,202,231	3,249,623	563,089
17. Interest Charged to Construction - Credit	0			
18. Interest Expense - Other	680,337	914,057	400,000	19,769
19. Other Deductions	(4,822)	45,340	12,000	1,440
<b>20. Total Cost of Electric Service (12 thru 19)</b>	<b>57,421,836</b>	<b>84,945,708</b>	<b>78,314,402</b>	<b>8,372,658</b>
<b>21. Patronage Capital &amp; Operating Margins (1 minus 20)</b>	<b>1,094,706</b>	<b>531,137</b>	<b>2,111,998</b>	<b>(62,264)</b>
22. Non Operating Margins - Interest	87,423	49,703	150,000	4,124
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	(38,838)	7,231	20,000	(31,342)
25. Non Operating Margins - Other	867,798	896,341	850,000	79,156
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	552,015	659,729	105,000	614,147
28. Extraordinary Items				
<b>29. Patronage Capital or Margins (21 thru 28)</b>	<b>2,563,104</b>	<b>2,144,141</b>	<b>3,236,998</b>	<b>603,821</b>

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT  
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION

MI0043

PERIOD ENDED

December, 2011

INSTRUCTIONS - See help in the online application.

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	23,537	214	5. Miles Transmission	0.00	0.00
2. Services Retired	28	41	6. Miles Distribution – Overhead	2,144.37	2,858.57
3. Total Services in Place	43,489	42,220	7. Miles Distribution - Underground	443.69	603.44
4. Idle Services (Exclude Seasonals)	1,041	1,256	<b>8. Total Miles Energized (5 + 6 + 7)</b>	2,588.06	3,462.01

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	132,218,902	30. Memberships	92,760
2. Construction Work in Progress	7,503,757	31. Patronage Capital	19,722,564
<b>3. Total Utility Plant (1 + 2)</b>	<b>139,722,659</b>	32. Operating Margins - Prior Years	506,734
4. Accum. Provision for Depreciation and Amort.	33,810,675	33. Operating Margins - Current Year	1,190,866
<b>5. Net Utility Plant (3 - 4)</b>	<b>105,911,984</b>	34. Non-Operating Margins	1,814,894
6. Non-Utility Property (Net)	51,472	35. Other Margins and Equities	(235,856)
7. Investments in Subsidiary Companies	686,426	<b>36. Total Margins &amp; Equities (30 thru 35)</b>	<b>23,091,962</b>
8. Invest. in Assoc. Org. - Patronage Capital	535,230	37. Long-Term Debt - RUS (Net)	26,663,815
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	67,762,000
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	9,189,265	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	6,680,239
12. Other Investments	0	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	0	42. Payments – Unapplied	0
<b>14. Total Other Property &amp; Investments (6 thru 13)</b>	<b>10,462,393</b>	<b>43. Total Long-Term Debt (37 thru 41 - 42)</b>	<b>101,106,054</b>
15. Cash - General Funds	1,851,109	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	2,019,885	45. Accumulated Operating Provisions and Asset Retirement Obligations	1,295,045
17. Special Deposits	0	<b>46. Total Other Noncurrent Liabilities (44 + 45)</b>	<b>1,295,045</b>
18. Temporary Investments	3,691	47. Notes Payable	6,750,000
19. Notes Receivable (Net)	0	48. Accounts Payable	7,730,924
20. Accounts Receivable - Sales of Energy (Net)	6,923,702	49. Consumers Deposits	554,781
21. Accounts Receivable - Other (Net)	619,373	50. Current Maturities Long-Term Debt	1,619,500
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	3,646,470	52. Current Maturities Capital Leases	0
24. Prepayments	42,205	53. Other Current and Accrued Liabilities	3,110,053
25. Other Current and Accrued Assets	1,972,196	<b>54. Total Current &amp; Accrued Liabilities (47 thru 53)</b>	<b>19,765,258</b>
<b>26. Total Current and Accrued Assets (15 thru 25)</b>	<b>17,078,631</b>	55. Regulatory Liabilities	0
27. Regulatory Assets	10,965,474	56. Other Deferred Credits	429,397
28. Other Deferred Debits	1,269,234	<b>57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)</b>	<b>145,687,716</b>
<b>29. Total Assets and Other Debits (5+14+26 thru 28)</b>	<b>145,687,716</b>		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

**PART D. NOTES TO FINANCIAL STATEMENTS**

On May 5, 2010, Cloverland Electric Cooperative, Inc. purchased Edison Sault Electric Company, LLC (ESE, LLC) from Wisconsin Energy. The data for 2010 included 12 months of legacy Cloverland and 8 months of the consolidated cooperative.

2011 data includes 12 full months of the combined company. Comparisons between 2010 and 2011 will not be relevant.

PART B.1., 2. and 4. vary "Last Year" to "This Year" due to the purchase of ESE, LLC. The services of the purchased company were added in 2010 (Last Year). "This Year" includes additions and retirements of the combined company resulting in larger additions and retirements than previous years due to the size of the new combined company.

PART B. Items 6., 7. and 8. column (a) data is for the legacy Cloverland Electric only. Column (b) is for the new combined company.

PART J.2. Amount Written Off During Year: An extraordinary write-off of \$1,643,040 was the result of the bankruptcy of our largest customer, Manistique Papers, Inc.(MPI). MPI normally accounts for 11% of total sales revenue. MPI is currently back in full operation under new ownership.

PART N. LONG-TERM DEBT On May 5, 2010, Cloverland borrowed \$64,000,000 from CoBank for the purchase of ESE, LLC as a bridge loan until an FFB loan could be processed. The FFB loan was approved and in October, 2011, the funds were advanced and the CoBank loan repaid.

PART P. ENERGY EFFICIENCY PROGRAMS Cooperatives in Michigan are mandated to collect a surcharge from members to be used for energy efficiency programs. Data collection for the State of Michigan is to be separated between residential and commercial. Total residential is reported on line 1 and total commercial is reported on line 4. Column (b), Amount Invested represents member investments, not cooperative investments. This program began in 2009; only 2011 is included in this year and will be considered the base year going forward.

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</b></p>	<p>BORROWER DESIGNATION  MI0043</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2011</p>
<p><b>PART D. NOTES TO FINANCIAL STATEMENTS</b></p>	

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</b></p>	<p>BORROWER DESIGNATION  MI0043</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2011</p>
<p><b>PART D. CERTIFICATION LOAN DEFAULT NOTES</b></p>	

**FINANCIAL AND OPERATING REPORT  
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0043

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

**PART E. CHANGES IN UTILITY PLANT**

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	95,398,215	4,217,301	320,216	(1,897)	99,293,403
2. General Plant	9,689,361	975,694	57,625		10,607,430
3. Headquarters Plant	2,567,009	313,075			2,880,084
4. Intangibles	6,238,653	170,793			6,409,446
5. Transmission Plant	755,476				755,476
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	10,227,409	2,045,654			12,273,063
<b>8. Total Utility Plant in Service (1 thru 7)</b>	124,876,123	7,722,517	377,841	(1,897)	132,218,902
9. Construction Work in Progress	2,569,085	4,934,672			7,503,757
<b>10. Total Utility Plant (8 + 9)</b>	127,445,208	12,657,189	377,841	(1,897)	139,722,659

**PART F. MATERIALS AND SUPPLIES**

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	2,938,496	4,432,384	68,495	3,801,942			3,637,433
2. Other	8,647	2,277			1,950	63	9,037

**PART G. SERVICE INTERRUPTIONS**

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
1. Present Year	30.600	49.600	28.500	327.700	436.400
2. Five-Year Average	50.200	267.800	14.900	303.800	636.700

**PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS**

1. Number of Full Time Employees	111	4. Payroll - Expensed	10,761,634
2. Employee - Hours Worked - Regular Time	225,545	5. Payroll - Capitalized	2,663,870
3. Employee - Hours Worked - Overtime	17,927	6. Payroll - Other	1,187,152

**PART I. PATRONAGE CAPITAL**

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	998,316	12,622,850
	b. Special Retirements	32,550	625,374
	<b>c. Total Retirements (a + b)</b>	1,030,866	13,248,224
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	292,991	
	<b>c. Total Cash Received (a + b)</b>	292,991	

**PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE**

1. Amount Due Over 60 Days	\$ 504,289	2. Amount Written Off During Year	\$ 2,040,423
----------------------------	------------	-----------------------------------	--------------

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION  MI0043
--	------------------------------------

INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011
---	--------------------------------

**PART K. kWh PURCHASED AND TOTAL COST**

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Newberry Water & Light Board	13525			395,411	50,469	12.76		
2	Wisconsin Electric Power Co	20847			604,450,716	45,984,826	7.61		
3	U S Corps of Engineers	800285			145,777,363	1,832,362	1.26		
	Total				750,623,490	47,867,657	6.38		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>		BORROWER DESIGNATION  MI0043	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2011	
<b>PART K. kWh PURCHASED AND TOTAL COST</b>			
<b>No</b>	<b>Comments</b>		
1			
2			
3			



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>		BORROWER DESIGNATION MI0043	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011	
<b>PART L. LONG-TERM LEASES</b>			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	<b>TOTAL</b>		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>		BORROWER DESIGNATION MI0043	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011	
<b>PART M. ANNUAL MEETING AND BOARD DATA</b>			
1. Date of Last Annual Meeting 5/19/2011	2. Total Number of Members 42,160	3. Number of Members Present at Meeting 588	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 213,550	8. Does Manager Have Written Contract? Y

**RUS Financial and Operating Report Electric Distribution**

**Revision Date 2010**

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

**PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS**

No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	26,663,815	1,309,117	667,188	1,976,305
2	National Rural Utilities Cooperative Finance Corporation	6,680,239	474,000	798,751	1,272,751
3	CoBank, ACB	0	742,311		742,311
4	Federal Financing Bank	67,762,000	419,114	0	419,114
5	RUS - Economic Development Loans				
6	Payments Unapplied				
	<b>TOTAL</b>	<b>101,106,054</b>	<b>2,944,542</b>	<b>1,465,939</b>	<b>4,410,481</b>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

**PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY**

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	29,134	29,123	
	b. kWh Sold			270,354,244
	c. Revenue			30,080,902
2. Residential Sales - Seasonal	a. No. Consumers Served	6,972	7,054	
	b. kWh Sold			19,327,598
	c. Revenue			3,541,224
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	5,646	5,508	
	b. kWh Sold			146,344,685
	c. Revenue			17,002,213
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	107	106	
	b. kWh Sold			349,543,012
	c. Revenue			31,025,087
6. Public Street & Highway Lighting	a. No. Consumers Served	81	81	
	b. kWh Sold			2,980,820
	c. Revenue			452,816
7. Other Sales to Public Authorities	a. No. Consumers Served	260	261	
	b. kWh Sold			14,383,109
	c. Revenue			1,260,763
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served	1	1	
	b. kWh Sold			19,990,593
	c. Revenue			1,333,159
<b>10. Total No. of Consumers (lines 1a thru 9a)</b>		42,201	42,134	
<b>11. Total kWh Sold (lines 1b thru 9b)</b>				822,924,061
<b>12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)</b>				84,696,164
13. Transmission Revenue				
14. Other Electric Revenue				780,682
15. kWh - Own Use				2,880,034
16. Total kWh Purchased				750,623,490
17. Total kWh Generated				115,673,408
18. Cost of Purchases and Generation				57,268,549
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident _____				146,516

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT  
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0043

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

**PART P. ENERGY EFFICIENCY PROGRAMS**

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	8,843	367,546	5,958	8,843	367,546	5,958
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	256	431,187	17,305	256	431,187	17,305
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
<b>10. Total</b>	<b>9,099</b>	<b>798,733</b>	<b>23,263</b>	<b>9,099</b>	<b>798,733</b>	<b>23,263</b>

**RUS Financial and Operating Report Electric Distribution**

**Revision Date 2010**

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION          INVESTMENTS, LOAN GUARANTEES AND LOANS</b>	BORROWER DESIGNATION MI0043  PERIOD ENDED December, 2011
--	--

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

**PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)**

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
<b>1</b>	<b>Non-Utility Property (NET)</b>				
	ESE Acquisition		51,472		
	Totals		51,472		
<b>2</b>	<b>Investments in Associated Organizations</b>				
	NRUCFC		263,850		
	NISC	87,410			
	NRTC	823			X
	CRC	16,886			
	RESCO	166,262			
	Federated	213,537			X
	NRUCFC CTCs		859,585		
	ATC	7,346,979			
	Lighthouse Computers Inc	686,426			X
	MECA	30,077			X
	NRUCFC		1,000		
	CoBank		738,087		
	Totals	8,548,400	1,862,522		
<b>5</b>	<b>Special Funds</b>				
	Special Funds				
	Totals				
<b>6</b>	<b>Cash - General</b>				
	Old Mission Bank	1,382,186	100,000		
	CSB	226,894	100,000		
	Working Fund Petty Cash	3,440			
	FNB		15,253		
	M Bank		5,008		
	State Savings Bank		17,033		
	Soo Co-op Credit Union		1,296		
	Totals	1,612,520	238,590		
<b>8</b>	<b>Temporary Investments</b>				
	ED Jones		3,681		
	Credit Union Memberships	10			
	Restricted funds - PSCR				
	Totals	10	3,681		
<b>9</b>	<b>Accounts and Notes Receivable - NET</b>				
	AR Other	619,373			
	Totals	619,373			
<b>11</b>	<b>TOTAL INVESTMENTS (1 thru 10)</b>	10,780,303	2,156,265		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC DISTRIBUTION</b> <b>INVESTMENTS, LOAN GUARANTEES AND LOANS</b>	BORROWER DESIGNATION MI0043
	PERIOD ENDED December, 2011

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

**PART Q. SECTION II. LOAN GUARANTEES**

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	<b>TOTAL</b>				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION          INVESTMENTS, LOAN GUARANTEES AND LOANS</b>	BORROWER DESIGNATION MI0043  PERIOD ENDED December, 2011
--	--

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

**SECTION III. RATIO**

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	7.72 %
--	--------

**SECTION IV. LOANS**

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors				
2	Energy Resources Conservation Loans				
	<b>TOTAL</b>				



According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 21 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY**

BORROWER DESIGNATION MI0043

PERIOD ENDED December, 2011 (Prepared with Audited Data)

BORROWER NAME Cloverland Electric Co-operative

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

**CERTIFICATION**

**We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.**

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

**ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII**

*(check one of the following)*

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part A Section C of this report.

Daniel Dasho

6/11/2012

DATE

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY</b>			BORROWER DESIGNATION MI0043			
INSTRUCTIONS - See help in the online application			PERIOD ENDED December, 2011			
<b>PART C RE - RENEWABLE GENERATING PLANT SUMMARY</b>						
Plant Name (a)	Prime Mover (b)	Primary Renewable Fuel Type (c)	Renewable Fuel (%) (d)	Capacity (kW) (e)	Net Generation (MWh) (f)	Capacity Factor (%) (g)
Sault Ste. Marie Hydro	Hydro	Hydro	100.00	40710.0	121445.0	34.10
Total:				40710.0	121445.0	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

**PART C RE - RENEWABLE GENERATING PLANT SUMMARY**

Plant Name (a)	Number of Employees (h)	Total O&M Cost (mils/Net kWh) (i)	Power Cost (mils/Net kWh) (j)	Total Investment (\$1,000) (k)	Percentage Ownership (%) (l)	RUS Funding (\$1,000) (m)
Sault Ste. Marie Hydro	10	16	19	8,667	100	8,667
Total:	10	16	19	8,667		8,667

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY</b>		BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2011
<b>PART C RE - RENEWABLE GENERATING PLANT SUMMARY</b>		
<b>Plant Name</b>	<b>Comments</b>	
Sault Ste. Marie Hydro		

reUNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0043		
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART C - SOURCES AND DISTRIBUTION OF ENERGY		PERIOD ENDED December, 2011		
INSTRUCTIONS - See help in the online application.				
SOURCES OF ENERGY (a)	NO. OF PLANTS (b)	CAPACITY (kW) (c)	NET ENERGY RECIEVED BY SYSTEM (MWh) (d)	COST (\$) (e)
<b>Generated in Own Plant (Details on Parts D, E, F IC, F CC, and G)</b>				
1. Fossil Steam	0	0	0	0
2. Nuclear	0	0	0	0
3. Hydro	1	40,710	121,447	2,250,231
4. Combined Cycle	0	0	0	0
5. Internal Combustion	4	19,400	2,153	1,275,622
6. Other				
<b>7. Total in Own Plant (1 thru 6)</b>	<b>5</b>	<b>60,110</b>	<b>123,599</b>	<b>3,525,853</b>
<b>Purchased Power</b>				
<b>8. Total Purchased Power</b>			<b>0</b>	<b>0</b>
<b>Interchanged Power</b>				
9. Received Into System (Gross)				
10. Delivered Out of System (Gross)				
<b>11. Net Interchange (9 - 10)</b>				
<b>Transmission For or By Others - (Wheeling)</b>				
12. Received Into System				
13. Delivered Out of System				
<b>14. Net Energy Wheeled (12 - 13)</b>				
<b>15. Total Energy Available for Sale (7 + 8 + 11 + 14)</b>			<b>123,601</b>	
<b>Distribution of Energy</b>				
16. Total Sales			0	
17. Energy Furnished to Others Without Charge				
18. Energy Used by Borrower (Excluding Station Use)				
<b>19. Total Energy Accounted For (16 thru 18)</b>			<b>0</b>	
<b>Losses</b>				
<b>20. Energy Losses - MWh (15 - 19)</b>			<b>123,601</b>	
<b>21. Energy Losses - Percentage ((20 / 15) * 100)</b>			<b>100.00 %</b>	

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART E - HYDRO PLANT**

BORROWER DESIGNATION MI0043

PLANT Sault Ste. Marie

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

**SECTION A. HYDRO GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	GROSS GENERATION (MWh) (c)	OPERATING HOURS			
				IN SERVICE (d)	ON STANDBY (e)	OUT OF SERVICE	
						SCHEDULED (f)	UNSCHEDULED (g)
1.	10	40,710	121,761.60	3,000	5,760		
2.							
3.							
4.							
5.							
<b>6.</b>	<b>Total</b>	40,710	121,761.60	3,000	5,760	0	0
7.	Station Service (MWh)		315.00	<b>HYDRAULIC DATA</b>			
8.	Net Generation (MWh)		121,446.60	<b>ITEM</b>		<b>(a) MAXIMUM</b>	<b>(b) MINIMUM</b>
9.	Station Service % of Gross		.25	1. Pool Elevation (ft.)			
10.	Energy for Pumped Storage (MWh)			2. Tail Race Elevation (ft.)			
11.	Net Generation after Pumped Storage (MWh)		121,446.60	Water Spilled <input type="checkbox"/> Yes <input type="checkbox"/> No			

**SECTION B. LABOR REPORT**

**SECTION C. FACTORS & MAXIMUM DEMAND**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full-Time (Include Superintendent)	10	5.	Maintenance Plant Payroll (\$)	417,754	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	4	6.	Other Accounts Plant Payroll (\$)	46,367	2.	Plant Factor (%)	34.14%
3.	Total Employee Hours Worked	16,503				4.	15 Min. Gross Max. Demand (kW)	
			7.	Total Plant Payroll (\$)	678,196	5.	Indicated Gross Max. Demand (kW)	
4.	Operating Plant Payroll (\$)	214,075						

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)
1.	Operation, Supervision and Engineering	535	8,473	
2.	Water for Power	536	755,450	6.22
3.	Energy for Pumped Storage	536.1		
4.	Hydraulic Expense	537	287,901	2.37
5.	Electric Expense	538	174,098	1.43
6.	Miscellaneous Hydraulic Power Generation Expense	539	99,466	.82
7.	Rents	540		
<b>8.</b>	<b>Operation Expense (1 thru 7)</b>		1,325,388	10.91
9.	Maintenance, Supervision and Engineering	541	9,512	
10.	Maintenance of Structures	542	52,965	
11.	Maintenance of Reservoirs, Dams and Waterways	543	56,958	
12.	Maintenance of Electric Plant	544	461,083	
13.	Maintenance of Miscellaneous Hydraulic Plant	545	38,140	
<b>14.</b>	<b>Maintenance Expense (9 thru 13)</b>		618,658	5.09
<b>15.</b>	<b>Total Production Expense (8 + 14)</b>		1,944,046	16.01
16.	Depreciation	403.3, 411.10	198,629	
17.	Interest	427	107,556	
<b>18.</b>	<b>Total Fixed Cost (16 + 17)</b>		306,185	2.52
<b>19.</b>	<b>Power Cost (15 + 18)</b>		2,250,231	18.53

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION  
MI0043

PLANT  
Dafter

PERIOD ENDED  
December, 2011

INSTRUCTIONS - See help in the online application.

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
			SCHED.		UNSCH.							
			(i)		(j)							
1.	1	1,000	1.80				56	8,704			18	
2.	2	1,000	0.00				0		8,760		0	
3.	3	1,000	2.90				77	8,683			33	
4.	4	3,000	40.00				321	8,007		432	556	
5.	5	3,000	42.40				352	8,408			585	
6.	<b>Total</b>	9,000	87.10	0.00	0.00		806	33,802	8,760	432	1,192	
7.	Average BTU		139,000.00				Station Service (MWh)				352.60	10,156.80
8.	Total BTU (10 <sup>6</sup> )		12,106.90				Net Generation (MWh)				839.40	
9.	Total Del. Cost (\$)		297,099.00				Station Service % of Gross				29.58	14,423.28

**SECTION B. LABOR REPORT**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	1	5.	Maintenance Plant Payroll (\$)	76,238	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	2	6.	Other Accounts Plant Payroll (\$)	63,391	2.	Plant Factor (%)	1.51%
3.	<b>Total Employee Hours Worked</b>	4,595	7.	<b>Total Plant Payroll (\$)</b>	334,435	3.	Running Plant Capacity Factor (%)	55.39%
4.	Operating Plant Payroll (\$)	194,806				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	119,370		
2.	Fuel, Oil	547.1	217,454		17.96
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	<b>Fuel SubTotal (2 thru 5)</b>	547	217,454	259.05	17.96
7.	Generation Expenses	548	99,700		
8.	Miscellaneous Other Power Generation Expenses	549	77,288		
9.	Rents	550	0		
10.	<b>Non-Fuel SubTotal (1 + 7 thru 9)</b>		296,358	353.05	
11.	<b>Operation Expense (6 + 10)</b>		513,812	612.11	
12.	Maintenance, Supervision and Engineering	551	37,491		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	59,721		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	<b>Maintenance Expense (12 thru 15)</b>		97,212	115.81	
17.	<b>Total Production Expense (11 + 16)</b>		611,024	727.92	
18.	Depreciation	403.4, 411.10	32,519		
19.	Interest	427	17,609		
20.	<b>Total Fixed Cost (18 + 19)</b>		50,128	59.71	
21.	<b>Power Cost (17 + 20)</b>		661,152	787.64	

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION  
MI0043

PLANT  
Detour

PERIOD ENDED  
December, 2011

INSTRUCTIONS - See help in the online application.

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
			SCHD.		UNSCH.							
			(i)		(j)							
1.	1	3,000	35.80				258	6,798	0	1,704	396	
2.	2	3,000	43.30				315	8,445			556	
3.												
4.												
5.												
6.	<b>Total</b>	6,000	79.10	0.00	0.00		573	15,243	0	1,704	952	
7.	Average BTU		139,000.00				Station Service (MWh)				217.00	11,549.26
8.	Total BTU (10 <sup>6</sup> )		10,994.90			10,994.90	Net Generation (MWh)				735.00	
9.	Total Del. Cost (\$)		220,594.00				Station Service % of Gross				22.79	14,959.05

**SECTION B. LABOR REPORT**

**SECTION C. FACTORS & MAXIMUM DEMAND**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	0	5.	Maintenance Plant Payroll (\$)	19,427	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	2	6.	Other Accounts Plant Payroll (\$)	8,915	2.	Plant Factor (%)	1.81%
3.	<b>Total Employee Hours Worked</b>	1,075	7.	<b>Total Plant Payroll (\$)</b>	78,120	3.	Running Plant Capacity Factor (%)	55.38%
4.	Operating Plant Payroll (\$)	49,778				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	0		
2.	Fuel, Oil	547.1	209,221		19.02
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	<b>Fuel SubTotal (2 thru 5)</b>	547	209,221	284.65	19.02
7.	Generation Expenses	548	68,365		
8.	Miscellaneous Other Power Generation Expenses	549	10,980		
9.	Rents	550	0		
10.	<b>Non-Fuel SubTotal (1 + 7 thru 9)</b>		79,345	107.95	
11.	<b>Operation Expense (6 + 10)</b>		288,566	392.60	
12.	Maintenance, Supervision and Engineering	551	6,915		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	44,560		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	<b>Maintenance Expense (12 thru 15)</b>		51,475	70.03	
17.	<b>Total Production Expense (11 + 16)</b>		340,041	462.64	
18.	Depreciation	403.4, 411.10	2,047		
19.	Interest	427	1,108		
20.	<b>Total Fixed Cost (18 + 19)</b>		3,155	4.29	
21.	<b>Power Cost (17 + 20)</b>		343,196	466.93	

Remarks (including Unscheduled Outages)



**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION  
MI0043

PLANT  
Manistique

PERIOD ENDED  
December, 2011

INSTRUCTIONS - See help in the online application.

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS						
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)	
			SCH.		UNSCH.								
			(i)		(j)								
1.	2	2,400	28.40				178	8,582				409	
2.													
3.													
4.													
5.													
6.	<b>Total</b>	2,400	28.40	0.00	0.00		178	8,582	0	0		409	
7.	Average BTU		139,000.00				Station Service (MWh)					90.10	9,663.65
8.	Total BTU (10 <sup>6</sup> )		3,947.60			3,947.60	Net Generation (MWh)					318.40	
9.	Total Del. Cost (\$)		94,473.00				Station Service % of Gross					22.06	12,398.24

**SECTION B. LABOR REPORT**

**SECTION C. FACTORS & MAXIMUM DEMAND**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)	1,601	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	1,677	2.	Plant Factor (%)	1.94%
3.	<b>Total Employee Hours Worked</b>	52	7.	<b>Total Plant Payroll (\$)</b>	3,796	3.	Running Plant Capacity Factor (%)	95.62%
4.	Operating Plant Payroll (\$)	518				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	23,826		
2.	Fuel, Oil	547.1	94,473		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	<b>Fuel SubTotal (2 thru 5)</b>	547	94,473	296.71	
7.	Generation Expenses	548	3,559		
8.	Miscellaneous Other Power Generation Expenses	549	2,051		
9.	Rents	550	0		
10.	<b>Non-Fuel SubTotal (1 + 7 thru 9)</b>		29,436	92.45	
11.	<b>Operation Expense (6 + 10)</b>		123,909	389.16	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	8,183		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	<b>Maintenance Expense (12 thru 15)</b>		8,183	25.70	
17.	<b>Total Production Expense (11 + 16)</b>		132,092	414.86	
18.	Depreciation	403.4, 411.10	678		
19.	Interest	427	368		
20.	<b>Total Fixed Cost (18 + 19)</b>		1,046	3.29	
21.	<b>Power Cost (17 + 20)</b>		133,138	418.15	

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION  
MI0043

PLANT  
Manistique

PERIOD ENDED  
December, 2011

INSTRUCTIONS - See help in the online application.

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
			SCHED. (i)		UNSCH. (j)							
1.	1	2,000	29.50				186	8,574			353	
2.												
3.												
4.												
5.												
<b>6.</b>	<b>Total</b>	2,000	29.50	0.00	0.00		186	8,574	0	0	353	
7.	Average BTU		139,000.00	0.00			Station Service (MWh)				93.00	11,616.15
8.	Total BTU (10 <sup>6</sup> )		4,100.50	0.00		4,100.50	Net Generation (MWh)				260.00	
9.	Total Del. Cost (\$)		98,019.00				Station Service % of Gross				26.35	15,771.15

**SECTION B. LABOR REPORT**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)	1,662	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	1,740	2.	Plant Factor (%)	2.01%
3.	<b>Total Employee Hours Worked</b>	54	7.	<b>Total Plant Payroll (\$)</b>	3,939	3.	Running Plant Capacity Factor (%)	94.89%
4.	Operating Plant Payroll (\$)	537				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	24,720		
2.	Fuel, Oil	547.1	98,019		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
<b>6.</b>	<b>Fuel SubTotal (2 thru 5)</b>	547	98,019	377.00	
7.	Generation Expenses	548	3,693		
8.	Miscellaneous Other Power Generation Expenses	549	2,129		
9.	Rents	550	0		
<b>10.</b>	<b>Non-Fuel SubTotal (1 + 7 thru 9)</b>		30,542	117.47	
<b>11.</b>	<b>Operation Expense (6 + 10)</b>		128,561	494.47	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	8,490		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
<b>16.</b>	<b>Maintenance Expense (12 thru 15)</b>		8,490	32.65	
<b>17.</b>	<b>Total Production Expense (11 + 16)</b>		137,051	527.12	
18.	Depreciation	403.4, 411.10	704		
19.	Interest	427	381		
<b>20.</b>	<b>Total Fixed Cost (18 + 19)</b>		1,085	4.17	
<b>21.</b>	<b>Power Cost (17 + 20)</b>		138,136	531.29	

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART H - ANNUAL SUPPLEMENT**

BORROWER DESIGNATION

MI0043

PERIOD ENDED

December, 2011

INSTRUCTIONS - See help in the online application.

**SECTION L. RENEWABLE ENERGY CREDITS**

<b>ITEM</b>	<b>BALANCE BEGINNING OF YEAR (a)</b>	<b>ADDITIONS (b)</b>	<b>RETIREMENTS (c)</b>	<b>ADJUSTMENTS AND TRANSFER (d)</b>	<b>BALANCE END OF YEAR (e)</b>
1. Renewable Energy Credits	600,373	271,445			871,818

**RUS Financial and Operating Report Electric Power Supply – Part H - Annual Supplement**

**Revision Date 2010**

MICHIGAN PUBLIC SERVICE COMMISSION

**ADDITIONAL SCHEDULES FOR AN ELECTRIC UTILITY COOPERATIVE**

This form is authorized by Case No. U-12134, the Code of Conduct.  
Filing of this form is mandatory.

<b>Report submitted for year ending:</b> December 31, 2011	
<b>Present name of respondent:</b> Cloverland Electric Cooperative, Inc.	
<b>Address of principal place of business:</b> 2916 W. M-28, Dafter, MI 49724	
<b>Utility representative to whom inquires regarding this report may be directed:</b>	
<b>Name:</b> Lois Kenney	<b>Title:</b> CFO
<b>Address:</b> 725 East Portage Avenue	
<b>City:</b> Sault Ste. Marie	<b>State:</b> Miq <b>Zip:</b> 49783
<b>Direct Telephone, Include Area Code:</b> 906-632-5180	
<b>If the utility name has been changed during the past year:</b>	
<b>Prior Name:</b>	
<b>Date of Change:</b>	
<b>Two copies of the published annual report to stockholders:</b>	
[ N/A ]	were forwarded to the Commission
[       ]	will be forwarded to the Commission
<b>on or about</b>	
<b>Annual reports to stockholders:</b>	
[ N/A ]	are published
[       ]	are not published

**FOR ASSISTANCE IN COMPLETION OF THIS FORM:**

Contact the Michigan Public Service Commission (Heather Cantin) at  
(517) 241-0967 or cantinh@michigan.gov OR forward correspondence to:

DLARA/MPSC  
Regulated Energy Division (Heather Cantin)  
4300 W Saginaw  
Lansing, MI 48917

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 7/30/2012	Year of Report December 31, 2011
---	---	---	-------------------------------------

**IMPORTANT CHANGES DURING THE YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none", "not acceptable" or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefor and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact. *N/A*

2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization. On May 4, 2010, Cloverland Electric Cooperative, Inc. purchased Edison Sault Electric LLC. The purchase was approved by the Michigan Public Service Commission in Case No. U-16035.

3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission. *N/A*

4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents and other conditions. State name of Commission authorizing lease and give reference to such authorization. *N/A*

5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements etc. *N/A*

6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee. *N/A*

7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments. Bylaws have been updated. Previous bylaws, current bylaws and summary sheet attached.

8. State the estimated annual effect and nature of any important wage scale changes during the year. *N/A*

9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year. *N/A*

10. Describe briefly and materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest. *N/A*

11. (Reserved.)

12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by instruction 1 to 11 above, such notes may be attached to this page.

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 7/30/2012	Year of Report December 31, 2011
---	---	---	-------------------------------------

### STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondent's annual stockholders report are applicable to this statement, such notes should be included on pages 122-123. Information about noncash investing and financing activities should be provided on pages 122-123. "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.
2. Under "Other" specify significant amounts and group others.
3. Operating Activities-Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on pages 122-123 the amounts of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	Description (See instructions for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities: (enter outflows from company as negative #s)	
2	Net Income (Line 72 (c) on page 117)	2,144,141
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	4,724,548
5	Amortization of (Specify)	
6	Intangible Plant	
7		
8	Deferred Income Taxes (Net)	
9	Refunds payable to members	(82,849)
10	Net (Increase) Decrease in Receivables	2,199,515
11	Current and Accrued Assets	192,770
12	Accrued Postretirement benefits other than pensions	(6,651)
13	Net (Increase) Decrease in Payables and Accrued Expenses	1,371,225
14	Refundable Power Costs	(1,235,546)
15	Accrued Interest Payable	185,464
16	Current and Accrued Liabilities other	129,779
17	(Less) Undistributed Earnings from Subsidiary Companies	(829,237)
18	Other: Capital Credits	(659,729)
19	Patronage capital refunds applied to billing and bad debt	(157,304)
20	Loss (Gain) on sale of fixed assets	(14,472)
21	(Income) loss on investment in wholly owned subsidiary	(7,231)
22	Net Cash Provided by ( Used in) Operating Activities (Total of lines 2 thru 21)	7,954,423
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	(12,880,940)
27	(Increase) Decrease in Materials Inventory	(699,370)
28	Gross Additions to Common Utility Plant	
29	Gross Additions to Nonutility Plant	
30	(Less) Allowance to Other Funds Used During Construction	
31	Other: Plant Removal	(88,419)
32		
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	(13,668,729)
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	
38		
39	Investments in and Advances to Assoc. and Subsidiary Companies	802,083
40	Receivables from Wholly Owned Subsidiary	(7,120)
41	Disposition of Investments in ( and Advances to)	
42	Associated and Subsidiary Companies	
43		
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment Securities (a)	

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 7/30/2012	Year of Report December 31, 2011
---	---	---	-------------------------------------

**STATEMENT OF CASH FLOWS (Continued)**

- |  |  |
|--|--|
| <p>4. Investing Activities</p> <p>(a) Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of asset acquired with liabilities assumed on pages 122-123.</p> <p>(b) Don not include on this statement the dollar amount of leases capitalized per USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on pages 122-123.</p> | <p>5. Codes used:</p> <p>(a) Net proceeds or payments.</p> <p>(b) Bonds, debentures and other long-term debt.</p> <p>(c) Include commercial paper.</p> <p>(d) Identify separately such items as investments, fixed assets, intangibles, etc.</p> <p>6. Enter on pages 122-123 clarifications and explanations.</p> |
|--|--|

Line No.	Description (See instructions for Explanation of Codes) (a)	Amount (b)
46	Loans Made or Purchased	
47	Collections on Loans	
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in Allowances Held for Speculation	
52	Net Increase (Decrease) in Payables and Accrued Expenses	
53	Other:	
54		
55		
56	Net Cash Provided by (Used in) Investing Activities	
57	(Total of lines 34 thru 55)	<b>(12,873,766)</b>
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long Term Debt (b)	67,762,000
62	Preferred Stock	
63	Common Stock	
64	Other:	
65		
66	Net Increase in Short-Term Debt (c)	6,000,000
67	Other:	
68		
69		
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	<b>73,762,000</b>
71		
72	Payments for Retirement of:	
73	Long Term Debt (b)	(65,465,939)
74	Preferred Stock	
75	Common Stock	
76	Other: Retirement of Patronage Capital Credits	(855,882)
77	Donated Capital	12,733
78	Net Decrease in Short-Term Debt (c)	(243,758)
79	Memberships Issued, net	9,360
80	Restricted Funds	802,158
81	Dividends on Common Stock	
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	<b>8,020,672</b>
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22, 57 and 83)	<b>3,101,329</b>
87		
88	Cash and Cash Equivalents at Beginning of Year	<b>721,463</b>
89		
90	Cash and Cash Equivalents at End of Year	<b>3,822,792</b>

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
---	---	--	-------------------------------------

**NONUTILITY PROPERTY (Account 121)**

- |   |   |
|---|---|
| <p>1. Give a brief description and state the location of nonutility property included in Account 121.</p> <p>2. Designate with a double asterisk any property which is leased to another company. State name of lessee and whether lessee is an associated company.</p> <p>3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.</p> | <p>4. List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property.</p> <p>5. Minor items (5% of the Balance at the End of the Year for Account 121 or \$100,000, whichever is less) may be grouped by (1) previously devoted to public service, or (2) other nonutility property.</p> |
|---|---|

Line No.	Description and Location (a)	Balance at Beginning of Year (b)	Purchases, Sales Transfers, etc. (c)	Balance at End of Year (d)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
	TOTAL			

**ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY (Account 122)**

Report below the information called for concerning depreciation and amortization of nonutility property.

Line No.	Item (a)	Amount (b)
1	Balance, Beginning of Year	
2	Accruals for Year, Charged to	
3	(417) Income from Nonutility Operations	
4	(418) Nonoperating Rental Income	
5	Other Accounts (Specify):	
6		
7	TOTAL Accruals for Year (Enter Total of lines 3 thru 6)	
8	Net Charges for Plant Retired:	
9	Book Cost of Plant Retired	
10	Cost of Removal	
11	Salvage (Credit)	
12	TOTAL Net Charges (Enter Total of lines 9 thru 11)	
13	Other Debit or Credit Items (Describe):	
14		
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	



Name of Respondent Cloverland Electric Cooperative, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 07/30/12		Year of Report December 31, 2011	
<b>INVESTMENTS (Accounts 123, 124, 136)</b>							
<p>1. Report below the investments in Accounts 123, <i>Investments in Associated Companies</i>, 124, <i>Other Investment</i>, and 136, <i>Temporary Cash Investments</i>.</p> <p>2. Provide a subheading for each account and list thereunder the information called for:</p> <p>(a) Investment in securities - List and describe each security owned, giving name of user, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included</p>				<p>in Account 124, <i>Other Investments</i>), state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, <i>Temporary Cash Investments</i>, also may be grouped by classes.</p> <p>(b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances which are properly includable in Account 123. Advances subject to current repayment should be included in Accounts 145 and 146. With respect to each advance, show whether the advance is a note or an open account. Each note should be</p>			
Line No.	Description of Investment  (a)	Book Cost at Beginning of Year <i>(If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference)</i> (b)		Purchases or Additions During Year  (c)			
		Original Cost	Book Value				
1	Lighthouse.Net	225,000	225,000		0		
2	NRUCFC	251,000	251,000		25,700		
3	NISC	68,934	68,934		19,559		
4	RESCO	175,286	175,286		19,882		
5	NRTC	823	823		0		
6	CRC	17,486	17,486		0		
7	CoBank	459,906	459,906		558,322		
8	Federated Ins.	194,908	194,908		36,266		
9	CFC-Capital Term Cert.	869,374	869,374		0		
10	MECA	30,077	30,077		0		
11	CFC Membership	1,000	1,000		0		
12	ATC - Investment in Associated Or.	6,918,092	6,918,092		1,113,990		
13	ATC - True up	2,560	2,560		0		
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
---	---	--	-------------------------------------

**INVESTMENTS (Accounts 123, 124, 136) (Cont'd)**

listed giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees. Exclude amounts reported on page 229.  
3. For any securities, notes or accounts that were pledged designate with an asterisk such securities, notes, or accounts and in a footnote state the name of pledgee and purpose of the pledge.  
4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of

authorization, and case or docket number.  
5. Report in column (g) interest and dividend revenues from investments including such revenues from securities disposed of during the year.  
6. In column (h) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (g).

Sales or Other Dispositions During Year (d)	Principal Amount or No. of Shares at End of Year (e)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (f)		Revenues for Year (g)	Gain of Loss from Improvement Disposed of (h)	Line No.
		Original Cost	Book Value			
0	N/A	225,000	225,000	0		1
0	N/A	263,850	263,850	12,850		2
0	N/A	87,410	87,410	1,083		3
0	N/A	166,262	166,262	28,906		4
0	N/A	823	823	0		5
0	N/A	16,886	16,886	600		6
0	N/A	738,087	738,087	280,141		7
0	N/A	213,537	213,537	17,637		8
0	N/A	859,585	859,585	9,789		9
0	N/A	30,077	30,077	0		10
0	N/A	1,000	1,000	0		11
0	N/A	7,344,419	7,344,419	687,663		12
0	N/A	2,560	2,560	0		13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
---	---	--	-------------------------------------

**RECEIVABLES FROM ASSOCIATED COMPANIES (Accounts 145, 146)**

- |   |  |
|---|--|
| <p>1. Report particulars of notes and accounts receivable from associated companies* at end of year.</p> <p>2. Provide separate headings and totals for Accounts 145, Notes Receivable from Associated Companies, and 146, Accounts Receivable from Associated Companies, in addition to a total for the combined accounts.</p> <p>3. For notes receivable, list each note separately and state purpose for which received. Show also in column (a) date of note, date of maturity and interest rate.</p> | <p>4. If any note was received in satisfaction of an open account, state the period covered by such open account.</p> <p>5. Include in column (f) interest recorded as income during the year including interest on accounts and notes held any time during the year.</p> <p>6. Give particulars of any notes pledged or discounted, also of any collateral held as guarantee of payment of any note or account.</p> |
|---|--|

\* NOTE: "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the account company. This includes related parties.

"Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25	TOTAL					

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
---	---	--	-------------------------------------

**ALLOWANCES**

- |  |  |
|--|--|
| <p>1. Report below the details called for concerning allowances.</p> <p>2. Report all acquisitions of allowances at cost.</p> <p>3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.</p> <p>4. Report the allowances transactions by the period they are first</p> | <p>eligible for use; the current year; allowances in columns (b)-(c), allowances for the three succeeding years in column(d)-(f), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).</p> <p>5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions on lines 36-40.</p> |
|--|--|

Line No.	Allowance Inventory (a)	Current Year		20__	
		No. (b)	Amt. (c)	No. (d)	Amt. (e)
1	Balance - Beginning of Year				
2-4	Acquired During Year: Issued (Less Withheld Allow.)				
5	Returned by EPA				
6-8	Purchases/Transfers:				
9					
10					
11					
12					
13					
14					
15	Total				
16-18	Relinquished During Year: Charges to Acct. 509				
19	Other:				
20					
21-22	Cost of Sales/Transfers:				
23					
24					
25					
26					
27					
28	Total				
29	Balance - End of Year				
30-32	Sales:				
	Net Sales Proceeds (Assoc Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld				
36	Balance - Beginning of Year				
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales				
40	Balance - End of Year				
41-43	Sales:				
	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
---	---	--	-------------------------------------

**ALLOWANCES (Continued)**

6. Report on line 5 allowances returned by the EPA. Report on line 39 the EPA's sales of the withheld allowances. Report on lines 43-46 the net sales or auction of the withheld allowances.

7. Report on lines 8-14 the names of vendors/transfers of allowances acquired and identify associated companies (See "associated co." under "Definitions" in Uniform System of Accounts).

8. Report on lines 22-27 the names of purchasers/transfers of allowances disposed of and identify associated companies.

9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.

10. Report on lines 32-35 & 43-46 the net sales proceeds and gains or losses from allowance sales.

20__		20__		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
								1
								2-4
								5
								6-8
								9
								10
								11
								12
								13
								14
								15
								16-18
								19
								20
								21-22
								23
								24
								25
								26
								27
								28
								29
								30-32
								33
								34
								35
								36
								37
								38
								39
								40
								41-43
								44
								45
								46

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
<b>LONG-TERM DEBT (Accounts 221, 222, 223 and 224)</b>			
<p>1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.</p> <p>2. In column (a), for new issues, give Commission authorization numbers and dates.</p> <p>3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.</p> <p>4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.</p> <p>5. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.</p> <p>6. In column (b) show the principal amount of bonds or other long-term debt originally issued.</p> <p>7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.</p> <p>8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.</p> <p>9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.</p>			
Line No.	Class and Series of Obligation, Coupon Rate <i>(For new issue, give Commission Authorization numbers and dates)</i>  (a)	Principal Amount of Debt Issued  (b)	Total Expense, Premium or Discount  (c)
1	FFB	67,762,000	34,238,000
2	RUS	27,050,510	788,000
3	NRUCFC	6,680,239	831,500
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25	TOTAL	101,492,749	35,857,500

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
---	---	--	-------------------------------------

**LONG-TERM DEBT (Accounts 221, 222, 223 and 224) (Continued)**

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt-Discout and Expense, or credited to Account 429, *Amortization of Premium on Debt-Credit*.
12. In a footnote, give explanatory particulars (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, *Interest on Long-Term Debt*, and Account 430, *Interest on Debt to Associated Companies*.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD		Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
		Date From (f)	Date To (g)			
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25

Name of Respondent Cloverland Electric Cooperativ	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011			
<b>PAYABLES TO ASSOCIATED COMPANIES* (Accounts 233, 234)</b>						
<p>1. Report particulars of notes and accounts payable to associated companies at end of year.</p> <p>2. Provide separate totals for Accounts 233, Notes Payable to Associated Companies, and 234, Accounts Payable to Associated Companies, in addition to total for the combined accounts.</p> <p>3. List each note separately and state the purpose for which issued. Show also in column (a) date of note, maturity and interest rate.</p> <p>4. Include in column (f) the amount of any interest expense during the eyar on notes or accounts that were paid before the end of the year.</p> <p>5. If collateral has been pledged as security to the payment of any note or account, describe such collateral.</p> <p style="text-align: center;"><i>*See definition on page 226B</i></p>						
Line No.	Particulars  (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
	TOTAL					



Name of Respondent Cloverland Electric Cooperative,	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
--	---	--	-------------------------------------

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.		TOTAL AMOUNT
1	Utility net operating income (page 114 line 20)	
2	Allocations: Allowance for funds used during construction	
3	Interest expense	
4	Other (specify)	
5	Net income for the year (page 117 line 68)	
6	Allocation of Net income for the year	
7	Add: Federal income tax expenses	
8		
9	Total pre-tax income	
10		
11	Add: Taxable income not reported on books:	
12		
13		
14		
15	Add: Deductions recorded on books not deducted from return	
16		
17		
18		
19	Subtract: Income recorded on books not included in return:	
20		
21		
22		
23	Subtract: Deductions on return not charged against book income:	
24		
25		
26	Federal taxable income for the year	

Name of Respondent Cloverland Electric Cooperative,	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
--	---	--	-------------------------------------

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (Continued)**

3. Allocate taxable income between utility and other income as required to allocate tax expense between 409.1 and 409.2  
4. A substitute page, designed to meet a particular need of a company, may be used as long as data is consistent and meets the requirements of the above instructions.

Utility	Other	Line No.
		1
		2
		3
		4
		5
		6
		7
		8
		9
		10
		11
		12
		13
		14
		15
		16
		17
		18
		19
		20
		21
		22
		23
		24
		25
		26

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
---	---	--	-------------------------------------

**GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421. 2)**

1. Give a brief description of property creating the gain or loss. Include name of party acquiring the property (when acquired by another utility or associated company) and the date transaction was completed. Identify property by type: Leased, Held for Future Use, or Nonutility.
2. Individual gains or losses relating to property with an original cost of less than \$100,000 may be grouped with the number of such transactions disclosed in column (a).
3. Give the date of Commission approval of journal entries in column (b), when approval is required. Where approval is required but has not been received, give explanation following the item in column (a). (See account 102, Utility Plant Purchased or Sold.)

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
1	Gain on disposition of property:				
2	1998 IHC 4700 Hi Ranger 5TC 52 Ft.	153,820		13,000.00	
3	1990 Ford Flat Bed 1 Ton Truck	19,038		572.00	
4	HP Design Jet Plotter	6,806		900.00	
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17	Total Gain				

Name of Respondent Cloverland Electric Cooperat	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
--	---	--	-------------------------------------

**GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421.2) (Continued)**

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
18	Loss on disposition of property:				
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34	Total Loss				

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
---	---	--	-------------------------------------

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES**

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account

426.4, Expenditures for Certain civic, Political and Related Activities.)  
(a) Name and address of person or organization rendering services,  
(b) description of services received during year and project or case to which services relate,  
(c) basis of charges,  
(d) total charges for the year, detailing utility department and account charged.

2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.

3. Designate with an asterisk associated companies.

Line No.	Name / Address	Service	Basis of Charges	Acct #	Amount
1	Harris Group	Accounting/Audit	Hourly plus out of pocket expense	923.6	61,557
2	731 S Garfield Ave			923.61	
3	Traverse City, MI 49686				
4	Dykema Law Firm	Attorney/Legal	Hourly plus out of pocket expense	923.63	327,079
5	P.O. Box 79001				
6	Detroit, MI 48279				
7	Leroy Baatz	Power Supply Consultatic	Monthly Flat Fee	923.3	28,800
8	804 Wexford Court				
9	Columbia City, IN 46725				
10	GRP Engineering	Engineering Consultants	Hourly	107.2	90,716
11	660 Cascade W Parkway SE Ste 65			923.3	
12	Grand Rapids, MI 49512				
13	Utility Systems Engineering	Engineering Consultants	Hourly	107.2	183,432
14	1901 Ghirardelli Circle			923.3	
15	Centerville, OH 45459				
16	Trees, Inc	Right of Way Clearing	Hourly	593.6	1,265,204
17	1700 Solutions Center				
18	Chicago, IL 60677				
19	Hydaker-Wheatlake Company	Distribution System	Hourly	107.2	677,969
20	1435 Reliable Parkway				
21	Chicago, IL 60686				
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
---	---	--	-------------------------------------

**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES**

1. In column (a) report the name of the associated company.  
 2. In column (b) describe the affiliation (percentage ownership, etc. ).  
 3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.).  
 4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	Lighthouse.Net	100% owned subsidiary	Shared Data Services,		
2			Health Care, Mgt.		
3			Services, Misc. Sales		
4			Emp. Benefits		
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
<b>TOTAL</b>					

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report 12/31/11
---	---	--	----------------------------

**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)**

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.  
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.  
7. In column (j) report the total.  
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
		143.5	76,490	76,490	Actual Cost	1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30

Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report December 31, 2011
---	---	--	-------------------------------------

**SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES**

1. In column (a) report the name of the associated company.  
 2. In column (b) describe the affiliation (percentage ownership, etc.).  
 3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.).  
 4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	Lighthouse.Net	100% owned subsidiary	Internet Service, Pass	921.62	77,864
2			through billing, Misc.		
3			sales		
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
<b>TOTAL</b>					



Name of Respondent Cloverland Electric Cooperative, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 07/30/12	Year of Report 12/31/11
---	---	--	----------------------------

**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)**

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.  
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.  
7. In column (j) report the total.  
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
		232.01	7,269	7,269	Cost + 10%	1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30

## **Wendy Malaska**

---

**From:** Wendy Malaska  
**Sent:** Friday, December 02, 2011 11:42 AM  
**To:** Cloverland All Employees  
**Subject:** Cloverland Bylaws

After several months of review, the board of directors approved revisions to our Cooperative bylaws. The updates were made to better reflect our co-op following the acquisition of the Edison Sault Electric. Our bylaws are posted on our Intranet site under the document menu labeled "Membership" and also available on [cloverland.com](http://cloverland.com) under "Your Co-op."

### **Highlights**

**Membership Certificate:** A membership certificate will be included with the bylaws for ease in distribution.

**Membership Application:** A signed membership application is no longer required.

**Joint Membership:** A joint membership is not limited to a husband and wife.

**Split Votes:** We no longer allow "half" votes.

**Director Elections:** Director elections will be conducted by mail-in ballot. Ballots will be distributed with the May/June issue of Michigan Country Lines.

**Quorum:** Fifty members constitute a quorum at a member meeting.

**District Meetings/Director Elections:** We will no longer conduct formal district meetings in April for the purpose of director elections. Informal get-togethers will be held throughout the service area to provide members with a co-op update and an opportunity to talk with directors.

**Meeting Notices:** Notices may be delivered by U.S. mail and electronically.

**Titles:** Bob Schallip is the Board Chairman and Dan Dasho is the President & Chief Executive Officer.

**Terminology:** "Territorial districts" changed to "membership districts"; "patrons" changed to "members"

**Annual Meeting of the Members of the Cooperative:** The purpose of this event is to announce the results of the director elections and distribute the annual report. This event will be held in conjunction with our hydro plant open house (last Friday in June).

### **Wendy Malaska**

Director of Marketing and Communications  
Cloverland Electric Cooperative  
Direct- 906.632.5151 / Cell- 906.440.0609 / Fax- 906.632.8444  
[www.cloverland.com](http://www.cloverland.com) / Connect with us on [Facebook!](#)



**Cloverland**  
ELECTRIC COOPERATIVE

**BYLAWS OF YOUR  
ELECTRIC COOPERATIVE**

**Amended and Revised October 21, 2011**

## TABLE OF CONTENTS

Article	Page
I Members .....	2
II Meetings of Members .....	5
III Directors .....	6
IV Meeting of Directors .....	8
V Officers .....	9
VI Contracts, Checks & Deposits .....	11
VII Indemnification .....	11
VIII Nonprofit Operation .....	11
IX Unclaimed Funds .....	12
X Disposition of Property .....	12
XI Fiscal Year .....	13
XII Seal .....	13
XIII Amendments .....	13

## ARTICLE I: MEMBERS

### SECTION 1. Qualifications

(a) Any natural person, or entity such as a firm, association, corporation, partnership or governmental unit (referred to as "person") may become a member of Cloverland Electric Cooperative (referred to as "Cooperative") by:

- (1) **Paying any deposit, contribution, fee, charge or any combination, as required by the Cooperative; and,**
- (2) **Agreeing to purchase electricity from the Cooperative; and,**
- (3) **Agreeing to comply with and be bound by the Cooperative's Articles of Incorporation, these Bylaws, any amendments, and any rules and regulations as may be adopted by the Cooperative's Board of Directors (referred to as the "Board").**

(b) While a person may receive electric service at more than one premise, no person shall hold more than one membership in the Cooperative.

### SECTION 2. Joint Membership

(a) If more than one person is listed on an account, those persons constitute a joint membership. Any provision relating to the rights and liabilities of membership shall apply equally to holders of a joint membership.

- (1) The presence of any person in a joint membership at a meeting shall be regarded as the presence of the member;
- (2) The presence of any person in a joint membership at a meeting shall constitute a waiver of notice of the meeting by the member;
- (3) The person in a joint membership is entitled to only one vote in a joint membership;
- (4) Notice of any person in a joint membership shall constitute notice to both;
- (5) Any person in a joint membership shall be eligible to serve as a director for the Cooperative, but not more than one concurrently;
- (6) Upon the death of any person, the membership shall continue to be held by the surviving joint members. Any surviving joint members shall not be released from any debts due the Cooperative. If all joint members are deceased, the estate remains responsible for any debts due the Cooperative.
- (7) Upon legal separation or divorce, the membership shall continue to be held solely by the spouse who continues to occupy or use the premises. The spouse who does not occupy or use the premises covered by the membership shall not be released from any debts due the Cooperative.

### SECTION 3. Membership Districts

(a) Members shall be grouped into three membership districts based upon location of receipt of electric service.

(b) The Board shall establish membership districts which shall contain approximately the same number of members. Annually, the Board may review the composition of these districts and if it should be found that inequities in representation have developed which can be corrected by a reconstitution of districts, the Board shall reconstitute them so that each shall contain approximately the same number of members.

#### **SECTION 4. Purchase and Production of Electricity**

- (a) Each member shall, as soon as electric service is available, purchase from the Cooperative all electric service provided by the Cooperative (except to the extent that the Cooperative may, in writing, waive such requirement) and shall pay rates as approved by the appropriate regulatory authority. It is expressly understood that the amounts paid for electric service in excess of the cost of service are furnished by members as capital and each member shall be credited with such capital.
- (b) The Cooperative shall use reasonably diligent efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply.
- (c) The Cooperative may require a contract executed by a member for any particular classification of service.

#### **SECTION 5. Member Responsibilities**

- (a) Each member shall cause all premises receiving electric service from the Cooperative to become and remain wired in accordance with applicable local, state and federal codes, ordinances and statutes.
- (b) Each member shall be responsible for and indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect or improper use or maintenance of such premises and all wiring and apparatus connected thereto or used thereon.
- (c) Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access safely and without interference from any hostile source for meter reading, bill collecting, and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times.
- (d) Each member shall not interfere with, impair the operation of or cause damage to such facilities, and shall use best efforts to prevent others from so doing.
- (e) Each member shall also provide such protective devices, apparatus or meter base as the Cooperative shall require in order to protect the Cooperative's physical facilities and operation, and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other cause when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment error occurring in the Cooperative's billing procedures.
- (f) In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.
- (g) Each member shall participate in any required program that may be established by the Cooperative to enhance load management, to more efficiently conserve electricity, or to conduct load research.

## **SECTION 6. Withdrawal or Termination of Membership**

- (a) Any member who withdraws or terminates membership in any manner shall not be relieved of any debts and liabilities of such member to the Cooperative.
- (b) Membership in the Cooperative shall not be transferable except as otherwise provided in these Bylaws.
- (c) Upon the dissolution for any reason of a partnership or upon the death, withdrawal or addition of any individual partner, the membership shall continue to be held by the remaining and/or new partner or partners as though the membership had never been held by different partners. Neither a withdrawing partner nor a withdrawing partner's estate shall be released from any debts then due the Cooperative.

## **SECTION 7. Right of Way Easements**

- (a) Each member shall, upon request, give to the Cooperative, without compensation, all easements or rights of way over, on and under such lands owned or leased by the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service (for the member or other members) for the construction, operation, maintenance or relocation of the Cooperative's electric facilities. Maintenance shall include, but not be limited to, right-of-way clearing and vegetative management.
- (b) Members may reasonably request alternative routing across their lands to serve other members. If approved by the Cooperative, the cost of line changes to accommodate such requests shall be upon the member requesting service.
- (c) Any person who refuses to grant the Cooperative an easement or easements upon request shall pay the actual cost of any line changes made necessary by such refusal, including but not limited to attorneys fees and expenses.

## **SECTION 8. Petitions**

Petitions by the membership authorized under these Bylaws shall be on forms prepared and available from the Cooperative.

- (a) All members signing such petitions shall include their service address;
- (b) Each member's signature appearing thereon shall be dated as of the date of signing;
- (c) The person circulating the petition shall be a member of the Cooperative and shall include at the end of each petition sheet his or her service address and attest that he or she circulated the petition and is acquainted with the persons who signed the petition in his or her presence.
- (d) A petition to remove a director is subject to Board approval as to form and clarity prior to circulation pursuant to Article III, Section 7.

## **ARTICLE II: MEETINGS OF MEMBERS**

### **SECTION 1. Annual Meeting of the Members**

- (a) The Annual Meeting of the Members of the Cooperative and shall be held on a date and time, as may be designated by the Board and at a place in a county in the state of Michigan served by the Cooperative.
- (b) The purpose of the Annual Meeting of the Members of the Cooperative is to announce the results of the director elections and inform members of any substantive matters.
- (c) Failure to hold the Annual Meeting of the Members of the Cooperative at the designated time shall not work a forfeiture or dissolution of the Cooperative.

### **SECTION 2. Special Meetings**

Special member meetings may be called by at least five (5) directors of the Cooperative or upon written petition signed by at least ten percent (10%) of the members.

### **SECTION 3. Notice**

Written or printed notice stating the place, day and time of the meeting and the purpose or purposes of the meeting, shall be delivered not less than ten (10) days before the date of the meeting, either personally, electronically, or by U.S. mail, to each member. If mailed, the notice shall be deemed to be delivered when deposited in the U.S. mail, addressed to the member at the member's address as it appears on the records of the Cooperative. Publication in a newsletter mailed to each member's address as it appears on the records of the Cooperative is sufficient delivery. The failure of any member to receive any notice shall not invalidate any action, which may be taken by the members at the meeting.

### **SECTION 4. Quorum**

Fifty (50) members present in person shall constitute a quorum for the transaction of business at all member meetings. If less than a quorum is present, a majority of those present may adjourn the meeting, without further notice.

### **SECTION 5. Voting**

- (a) Each member shall be entitled to one (1) vote upon each matter submitted for a vote of the members. Except as otherwise provided in these Bylaws or the Articles of Incorporation, all matters shall be decided by a majority of the members voting.
- (b) Each entity shall designate its representative to the Cooperative on its stationery and file such designation with the Cooperative. This representative may vote on any matter submitted.
- (c) To be eligible to vote, the member's name (or the name of the member/entity's representative) must be on file with the Cooperative by the record date established by the Board.

### **SECTION 6. Proxies**

There shall be no proxy voting at member meetings.

### **SECTION 7. Legal Counsel**

Legal counsel shall attend each member meeting to decide all legal questions that arise.



## **SECTION 8. Order of Business**

The Chairperson of the Cooperative, or in his or her absence, the Vice Chairperson, shall preside at all meetings. The order of business shall be essentially as follows:

- (a) Determination of a quorum;
- (b) Reading of the meeting notice with proof of the due publication or mailing thereof, or waiver or waivers of notice of meeting, as the case may be;
- (c) Reading of unapproved minutes of previous meetings and the taking of necessary action;
- (d) Presentation of reports of officers, directors, and committees;
- (e) Unfinished business;
- (f) New business;
- (g) Adjournment

## **ARTICLE III: DIRECTORS**

### **SECTION 1. Number**

The Board shall consist of nine (9) directors elected by and from the members of their respective districts. Each district is served by three (3) directors.

### **SECTION 2. Qualifications**

Each director must be a member and a bona fide resident of the district which he/she is to represent, shall be at least twenty-one (21) years of age, and may not be in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or of a business primarily engaged in selling electrical appliances, fixtures or supplies to the members of the Cooperative.

### **SECTION 3. Nominations**

All candidates shall be nominated by petition. Petitions must be received by the Cooperative on or prior to the date established by the Board for such receipt. Any twenty-five (25) members or more of a district may make nominations in writing over their signatures for candidates for director from their district.

### **SECTION 4. Election**

- (a) Directors shall be elected by mail ballot.
- (b) Any member receiving electric service in more than one district shall be entitled to vote in only one district.
- (c) The candidate receiving the highest number of votes shall be elected and shall take office immediately following the conclusion of the scheduled Annual Meeting of the Members of the Cooperative, whether or not a quorum is present.

## **SECTION 5. Tenure**

- (a) A director elected to succeed a director whose term of office has expired shall serve a term of three (3) years or until his/her successor has been elected and qualified.
- (b) In the event the Board reconstitutes its membership districts and as a result an existing director no longer resides within that district, it shall not affect the remaining term of that director in that district.

## **SECTION 6. General Powers**

The business and affairs of the Cooperative shall be managed by the Board which shall exercise all of the powers of the Cooperative except where by law, by the Articles of Incorporation or by these Bylaws, such powers are conferred upon or reserved to the members. The Board shall have the power to make and adopt rules, regulations, and policies consistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management, administration and regulation of the membership, business, and affairs of the Cooperative.

## **SECTION 7. Removal**

Any member may for cause bring charges against a director by filing them in writing with the Secretary of the Cooperative, together with a petition signed by twenty-five percent (25%) of the members of that district, requesting the removal of the director in question. The petition shall state succinctly the reasons being alleged for the director's recall and be approved by the Board as to form and clarity prior to circulation. The Cooperative shall cause the signatures upon the petition to be verified as to authenticity of signatures of membership. The removal shall be voted at the next regular or special meeting of the district in which the director in question resides. The director in question shall be informed in writing of the charges not less than thirty (30) days prior to the meeting and shall have the opportunity to be heard in person or by counsel after the person or persons bringing the charges against that director shall have had the same opportunity. The director in question shall be removed upon the affirmative vote of the majority of members voting at the district meeting at which a quorum is present.

## **SECTION 8. Vacancies/Appointments**

Vacancies on the Board shall be filled by a majority vote of the remaining directors. A director elected to fill a vacancy shall be subject to all of the qualifications of directors set forth in these Bylaws. A director appointed to fill a vacancy shall serve the remaining term of the director for whom he/she is appointed to replace or until his/her successor has been elected and qualified.

## **SECTION 9. Per Diem**

Directors shall not receive any salary for their services, but by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for the attendance at Cooperative business. No director or close relative of a director shall receive compensation for serving the Cooperative in any other capacity unless such compensation shall be specifically authorized by the affirmative vote of the majority of the directors not involved therein.

## **SECTION 10. Close Relative Defined**

As used in these Bylaws, a "close relative" is a person who, by blood or in law, including step and adoptive kin, is a spouse, child, grandchild, parent, grandparent, brother, sister, and, uncle, aunt, nephew, or niece of the director.

## **SECTION 11. Accounting System and Reports**

The Board shall require the Cooperative to establish and maintain a complete accounting system of the Cooperative's financial operations and condition, and after the close of each fiscal year, require a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during the past fiscal year.

## **ARTICLE IV: MEETINGS OF DIRECTORS**

### **SECTION 1. Annual Meeting of the Board**

The Annual Meeting of the Board shall be held at the first board meeting following the scheduled Annual Meeting of the Members of the Cooperative. The purpose of this meeting is to seat new directors and to elect the officers of the Board.

### **SECTION 2. Regular Meetings**

Regular meetings of the Board shall be held at a date, time and place as the Board may determine by resolution. These meetings may be held without notice other than the resolution fixing the date, time and place, except when business to be transacted requires notice.

### **SECTION 3. Special Meetings**

Special meetings of the Board may be called by the Chairperson or any three (3) directors. The person or persons authorized to call special meetings may determine the time and place of the meeting.

### **SECTION 4. Notice**

Written notice of any special meeting shall be given to each director at his/her address on record with the Cooperative at least five (5) calendar days in advance of the meeting in person, by U.S. mail, or electronic mail. Notice is considered delivered by the postmark date, or if delivered electronically, by the date sent. The attendance of a director at any meeting constitutes waiver of the meeting notice unless attendance is for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not been lawfully called or convened.

### **SECTION 5. Quorum**

A majority of directors present shall constitute a quorum for the transaction of business at any board meeting. If less than a majority of directors are present; the meeting may be adjourned without further notice. The absent directors shall be notified accordingly.

### **SECTION 6. Voting**

All questions shall be decided by a majority vote of the directors present.

### **SECTION 7. Proxies**

Proxy voting shall not be allowed at any meetings of the Board.

### **SECTION 8. Order of Business**

The Chairperson of the Cooperative, or in his/her absence, the Vice-Chairperson, shall preside at all meetings and establish the Order of Business.

## **SECTION 9. Contracts between the Cooperative and Directors**

Any contract or other transaction between the Cooperative and any of its directors (or any firm of which any of its directors or their close relatives are interested as owners or employees) shall not be invalid or voidable solely because of such interest (i) if the fact of such director's or close relative's interest is made known to the Board, and (ii) the Board authorizes, approves and/or ratifies such contract or transaction by a majority vote of the disinterested directors.

## **ARTICLE V: OFFICERS**

### **SECTION 1. Number & Title**

The officers of the Cooperative shall be the Chairperson, Vice-Chairperson, President/Chief Executive Officer (CEO), Secretary and Treasurer, and such other officers as may be determined by the Board. The offices of Secretary and Treasurer may be held by the same person.

### **SECTION 2. Elections**

The officers, except the President/CEO, shall be elected annually by ballot by and from the Board at the meeting of the Board held after the Annual Meeting of the Members of the Cooperative.

### **SECTION 3. Tenure**

Each officer shall hold office until the officer's successor has been elected and qualified, subject to the provisions of these Bylaws with respect to the removal of directors and officers.

### **SECTION 4. Removal**

Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interest of the Cooperative will be served.

### **SECTION 5. Vacancies**

A vacancy in any office may be filled by the Board for the unexpired portion of the term of the office vacated.

### **SECTION 6. Chairperson**

The Chairperson shall:

- (a) Preside at all meetings of the Board and membership;
- (b) Sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution is expressly delegated by the Board or by these Bylaws to some other officer of the Cooperative or required by law to be otherwise signed or executed; and
- (c) In general, perform all duties incident to the office of Chairperson and such other duties as may be assigned by the Board.

## **SECTION 7. Vice-Chairperson**

In the absence of the Chairperson, or in the event of the Chairperson's inability or refusal to act, the Vice-Chairperson shall:

- (a) Perform the duties of Chairperson, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chairperson; and
- (b) Shall perform all other duties as may be assigned by the Board.

## **SECTION 8. Secretary**

The Secretary, or designee, shall:

- (a) Keep the minutes of meetings of the members and Board in one (1) or more books provided for that purpose;
- (b) Ensure that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) Maintain custody of the Cooperative seal and ensure that it is affixed to all documents, the execution of which on behalf of the Cooperative under its seal;
- (d) Keep a register of the name and address of each member of the Cooperative, which address shall be furnished to the Cooperative by the member;
- (e) Have general charge of the books and accounts of the Board;
- (f) Keep a current copy of the Bylaws of the Cooperative containing all amendments on file. The bylaws shall be open to the inspection of any member, and a copy shall be forwarded to any member upon request; and
- (g) In general, perform all duties incident to the office of Secretary and such other duties as may be assigned by the Board.

## **SECTION 9. Treasurer**

The Treasurer, or designee, shall:

- (a) Have general charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) Have general charge of all monies due and payable to the Cooperative from any source, and deposit or invest all monies in the name of the Cooperative, except for authorized petty cash funds, in such financial institutions or secure investments as have been approved by the Board; and
- (c) In general, perform all the duties incident to the office of Treasurer and such other duties as may be assigned by the Board.

## **SECTION 10. President/Chief Executive Officer (CEO)**

The Board shall appoint a President/CEO who may be a member of the Cooperative. The President/CEO shall perform such duties as the Board may require of that officer and shall have the authority as the Board may vest in him/her. The President/CEO may appoint managers and other staff as deemed appropriate to assist in the performance of assigned duties.

## **SECTION 11. Annual Report**

The officers or their designees shall provide members with an annual report detailing the financial condition of the Cooperative after the close of the fiscal year.

## **ARTICLE VI: CONTRACTS, CHECKS & DEPOSITS**

### **SECTION 1. Contracts**

Except as otherwise provided in these Bylaws, the Board may authorize any officer(s) to enter into a contract or execute and deliver any instrument in the name and on behalf of the Cooperative.

### **SECTION 2. Checks**

All checks, drafts, or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed or countersigned by an officer(s) or employee(s) of the Cooperative and in such manner as determined by resolution of the Board.

### **SECTION 3. Deposits and Investments**

All funds of the Cooperative shall be deposited or invested, except for authorized petty cash funds, to the credit of the Cooperative in such financial institutions or secure investments as approved by the Board.

## **ARTICLE VII: INDEMNIFICATION**

### **SECTION 1. Indemnification**

The Cooperative shall indemnify directors, officers, and employees against liability to the extent that their acts or omissions constituting the grounds for the alleged liability were performed in their official capacity, and if actionable, were based upon good faith business judgments and the belief that the acts or omissions were in the best interests of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

## **ARTICLE VIII: NONPROFIT OPERATION**

### **SECTION 1. Interest or Dividends on Capital Prohibited**

The Cooperative shall at all times be operated on a Cooperative nonprofit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

### **SECTION 2. Member Capital In Connection With Furnishing Electricity**

(a) The furnishing of electric service by the Cooperative's operations shall be so conducted that all members will through their purchase of electricity furnish capital for the Cooperative. To assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to allocate to all members all amounts received as capital in excess of operating costs and expenses. These amounts and reasonable reserves for depreciation, doubtful accounts, operating reserves, and capital investments are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to allocate these amounts as credits to a capital account for each member. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital credited to the member's account. Individual notices are not required if the Cooperative notifies all members of the aggregate amount of such excess

and provides a clear explanation of how each member may compute and determine the specific amount of capital credited to that member. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts of capital.

(b) All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be used to offset any losses incurred during the current or any prior fiscal year and to the extent not needed for that purpose, allocated to its members on a per kilowatt hour basis and any amount so allocated shall be included as part of the capital credited to the accounts of members, as provided in these Bylaws.

(c) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If at any time prior to dissolution or liquidation, the Board determines the financial condition of the Cooperative will not be impaired, the capital then credited to members accounts may be retired in full or in part if the retirement does not result in the retirement of all voting rights. The Board shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital. The Board shall also determine the method for apportionment of losses, if any.

(d) Capital contributed by members prior to January 1, 1978, shall become permanent nonrefundable capital of the Cooperative.

(e) Capital credited to the account of each member shall be assignable only to successors in interest or successors in occupancy in all or a part of such member's premises served by the Cooperative unless the Board acting under policies of general application shall determine otherwise.

(f) Notwithstanding any other provisions of these Bylaws, the Board, at its discretion, shall have the power at any time upon written notification of the death of any natural member to retire the capital in the account to the legal representatives of the estate. The capital credits shall be discounted and refunded to the estate. If sufficient margins are not available for the immediate retirement of any account, the retirement shall occur during the next fiscal year before any other retirements are issued.

### **SECTION 3. Contract**

The members of the Cooperative acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute a contract between the Cooperative and each member, and both the Cooperative and the members are bound by this contract, as fully as though each member has individually signed a separate instrument containing the terms and conditions.

### **ARTICLE IX: UNCLAIMED FUNDS**

Any capital credits, refunds, deposits, membership fees, account balances or book equity which remain unclaimed for a period of five (5) years following reasonable notice and attempted payment by the Cooperative to a member or former members, shall be added to the general funds of the Cooperative and the member or former member shall not have claim to these funds.

### **ARTICLE X: DISPOSITION OF PROPERTY**

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or substantially all of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than a majority of all members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the

meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all the property assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired and wherever situated, as well as the revenues and income there from all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative.

#### **ARTICLE XI: FISCAL YEAR**

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

#### **ARTICLE XII: SEAL**

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Michigan".

#### **ARTICLE XIII: AMENDMENTS**

These bylaws may be altered, amended or repealed by the affirmative vote of two-thirds (**2/3**) of the members of the Cooperative voting at any annual or special meeting at which a quorum is present or by the affirmative vote of two-thirds (**2/3**) of the members of the Board at any regular or special meeting of the Board, provided that notice of the proposed alteration, amendment or repeal shall have been given with the notice of the member or board meeting at which the vote is taken. The Board shall not make or alter any provision fixing their qualifications, classifications, or terms of office. The Board shall not make, alter, amend or repeal any Bylaw provision adopted or repealed by the members of the Cooperative for a period of two (2) years after the effective date thereof.





# **Cloverland**

**ELECTRIC COOPERATIVE**

## **BY-LAWS OF YOUR ELECTRIC COOPERATIVE**

### **AMENDED AND REVISED**

### **OCTOBER 16, 2003**

#### **Table of Contents**

<b>ARTICLE</b>		<b>PAGE</b>
I	Members .....	2
II	District Meetings .....	6
III	Directors .....	7
IV	Meetings of Cooperative .....	8
V	Meeting of Directors .....	9
VI	Officers .....	10
VII	Waiver of Notice .....	12
VIII	Robert's Rules of Order .....	12
IX	Contracts, Checks & Deposits .....	12
X	Indemnification .....	12
XI	Nonprofit Operation .....	12
XII	Unclaimed Funds .....	14
XIII	Disposition of Property .....	14
XIV	Fiscal Year .....	14
XV	Seal .....	14
XVI	Amendments .....	14
XVII	Non-Discrimination Policy .....	15
XVIII	Statement of Organization and Purpose .....	15

## BY-LAWS ARTICLE I: MEMBERS

### SECTION 1. Qualification.

(a) Any natural person, firm, association, corporation, partnership or governmental unit (each hereinafter referred to as 'person or applicant') may become a member of Cloverland Electric Cooperative (hereinafter referred to as the "Cooperative") by:

(1) Making and signing a written application on such form as is provided therefor by the Cooperative, and,

(2) Paying a nonredeemable membership fee hereinafter specified together with any security deposit, contribution in aid of construction, any other fee or charge or any combination thereof, as required by the Cooperative; and,

(3) Agreeing to purchase from the Cooperative electric power and energy as hereinafter specified; and,

(4) Agreeing to comply with and be bound by the Cooperative's articles of incorporation, these by-laws and any amendments thereto and such rules and regulations including educational and cooperative relations programs as may from time to time be adopted by the Cooperative's board of directors (hereinafter referred to as the "board").

(b) While a person may receive electric service at more than one premise, no person shall hold more than one membership in the Cooperative.

(c) Each non-natural member shall designate its representative to the Cooperative on its stationery signed by its chief executive officer and file such designation with the Cooperative. Said representative shall be eligible to vote for elective office, if all other qualifications are met, on behalf of the non-natural member.

### SECTION 2. Joint Membership.

(a) A husband and wife may apply for a joint membership or, if one of them is already a member, may convert such membership into a joint membership by submitting a written request to the board and, subject to compliance with the requirements set forth in Sections 1 and 7 of these articles, be accepted for such membership. The term "member as used in these by-laws, shall be deemed to include a husband and wife holding a joint membership, and any provision relating to the rights and liabilities of membership shall apply equally to holders of a joint membership.

(b) Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

(1) The presence at a meeting of either or both shall be regarded as the presence of the member;

(2) The presence at a meeting of either or both shall constitute a waiver of notice of the meeting by both;

(3) The presence at a meeting of either or both shall effect a revocation of any proxy executed by either or both;

(4) The vote of either separately or both jointly shall constitute one joint vote. Provided, that if both are present but in disagreement on such vote, each shall cast only one-half (1/2) vote:

(5) A waiver of notice signed by either or both shall constitute notice to both;

(6) Notice to either shall constitute notice to both;

(7) Termination of either shall terminate the joint membership;

(8) Withdrawal of either shall terminate the joint membership.

(9) Neither shall be permitted to have additional service connections except through their joint membership

(10) Either, but not both concurrently, shall be eligible to service as a director for the Cooperative, but only if both met the qualifications required therefor:

(11) Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint. Provided, that the estate of the deceased spouse shall not be released from any debts due the Cooperative.

(12) Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint. Provided, that the other spouse shall not be released from any debts due the Cooperative.

### **SECTION 3. Membership by Governmental Agencies.**

The board may, in its discretion, either require or not require membership of a governmental unit or agency as a condition to obtain service.

### **SECTION 4. Territorial Districts.**

(a) The members of the Cooperative and those who hereafter become members shall be grouped into three territorial districts based upon location of receipt of electric service. The board shall establish such territorial districts, which shall contain, as nearly as possible, the same number of members. The establishment of territorial districts shall be in the Board's sole discretion.

(b) Not less than sixty (60) days before a district meeting of the members, the board shall review the composition of the territorial districts and if it should be found that inequities in representation have developed which can be corrected by a delineation of territorial districts, the board shall reconstitute the territorial districts so that each shall contain, as nearly as possible, the same number of members.

### **SECTIONS. Membership Fee.**

(a) Upon application for membership, each applicant shall make payment to the Cooperative of a membership fee, in such amount and subject to the terms and conditions as may from time to time be established by the board.

(b) The membership fee shall not be in lieu of any security deposit, service connection deposit or fee, facilities extension deposit, contribution in aid of construction, or any other fee or charge required by the Cooperative as a condition of providing electric service.

(c) A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative (together with such other security deposit, service connection deposit or fee, facilities extension deposit, contributions in aid or construction, or any other fee or charge, if required by the Cooperative) shall be paid by the member for each additional service connection requested.

### **SECTION 6. Purchase and Production of Electric Power and Energy.**

(a) Each member shall, as soon as electric power and energy shall be available, purchase from the Cooperative all central station electric power and energy purchased for use in the Cooperative's service territory (except to the extent that the board may, in writing, waive such requirement) and shall pay therefore at rates, which shall from time to time be fixed by the board, as approved by the Michigan Public Service Commission. It is expressly understood that the amounts paid for electric power and energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these by-laws. Each member shall pay to the Cooperative such minimum amount per month regardless of the amount of electric power and energy consumed, as shall be fixed by the board from time to time. Each member shall also pay all amounts owed to the Cooperative as and when the same shall become due and payable.

When a patron has more than one service connection from the Cooperative, any payment for service to the patron by the Cooperative shall be deemed to be allocated and credited on a pro rata basis to the patrons outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual account procedures do not reflect such allocation and proration.

(b) Production or use of electrical energy on a member's premises, regardless of the source thereof, by means of facilities which shall be interconnected with the Cooperative facilities shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative in accordance with the rules of Michigan Public Service Commission.

(c) The Cooperative shall use reasonably diligent efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof.

(d) With respect to any particular classification of service for which the board shall require it, a supplemental contract, executed by the applicant, must accompany the membership application.

#### **SECTION 7. Acceptance into Membership.**

(a) Upon complying with the requirements set forth in Section 1 of this article, any applicant shall by Board Resolution be accepted into membership in, and become eligible to receive electric service from, the Cooperative, unless the board shall determine that such applicant is unwilling or is unable to satisfy and abide by the Cooperative's rules and regulations or that such application should be rejected for other good cause.

(b) In the event that applicant's membership application is rejected by the board, the Cooperative shall refund, in full, the membership fee and all other charges collected from the applicant less any amounts owed the Cooperative.

(c) Upon acceptance into membership by Board Resolution as set forth in Section 7 (a) the application for membership as provided in Article I, Section (a) (1), shall be signed by the President and Secretary and the Corporate Seal affixed thereto. This will then become the Certificate of Membership.

(d) No Membership Certificate shall be issued without full compliance with Article I, Section I of these By-laws.

(e) In case of a lost, destroyed, or mutilated Certificate, a new Certificate may be issued therefore upon such terms and such indemnity to the Cooperative as the Board may prescribe.

#### **SECTION 8. Member responsibilities.**

(a) Each member shall cause all premises receiving electric service from the Cooperative to become and remain wired in accordance with applicable local, state and federal codes, ordinances and statutes.

(b) Each member shall be responsible for and indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect or improper use or maintenance of such premises and all wiring and apparatus connected thereto or used thereon.

(c) Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereupon to place the Cooperatives physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from any hostile source for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times.

(d) As part of the consideration for such service each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use best efforts to prevent others from so doing.

(e) Each member shall also provide such protective devices, apparatus or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and operation, and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by an other cause when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment error occurring in the Cooperative's billing procedures.

(f) In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

#### **SECTION 9. Withdrawal, Termination, or Expulsion of Membership.**

(a) Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the board may prescribe.

(b) Membership in the Cooperative and the certificate representing the same shall not be transferable except as otherwise provided in these by-laws. Provided, that upon death, cessation of existence, expulsion or

withdrawal of members, the membership of such member shall thereupon terminate, and the certificate of membership of such member shall be surrendered forthwith to the Cooperative. Failure to surrender the certificate of membership to the Cooperative does not allow the former member to retain any right of membership.

(c) Termination of membership in any manner shall not release a member or a member's estate from any debts due the Cooperative.

(d) Upon the dissolution for any reason of a partnership or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners. Provided, that neither a withdrawing partner nor a withdrawing partner's estate shall be released from any debts then due the Cooperative.

(e) A member may be expelled for cause upon the two-thirds ( $\frac{2}{3}$ ) vote of the board, at any regular or special meeting thereof, but only if such member shall have been given written notice by the Cooperative of the meeting at least ten (10) days prior to said meeting at which the proposed expulsion will be voted upon and at which meeting the member shall be entitled to be present and be heard. Any person so expelled, may, by delivering written notice to the Cooperative at least ten (10) days prior to the next district meeting, appeal to and be present and be heard at such meeting. A majority vote of the members at such meeting to reinstate shall reinstate the expelled member retroactively to the date of expulsion.

(f) In the event of reinstatement, the board, acting upon principals of general application, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all membership obligations.

(g) Unless the board shall expressly so elect in writing, expulsion shall not constitute release of such person from membership obligations or entitle such expelled person to purchase from any other person any central station electric power and energy for use at the premises to which such service has been furnished by the Cooperative pursuant to such membership.

#### **SECTION 10. Right of Way Easements.**

(a) Each person shall, upon request, give to the Cooperative, without compensation therefor, all easements or rights of way over, on and under such lands owned or leased by or mortgaged by the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service (for the member or other patrons) for the construction, operation, maintenance or relocation of the Cooperative's electric facilities,

(b) Each member shall participate in any required program that may be established by the Cooperative to enhance load management, to more efficiently conserve electric energy, or to conduct load research.

(c) Any person who refuses to grant the Cooperative an easement or easements upon request, thereby causing the Cooperative to circumvent the member's property, may be admitted to membership or retain membership in the Cooperative only upon payment of the actual cost of any line changes made necessary by such refusal.

#### **SECTION II. Petitions.**

Petitions by the membership authorized under these by-laws shall be on forms prepared and available from the Secretary of the Cooperative.

With regard to such petitions, the following are required:

(a) All members signing such petitions shall include thereon their mailing address;

(b) Each member's signature appearing thereon shall be dated as of the date of signing;

(c) The person circulating such petition shall be an active member of the Cooperative and shall indicate under oath or affirmation at the end of each petition sheet his or her residence address, account number and that he or she circulated the petition and is acquainted with the persons whose names are affixed thereto and that such persons signed the petition in his or her presence.

## **ARTICLE II: DISTRICT MEETINGS**

### **SECTION 1. Regular Meetings.**

(a) Regular district meetings shall be attended by the members of the Cooperative and shall be held within the territorial boundaries of the respective districts not less than thirty (30), nor more than sixty (60) days before the annual meeting of the Cooperative at the places and on the dates and at the times to be determined by the board. No member shall be eligible to vote in more than one district.

(b) The purpose of each district meeting shall be to hear and act upon matters submitted by the board to the districts, to formulate and vote on resolutions to be submitted to the board and to elect directors.

(c) The district secretary or corporate counsel at the district secretary's option shall be responsible for the preparation and certification of the minutes of such district meeting and shall forward such certified minutes to the Secretary of the Cooperative within two (2) weeks after the meeting. Newly elected directors shall take office at the next annual meeting of the Cooperative as defined in Article IV Section 1 of these by-laws.

### **SECTION 2. Special Meetings.**

Special District meetings may be called by at least five (5) directors of the Cooperative or upon written request signed by at least ten percentum (10%) of the members of the district. If a special district meeting has been called, it shall be the duty of the Secretary of the Cooperative to cause notice of such meeting to be given. Said special district meeting shall be held at a time and place within the district as designated by the board.

### **SECTION 3. Notice.**

Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary of the Cooperative, to each member of the district. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the member at the member's address as it appears on the records of the Cooperative, with postage thereon fully prepaid. Publication in a newsletter mailed to each member's address as it appears on the records of the Cooperative is sufficient delivery for purposes of these by-laws. The failure of any member to receive any such notice shall not invalidate any action, which may be taken by the members of the district at any such meeting.

### **SECTION 4. Quorum.**

Thirty (30) members present in person shall constitute a quorum for the transaction of business at all district meetings. If less than a quorum is present at any district meeting, a majority of those present may adjourn the meeting from time to time, without further notice; provided, however, that the Secretary of the Cooperative shall notify any absent member of the time and place of such adjourned meeting.

### **SECTION 5. Voting.**

Each member shall be entitled to one (1) vote and no more upon each matter submitted to vote at a meeting. All questions shall be decided by a majority of the members voting thereon.

### **SECTION 6. Proxies.**

At all district meetings, a member of the district may vote by proxy, executed in writing by the member, in the event of illness of the member, certified to by a physician. Such proxy shall be filed with the district secretary before or at the time of the district meeting together with the certificate of illness by the physician. No person shall vote as proxy for more than three (3) members at any district meeting and no proxy shall be valid after sixty (60) days from the date of its execution. The presence of the member at a district meeting shall revoke any proxy theretofore executed by that member and such member shall be entitled to vote at such district meeting in the same manner and with the same effect as if the member had not executed a proxy.

Other than for the cause stated above, there shall be no proxy voting at district meetings.

### **SECTION 7. Credentials & Elections Committee.**

The board shall provide for the attendance of legal counsel at each district meeting. Said legal counsel

shall constitute the Credentials & Elections Committee. It shall be the responsibility of the Committee to establish or approve the Qualifications and nominations for all candidates for election. It shall also be the responsibility of the Committee to decide all questions with respect to elections and voting which may arise at any district meeting. The Committee's decision on all matters shall be final.

#### **SECTION 8. Order of Business.**

The Board of Directors of the Cooperative shall designate who shall preside at all meetings of the District. The order of business at the regular meeting and, so far as possible, at all other district meetings, shall be essentially as follows:

- a. Report on the number of members present in person in order to determine the existence of a quorum;
- b. Reading of the notice of the meeting with proof of the due publication or mailing thereof, or waiver or waivers of notice of meeting, as the case may be;
- c. Reading of unapproved minutes of previous meetings and the taking of necessary action thereon;
- d. Presentation and consideration of reports of officers, directors, and committees;
- e. Election of directors;
- f. Unfinished business;
- g. New business; and
- h. Adjournment

## **ARTICLE III: DIRECTORS**

#### **SECTION 1. Number.**

The board shall consist of nine (9) directors. Each district shall elect three (3) directors to the board of the Cooperative.

#### **SECTION 2. Qualifications.**

Each director must be a member and a bona fide resident of the district which he/she is to represent, shall be at least twenty-one (21) years of age, and may not be in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or of a business primarily engaged in selling electrical appliances, fixtures or supplies to the members of the Cooperative.

#### **SECTION 3. Nominations.**

Any twenty-five (25) members or more of a district may make nominations in writing over their signature for candidates for director from their district not less than forty-five (45) days prior to the district meetings at which the directors are to be elected. The Secretary of the Cooperative shall cause to be mailed with the notice of the district meeting a statement of the number of candidates for directors to be elected from each district and shall list separately for each district the nominations made by petition. No candidate for director will be accepted into nomination who has not complied with the above requirements concerning the nomination petition.

#### **SECTION 4. Election.**

Directors shall be elected by the affirmative vote of a plurality of the members voting at said meeting. Drawing by lot shall resolve, where necessary, any tie votes.

#### **SECTION 5. Tenure.**

(a) The directors elected at the annual district meeting to succeed those directors whose term of office have expired shall serve a term of three (3) years or until their successors have been elected and shall have qualified.

(b) The fact the board shall reconstitute the territorial districts under Article I, Section 4 of these by-laws such that an existing director shall no longer reside within that territorial district shall not effect the remaining term of that director nor cause a vacancy to occur.

## **SECTION 6. General Powers.**

The business and affairs of the Cooperative shall be managed by the board which shall exercise all of the powers of the Cooperative except such are as by law or by the Articles of Incorporation or by these by-laws, conferred upon or reserved to the members. The board shall have the power to make and adopt such rules, regulations, and policies not inconsistent with law, the Articles of Incorporation or these by-laws, as it may deem advisable for the management, administration and regulation of the membership, business, and affairs of the Cooperative.

## **SECTION 7. Removal.**

Any member may for cause bring charges against a director by filing them in writing with the Secretary of the Cooperative, together with a petition signed by twenty-five percentum (25%) of the members of that district, requesting the removal of the director in question. The petition shall state succinctly the reasons being alleged for the director's recall and be approved by the board as to form and clarity prior to circulation. The secretary of the Cooperative shall cause the signatures upon the petition to be verified as to authenticity of signatures of membership. The removal shall be voted at the next regular or special district meeting of the district in which the director in question resides. The director against whom charges have been brought shall be informed in writing of the charges not less than thirty (30) days prior to the meeting and shall have the opportunity at the meeting to be heard in person or by counsel and to present evidence after the person or persons bringing the charges against that director shall have had the same opportunity.

## **SECTION 8. Vacancies.**

Vacancies occurring in the board shall be filled by a majority vote of the remaining directors. The directors thus elected shall serve for the remaining term of the director whom they are elected to replace or until their successors have been elected and shall have qualified.

## **SECTION 9. Compensation.**

Directors as such shall not receive any salary for their services, but by resolution of the board a fixed sum and expenses of attendance, if any, may be allowed for the attendance at Cooperative business. Except in emergencies, no director nor close relative of a director shall receive compensation for serving the Cooperative in any other capacity unless such compensation shall be specifically authorized by a vote of the members or by the affirmative vote of the majority of the directors not involved therein.

## **SECTION 10. Close Relative defined.**

As used in these by-laws, "close relative" means a person who, by blood or in law, including step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, and, uncle, aunt, nephew, or niece of the principal.

## **SECTION 11. Accounting System and Reports.**

The board shall cause to be established and maintained a complete accounting system of the Cooperatives financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during the past fiscal year.

# **ARTICLE IV: MEETINGS OF COOPERATIVE**

## **SECTION 1. Annual Meetings.**

The annual meeting of the Cooperative shall be attended by all directors and officers of the Cooperative and be held on the third Friday of the month of June each year, at such place and time within the territorial limits of the Cooperative as the board shall determine. Provided, however, the board may fix a different date for such annual meeting not more than thirty (30) days prior to or subsequent to the day otherwise established for such meeting in this Section. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.



## **SECTION 2. Special Meetings.**

Special meetings may be called by at least five (5) directors or upon the written request signed by at least ten percentum (10%) of the members of the Cooperative. If such a special meeting is called, it shall be the duty of the Secretary of the Cooperative to cause notice of such meeting to be given as provided in Section 3 of this Article.

## **SECTION 3. Notice.**

Written or printed notice, stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than sixty (60) days before the day of the meeting, either personally or by mail, by or at the direction of the Secretary of the Cooperative, to each member of the Cooperative. If mailed, such notices shall be deemed to be delivered when deposited in the United States Mail, addressed to the member at the member's address as it appears on the records of the Cooperative, with postage thereon fully prepaid. The failure of any member to receive notice shall not invalidate any action which may be taken by the members at any such meeting.

## **SECTION 4. Quorum.**

A majority of the elected Directors present in person shall constitute a quorum for the transaction of business at any annual or special meeting of the Cooperative.

## **SECTION 5. Voting.**

At all meetings of the Cooperative, all questions shall be decided by a majority of the Directors present at the meeting or meetings.

## **SECTION 6. Proxies.**

There shall be no proxy voting at annual or special meetings of the Cooperative.

## **SECTION 7. Order of Business.**

The Chairperson of the Cooperative, or in his or her absence, the Vice-Chairperson of the Cooperative shall preside at all meetings of the Cooperative. He or she shall establish the Order of Business.

# **ARTICLE V: MEETINGS OF DIRECTORS**

## **SECTION 1. Regular Meetings.**

A regular meeting of the Board shall be held monthly at such date, time and place as the Board may provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice.

## **SECTION 2. Special Meetings.**

Special meetings of the board may be called by the President or any three (3) directors. The person or persons authorized to call special meetings may fix the time and place for holding of any special meeting of the board called by them.

## **SECTION 3. Notice.**

Written or printed notice of the date, time, place, and purpose of any special meeting of the board shall be given at least three (3) days previous thereto, delivered personally or by mail to each director at the director's last known address as 'it appears on the records of the Cooperative. If mailed such notice shall be deemed to be delivered when deposited in the United States Mail so addressed, with postage thereon fully prepaid. The attendance of a director at any meeting shall constitute waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business on the ground that the meeting shall not have been lawfully called or convened.

#### **SECTION 4. Quorum.**

The presence in person of a majority of the board shall constitute a quorum for the transaction of business at any meeting of the board, provided, that if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice,

#### **SECTION 5. Voting.**

All questions shall be decided by a majority vote of the directors voting thereon.

#### **SECTION 8. Proxies.**

Proxy voting shall not be allowed at meetings of directors.

#### **SECTION 7. Contracts Between Cooperative and Related Persons.**

Any contract or other transaction between the Cooperative and one (1) or more of its directors, or between the Cooperative and any firm of which one (1) or more of its directors are members or employees, or in which one (1) or more of its directors are interested, shall be valid for all purposes, notwithstanding the presence of such director or directors at the meeting of the board of the Cooperative which acts upon or in reference to such contractor transaction, and notwithstanding the director's or directors' participation in such action, if the fact of such interest shall be disclosed or known to the board and the board shall, nevertheless, authorize, approve and ratify such contract or transaction by a vote of a majority of the directors present, such interested director or directors to be counted in determining whether a quorum is present, but not to be counted as voting upon the matter or in calculating the majority of such quorum necessary to carry such vote.

### **ARTICLE VI: OFFICERS**

#### **SECTION 1. Number & Title.**

The officers of the Cooperative shall be President, Vice-President, Secretary and Treasurer, and such other officers as may be determined by the board from time to time, The offices of Secretary and Treasurer may be held by the same person.

#### **SECTION 2. Election.**

The officers shall be elected by ballot by and from the board at the first meeting of the board held after each annual meeting of the Cooperative. Provided, however, the board may elect an executive vice-president/manager who may be but who shall not be required to be a director or member of the Cooperative.

#### **SECTION 3. Tenure.**

Each officer shall hold office until the first meeting of the board following the next succeeding annual meeting of the Cooperative or until the officer's successor shall have been elected and shall have qualified, subject to the provisions of these by-laws with respect to the removal of directors and officers.

#### **SECTION 4. Removal.**

Any officer or agent elected or appointed by the board may be removed by the board whenever in its judgment the best interest of the Cooperative will be served thereby.

#### **SECTIONS. Vacancies.**

A vacancy in any office may be filled by the board for the unexpired portion of the term of the office vacated.

#### **SECTION 6. President.**

The President shall:

- a. Be the principal executive officer of the Cooperative and shall preside at all meetings of the board.
- b. Sign, with the Secretary, certificates of membership and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board or by these by-laws to some other officer or agent of the Cooperative or shall be required by law to be otherwise signed or executed.
- c. In general perform all duties incident to the office of President and such other duties as may be prescribed by the board from time to time.

### **SECTION 7. Vice-President.**

In the absence of the President, or in the event of the President's inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned to the Vice-President by the board.

### **SECTION 8. Secretary.**

The Secretary, or the Secretary's designee, shall

- a. Keep the minutes of meetings of the board in one (1) or more books provided for that purpose;
- b. See that all notices are duly given in accordance with these by-laws or as required by law;
- c. Be custodian of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these by-laws;
- d. Keep a register of the name and address of each member of the Cooperative, which address shall be furnished to the Cooperative by such member;
- e. Sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the board;
- f. Have general charge of the books and accounts of the Cooperative;
- g. Keep on file at all times a current complete copy of the by-laws of the Cooperative, which copy shall always be open to the inspection of any member, and, at the expense of the Cooperative, forward a copy of the by-laws to any member upon request, and
- h. In general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the board.

### **SECTION 9. Treasurer.**

The Treasurer, or the Treasurer's designee, shall:

- a. Have general charge and custody of and be responsible for all funds and securities of the Cooperative;
- b. Have general charge of the receipt of all monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative, except for authorized petty cash funds, in such financial institutions or secure investments as have been approved by the board; and
- c. In general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the board.

### **SECTION 10. Executive Vice-President/Manager.**

The Executive Vice-President/Manager shall perform such duties as the board may from time to time require of that officer and shall have such authority as the board may from time to time vest in that office.

### **SECTION 11. Bonds.**

The board shall require the Treasurer or any other officer of the Cooperative charged with the responsibility of the custody of any of its funds or property to give bond in such sum and with such surety as the board shall determine. The board in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety, as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

### **SECTION 12. Compensation.**

The compensation, if any, of any officer of the Cooperative, or any close relative of any officer, shall be determined by the members of the Cooperative or by the affirmative vote of a majority of the directors not involved therein.

### **SECTION 13. Reports.**

The officers of the Cooperative shall submit at each annual meeting of the Cooperative reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

## **ARTICLE VII: WAIVER OF NOTICE**

Any member, officer or director may waive, in writing any notice of meetings required to be given by these by-laws.

## **ARTICLE VIII: ROBERT'S RULES OF ORDER**

All district meetings, meetings of the Cooperative, and meetings of the board will be subject to the latest edition of Robert's Rules of Order,

## **ARTICLE IX: CONTRACTS, CHECKS & DEPOSITS**

### **SECTION 1. Contracts.**

Except as otherwise provided in these by-laws, the board may authorize any officer or agent to enter any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

### **SECTION 2. Checks, Drafts, Etc.**

All checks, drafts, or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed or countersigned by such officer or agent of the Cooperative and in such manner as shall from time to time be determined by resolution of the board.

### **SECTION 3. Deposits and Investments.**

All funds of the Cooperative shall be deposited or invested, except for authorized petty cash funds, from time to time to the credit of the Cooperative in such financial institutions or secure investments as approved by the board.

## **ARTICLE X: INDEMNIFICATION**

### **SECTION 1. Indemnification.**

The Cooperative shall indemnify directors, officers, agents and employees against liability to the extent that their acts or omissions constituting the grounds for the alleged liability were performed in their official capacity and, if actionable, were based upon good faith business judgements and the belief that the acts or omissions were in the best interests of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

## **ARTICLE XI: NONPROFIT OPERATION**

### **SECTION 1. Interest or Dividends on Capital Prohibited.**

The Cooperative shall at all times be operated on a Cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

### **SECTION 2. Patronage Capital In Connection With Furnishing Electric Power and Energy.**

a. In the furnishing of electric power and energy by the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric power and energy in excess of operating costs and expense properly chargeable against the furnishing of electric power and energy. All such amounts in excess of operating costs and expenses and reasonable reserves for depreciation, doubtful accounts, operating reserves, and capital investments at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative

is obligated to allocate by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to the patron's account; provided, however, that individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine the specific amount of capital so credited to that patron. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts of capital.

b. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

c. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons accounts may be retired in full or in part if the retirement does not result in the retirement of all voting rights. The board shall determine the method, basis, priority and order of retirement, if any, for all amounts thereafter furnished as capital. The board shall also determine the method for apportionment of losses, if any.

d. Capital contributed by patrons prior to January 1, 1978, shall become permanent nonrefundable capital of the Cooperative.

e. Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the board acting under policies of general application, shall determine otherwise.

f. Notwithstanding any other provisions of these by-laws, the board, at its discretion, shall have the power at any time upon the death of any patron, who was a natural person, if the legal representatives of his or her estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these by-laws, to retire capital credited to such patron immediately upon such terms and conditions as the board, acting under the policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby; provided, further, however, that the aggregate amounts so retired in any one year shall not exceed twenty percent (20%) of the margins of that year; and provided, further, however, that if acting under policies of general application, the amount (or percentage) mentioned above is not sufficient to retire the capital credited to them retired in the next succeeding year before any other retirements are made in such succeeding year,

g. Any amounts allocated from net savings and credited to the member capital of a nonmember patron shall be added to the general funds of the Cooperative and thereafter the nonmember patron shall have no further rights therein, if the nonmember patron does not comply with all the provisions of these by-laws concerning admission to membership within ninety (90) days of the date of receipt of first service from the Cooperative.

h. The patrons of the cooperative, by dealing with the Cooperative acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

## **ARTICLE XII: UNCLAIMED FUNDS**

Any capital credits, patronage refunds, utility deposits, membership fees, account balances or book equity which remain unclaimed for a period of five (5) years following reasonable notice and attempted payment by the Cooperative to a member, patron, former members or former patron entitled thereto shall be added to the general funds of the Cooperative and the member, patron, former member or former patron shall have no claim to said funds.

## **ARTICLE XIII: DISPOSITION OF PROPERTY**

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sales, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than a majority of all members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all the property assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired and wherever situated, as well as the revenues and income therefrom all upon such terms and conditions as the board shall determine, to secure any indebtedness of the Cooperative to the United States of American or any instrumentality or agency thereof, or to a national financing institution, organized on a cooperative plan for the purpose of financing its members' programs, projects and undertakings, in which the Cooperative holds a membership or any other financial institution under arrangements not objected to by the Michigan Public Service Commission or the RUS Administrator.

Further, the Board of the Cooperative may sell any real estate or personal property utilized in the transmission of power, or assign any interests it may have which are used in the transmission process along with granting easements to enable transmission, to a regional or similar company or organization organized for such purposes, all without authorization by the membership of the Cooperative. This also would be under arrangements accepted by the Michigan Public Service Commission and/or the Rural Utilities Services Administrator.

## **ARTICLE XIV: FISCAL YEAR**

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

## **ARTICLE XV: SEAL**

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "corporate seal, Michigan".

## **ARTICLE XVI: AMENDMENTS**

The Articles of Incorporation and by-laws may be altered, amended or repealed by vote of two-thirds (2/3) of the members of the Cooperative provided that identical notices of such proposed alteration, amendment or repeal shall have been given with the notices of each district meeting, or by the affirmative vote of two-thirds (2/3) of the members of the board at any regular or special meeting; provided that notice of such proposed alteration, amendment or repeal shall have been given with the notice of such meeting; provided, further, that the board shall not make or alter any provision fixing their qualifications, classifications, or term of office; and provided, also that the board shall not for at least a period of two (2) years alter, amend or repeal any provision altered, amended or repealed by the members of the Cooperative at any regular or special district meetings.

## **ARTICLE XVII: STATEMENT OF NON-DISCRIMINATION**

Cloverland Electric Cooperative is the recipient of Federal financial assistance from the Rural Utilities Services, an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, and the rules and regulations of the U.S. Department of Agriculture which provide that no person in the United States on the basis of race, color, national origin, age, or handicap shall be excluded from participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's non-discrimination compliance efforts is Donald Wozniak, Manager. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may obtain further information about the status and regulations listed above from and/or file a written complaint with this organization or the Secretary, U.S. Department of Agriculture, Washington, D.C. 20250, or the Administrator, Rural Utilities Services, Washington, D.C. 20250. Complaints must be filed within 180 days after the alleged discrimination Confidentiality within will be maintained to the extent possible.

## **ARTICLE XVIII: STATEMENT OF ORGANIZATION AND PURPOSE**

This corporation is a cooperative subject to the Consumer Cooperative Act (1984 PA. 209) and was initially organized under the Michigan General Corporation Act (1931 PA. 327). The purpose of becoming a member of a cooperative is to assure access to the goods, services, and facilities of the cooperative and not to gain profit.

**CLOVERLAND ELECTRIC COOPERATIVE**  
**2916 W. M-28**  
**Dafter, Michigan 49724**  
**1-800-562-4953 or (906) 635-6800**



**MICHIGAN 43 CHIPPEWA  
CLOVERLAND ELECTRIC COOPERATIVE, INC.  
REPORT ON CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

## TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Independent Auditor's Report	2
Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Revenue	4
Consolidated Statement of Equities	5
Consolidated Statements of Cash Flows	6-7
Notes to consolidated financial statements	8-21
Additional information:	
Consolidating Balance Sheet	22-23
Consolidating Statement of Revenue	24
Report on Internal Control over Financial Reporting and on Compliance and Other Matters	25-26

**CLOVERLAND ELECTRIC COOPERATIVE, INC.  
BOARD OF DIRECTORS  
DECEMBER 31, 2011**

Robert Schallip	Chairman
Dale Carlson	Vice Chairman
Richard Newland	Secretary/Treasurer
Carl R. Eagle	Director
Tamara Gady	Director
Peter Legault	Director
Gerald Nettleton	Director
Virgil Monroe	Director
Linda Hoath	Director

President and CEO

Daniel Dasho



### **Independent Auditor's Report**

The Board of Directors  
Cloverland Electric Cooperative, Inc.  
Dafter, Michigan

We have audited the accompanying consolidated balance sheets of Cloverland Electric Cooperative, Inc. and subsidiary as of December 31, 2011 and 2010, and the related consolidated statements of revenue, equities, and cash flows for the years then ended. These financial statements are the responsibility of Cloverland Electric Cooperative, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cloverland Electric Cooperative, Inc. and subsidiary as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2012, on our consideration of Cloverland Electric Cooperative, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Cloverland Electric Cooperative. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

May 16, 2012

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2011 AND 2010**

<b>ASSETS</b>	2011	2010
<b>ELECTRIC PLANT AND EQUIPMENT:</b>		
In service – at cost	\$ 133,809,383	\$ 126,115,939
Construction work in progress	7,640,420	2,571,897
SUBTOTAL	141,449,803	128,687,836
Less accumulated depreciation	34,520,202	30,398,942
NET ELECTRIC PLANT	106,929,601	98,288,894
 <b>OTHER ASSETS AND INVESTMENTS:</b>		
Investments in associated organizations	9,912,510	9,207,855
Non-utility property	51,472	51,472
Temporarily restricted investments	237	802,395
Goodwill, net of amortization	243,301	125,590
TOTAL OTHER ASSETS AND INVESTMENTS	10,207,520	10,187,312
 <b>CURRENT ASSETS:</b>		
Cash and temporary cash investments	3,946,219	828,003
Accounts receivable, less allowance for doubtful accounts of \$308,000 and \$250,000 in 2011 and 2010, respectively	9,508,663	11,735,972
Refundable power costs	1,235,546	
Materials and supplies	3,683,781	2,969,211
Prepaid expenses and other current assets	89,847	283,635
Prepaid federal income tax	17,500	14,500
TOTAL CURRENT ASSETS	18,481,556	15,831,321
DEFERRED DEBITS	11,038,311	11,020,889
TOTAL ASSETS	\$ 146,656,988	\$ 135,328,416

The accompanying notes are an integral part of these statements.

<b>EQUITIES AND LIABILITIES</b>	<u>2011</u>	<u>2010</u>
<b>EQUITIES:</b>		
Memberships	\$ 92,760	\$ 83,400
Patronage capital	21,898,312	20,774,589
Other equities	<u>1,100,890</u>	<u>1,080,926</u>
<b>TOTAL EQUITIES</b>	<u>23,091,962</u>	<u>21,938,915</u>
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES:</b>		
Mortgage note to CoBank		64,000,000
Mortgage notes to Rural Utilities Service	26,663,815	27,695,761
Mortgage notes to Federal Financing Bank	67,762,000	
Mortgage notes to National Rural Utilities Cooperative Finance Corporation	6,680,239	7,581,990
Mortgage notes to Central Savings Bank	663,899	
Vehicle loan-Soo Co-op Credit Union	<u>4,787</u>	<u>11,874</u>
<b>TOTAL LONG-TERM DEBT</b>	<u>101,774,740</u>	<u>99,289,625</u>
<b>OTHER NON-CURRENT LIABILITIES</b>		
Accrued Postretirement benefits other than pensions and deferred compensation	1,360,021	1,366,672
Deferred income tax liability	<u>41,085</u>	<u>35,949</u>
<b>TOTAL OTHER NON-CURRENT LIABILITIES</b>	<u>1,401,106</u>	<u>1,402,621</u>
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	1,688,796	1,609,516
Line of credit	6,750,000	750,000
Accounts payable:		
Purchased power	4,889,291	4,412,748
Other	2,810,806	1,926,919
Refundable power costs		82,849
Customer deposits and prepayments	653,962	261,930
Accrued interest	532,701	347,237
Accrued vacation and sick pay	1,274,836	939,059
Accrued taxes and other current liabilities	<u>1,788,551</u>	<u>2,366,760</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>20,388,943</u>	<u>12,697,018</u>
<b>DEFERRED CREDITS</b>	<u>237</u>	<u>237</u>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<u>\$ 146,656,988</u>	<u>\$ 135,328,416</u>

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**CONSOLIDATED STATEMENTS OF REVENUE**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	% Of Operating Revenue
OPERATING REVENUES	\$ 86,798,057	100.00
OPERATING EXPENSES:		
Cost of power – produced	3,164,252	3.65
Cost of power – purchased	48,033,879	55.34
Cost of goods sold	632,474	0.73
Transmission	6,070,419	6.99
Distribution – operations	3,226,660	3.72
Distribution – maintenance	4,959,060	5.71
Customer accounts	3,957,156	4.56
Customer service and information	683,239	0.79
Sales expense	171,193	0.20
Administrative and general	5,668,173	6.53
Depreciation	3,847,797	4.43
Taxes – property	2,512,074	2.89
Taxes – other	196,372	0.23
TOTAL OPERATING EXPENSES	83,122,748	95.77
OPERATING MARGINS BEFORE FIXED CHARGES	3,675,309	4.23
FIXED CHARGES:		
Interest on long-term debt	2,247,125	2.59
Other interest	907,701	1.04
TOTAL FIXED CHARGES	3,154,826	3.63
OPERATING MARGINS AFTER FIXED CHARGES	520,483	0.60
CAPITAL CREDITS	685,118	0.79
NET OPERATING MARGINS	1,205,601	1.39
NON-OPERATING MARGINS:		
Interest	52,169	0.06
Other	886,371	1.02
TOTAL NON-OPERATING MARGINS	938,540	1.08
NET MARGINS	\$ 2,144,141	2.47

The accompanying notes are an integral part of these statements.

<u>2010</u>	<u>% Of Operating Revenue</u>
\$ 59,733,402	100.00
2,099,593	3.51
32,037,314	53.64
655,913	1.11
4,102,588	6.87
1,872,081	3.13
3,223,307	5.40
1,747,084	2.92
408,974	0.68
155,650	0.26
3,783,786	6.33
4,175,673	6.99
1,815,206	3.04
125,843	0.21
<u>56,203,012</u>	<u>94.09</u>
<u>3,530,390</u>	<u>5.91</u>
1,886,383	3.16
674,957	1.13
<u>2,561,340</u>	<u>4.29</u>
969,050	1.62
605,673	1.02
<u>1,574,723</u>	<u>2.64</u>
90,383	0.15
897,998	1.50
<u>988,381</u>	<u>1.65</u>
<u>\$ 2,563,104</u>	<u>4.29</u>



**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**CONSOLIDATED STATEMENT OF EQUITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Memberships</u>	<u>Patronage capital</u>	<u>Other equities</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
Balance, January 1, 2010	\$ 79,265	\$ 19,172,647	\$ 1,816,954	\$ (493,503)	\$ 20,575,363
Adjustment for SFAS No. 158				(214,765)	(214,765)
Memberships issued	4,135				4,135
Other equity transactions			11,078		11,078
Retirement of capital credits		(1,000,000)			(1,000,000)
Current year margins	<u>2,601,942</u>	<u>2,601,942</u>	<u>(38,838)</u>	<u>(38,838)</u>	<u>2,563,104</u>
Balance, December 31, 2010	83,400	20,774,589	1,789,194	(708,268)	21,938,915
Adjustment for SFAS No. 158					
Memberships issued	9,360				9,360
Other equity transactions			12,733		12,733
Retirement of capital credits		(1,013,187)			(1,013,187)
Current year margins	<u>2,136,910</u>	<u>2,136,910</u>	<u>7,231</u>	<u>(7,231)</u>	<u>2,144,141</u>
Balance, December 31, 2011	<u>\$ 92,760</u>	<u>\$ 21,898,312</u>	<u>\$ 1,809,158</u>	<u>\$ (708,268)</u>	<u>\$ 23,091,962</u>

The accompanying notes are an integral part of these statements.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 89,262,715	\$ 51,435,479
Cash paid to suppliers and employees	(75,350,058)	(43,426,861)
Rent income	37,802	34,620
Interest received	52,223	119,687
Interest paid	(2,969,362)	(2,319,457)
Taxes paid	(2,969,190)	(1,580,800)
	8,064,130	4,262,668
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Construction and acquisition of plant	(13,365,457)	(55,399,566)
Plant removal costs	(88,419)	(38,739)
Net proceeds from sale of plant		31,401
(Increase) decrease in:		
Materials inventory	(699,370)	(1,963,100)
Investments in associated organizations	809,700	472,758
Purchase of acquisition goodwill	(117,711)	
	(13,461,257)	(56,897,246)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term borrowings	4,317,733	64,000,000
Line of credit borrowings	6,000,000	750,000
Retirement of patronage capital credits	(855,882)	(705,145)
Donated capital	12,733	11,078
Loan advances		
Payments on debt	(1,509,579)	(1,422,555)
Investment in cushion of credit	(243,758)	
Use of cushion of credit		1,241,420
Increase in deferred debits	(17,422)	(10,997,889)
Purchase of restricted investments	802,158	(802,158)
Memberships issued, net	9,360	4,135
	8,515,343	52,078,886
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,118,216	(555,692)
<b>CASH AND TEMPORARY CASH INVESTMENTS, beginning</b>	828,003	1,383,695
<b>CASH AND TEMPORARY CASH INVESTMENTS, ending</b>	\$ 3,946,219	\$ 828,003

The accompanying notes are an integral part of these statements.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**  
(Continued)

	2011	2010
<b>RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net margins	\$ 2,144,141	\$ 2,563,104
Adjustments to reconcile net margins to net cash provided by		
Operating activities:		
Depreciation and amortization	4,827,640	4,510,705
Capital credits	(685,118)	(605,673)
Patronage capital refunds applied to accounts written off	(157,304)	(312,429)
Loss (Gain) on the sale of fixed assets	(14,472)	(11,272)
Income from investment	(829,237)	(814,570)
(Increase) decrease in:		
Customer and other accounts receivable	2,229,753	(7,987,451)
Current & accrued assets - other	190,788	122,482
Inventory of subsidiary	(15,200)	25,527
Refundable power costs	(1,235,546)	81,165
Increase (decrease) in:		
Accounts payable	1,357,985	4,374,681
Refunds payable to members	(82,849)	82,849
Accrued interest payable	185,464	241,883
Current and accrued liabilities – other	154,736	1,933,737
Accrued postretirement benefits other than pensions	(6,651)	57,930
Total adjustments	5,919,989	1,699,564
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 8,064,130</b>	<b>\$ 4,262,668</b>

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 15):

The accompanying notes are an integral part of these statements.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the accounting policies adopted by Cloverland Electric Cooperative, Inc. which have a significant effect on the financial statements.

Organization

Cloverland Electric Cooperative, Inc. (Cloverland) is a non-profit organization that engages in the generation, purchase and sale of electricity in the Eastern Upper Peninsula of Michigan. Cloverland is generally exempt from income tax under Section 501(c)(12) of the United States Internal Revenue Code. Cloverland is subject to the Michigan Business Tax Act of the State of Michigan. The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and in accordance with Rural Utilities Service (RUS) guidelines.

On May 4, 2010, Cloverland purchased a 100% interest in Edison Sault Electric Company, LLC for \$63,347,708. This organization is comprised of a majority of the assets of the former Edison Sault Electric Company. Upon acquisition, the customers and employees were moved into Cloverland Electric Cooperative, Inc. The LLC, now holds the purchased property and equipment and the leases and contracts of the company. (See Note 17).

The Cooperative's subsidiary is a computer sales and internet service company. It is organized as a U.S. Corporation and is subject to U.S. Federal Income Tax. On May 5, 2011, the subsidiary purchased the assets and customer list of the Mackinac Island Cable Company, a subsidiary of Michigan Cable Partners, Inc. for \$400,000. It is the exclusive provider of cable television and broadband internet services to Mackinac Island, MI.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Principles of Consolidation

The consolidated financial statements for 2011 and 2010 combine the financial results of Cloverland Electric Cooperative, Inc. and its wholly-owned subsidiary Lighthouse.Net as required by APB Opinion No. 18, Cloverland Electric Cooperative, Inc. has accounted for the investment using the equity method. All significant inter-company transactions and accounts have been eliminated. In accordance with RUS guidelines, the activity of the subsidiary is not assignable to members of the Cooperative, the result is to include the net activities of the subsidiary in Other Equities.

Electric Plant and Equipment

Additions, with a life expectancy of more than one year, are recorded at cost less contributions in aid of construction received from customers. As items are retired or otherwise disposed of, the asset account is credited for the cost and the accumulated depreciation account is charged. The cost of removal less salvage is also charged to the accumulated depreciation account.

Revenue

Cloverland records revenue monthly, as billed, on the basis of automated and manual meter readings. Automated readings can be taken at any time, and the actual receivable due at the end of the period can be booked with certainty. Manual readings are taken throughout the month, and an estimate of unbilled revenue relative to power consumed from the meter is made and added to the current period's revenue. Cloverland's accounts receivable balance, found on their balance sheet, includes amount for revenues accrued but not billed as of year-end.

Cloverland continually reviews its customer's creditworthiness and requests deposits and refunds based on that review. Cloverland's two largest customers accounted for approximately 15% of total revenues in 2011.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Concentration of Credit Risk

Cloverland maintains allowances for potential credit losses and, historically, such losses have been within management's estimates.

In August, 2011, Cloverland Electric Cooperative's largest customer, Manistique Papers, Inc. (MPI) filed for bankruptcy. MPI annually accounts for 11.5% of total electric revenue. In September of 2011, their accounts receivable balance of \$1,643,040 was removed and expensed due to the unlikely probability of recovery.

MPI returned to full operation by October, 2011; two months after filing for bankruptcy. As of May, 2012, MPI is under new ownership.

Investments

The carrying values of investments in associated organizations are stated at cost, adjusted for capital credits earned or retired.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less. Certificates of deposit and commercial paper with maturities between 90 days and one year are classified as short-term investments and stated at cost, which approximates market value. Certificates of deposit and commercial paper with maturities beyond one year are classified as other investments and stated at cost, which approximates market value.

Accounts receivable

Accounts receivable consist primarily of amounts due from members for electric service. An allowance for doubtful accounts has been estimated based on collection history. When a member's account becomes past due and uncollectible, the member's service is terminated. The Board of Directors approve all accounts charged off.

Materials and Supplies

Electrical materials and supplies are valued at the lower of market value or average unit cost. Merchandise held for resale is valued on the first-in, first-out basis.

Advertising

The cost of advertising is expensed as incurred.

Retirement Plan

Cloverland has a retirement plan and a savings plan for substantially all employees. Under the terms of the savings plan, Cloverland is required to contribute 8 percent of the employee's base annual earnings to the plan for non-union employees. As of October 22, 2010, Union employees receive an employer match based on the amount of the employees' contribution.

Contributions in Aid of Construction

Contributions in aid of construction are received from customers on electrical installations and re-applied against the construction costs.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2: RECLASSIFICATION OF AMOUNTS**

Certain amounts previously reported have been reclassified to conform to the 2011 presentation.

**NOTE 3: ASSETS PLEDGED**

Substantially all assets are pledged as collateral on long-term debt payable to the Rural Utilities Service (RUS) of the United States of America and the National Rural Utilities Cooperative Finance Corporation (CFC).

**NOTE 4: ELECTRIC PLANT AND DEPRECIATION RATES AND PROCEDURES**

Major classes of electric plant as of December 31, 2011 and 2010 consisted of:

	<u>2011</u>	<u>2010</u>
Intangible plant	\$ 6,409,446	\$ 6,238,653
Distribution plant	99,293,403	95,398,215
Generation plant	12,273,063	10,227,408
Transmission plant	755,476	755,476
General plant	<u>15,077,995</u>	<u>13,496,187</u>
	133,809,383	126,115,939
Construction work in progress	<u>7,640,420</u>	<u>2,571,897</u>
<b>TOTAL</b>	<u>\$ 141,449,803</u>	<u>\$ 128,687,836</u>

Provision has been made for depreciation of the distribution plant, generation plant and transmission plant at straight-line composite rates of 2.8, 3.0 and 2.7 percent per annum for the years ended December 31, 2011 and 2010, respectively. General and generation plant depreciation rates have been applied on a straight-line basis and were as follows for the years ended December 31, 2011 and 2010:

	<u>Life Range in Years</u>
Structures and improvements	5 – 50
Office furniture	3 – 20
Transportation equipment	5 – 14
Power operated equipment	3 – 15
Other general plant	3 – 15
Communications equipment	5 – 10
Other generation plant	10 – 33

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4: ELECTRIC PLANT AND DEPRECIATION RATES AND PROCEDURES - continued**

Depreciation charges on electric plant in service were charged as follows for the years ended December 31, 2011 and 2010:

	2011	2010
Charged to:		
Depreciation and amortization expense	\$ 3,847,797	\$ 4,175,673
Other expenses	741,686	254,304
Total Expensed	4,589,483	4,429,977
Capitalized	238,157	80,728
TOTAL DEPRECIATION	\$ 4,827,640	\$ 4,510,705

**NOTE 5: INVESTMENTS IN ASSOCIATED ORGANIZATIONS**

Investments in associated organizations as of December 31, 2011 and 2010 were as follows:

	2011	2010
National Rural Utilities Cooperative Finance Corporation:		
Capital term and zero term certificates maturing through 2080 interest rates between 0% and 5%	\$ 811,585	\$ 821,374
Long-term certificates maturing through 2030 at an interest rate of 3%	48,000	48,000
Patronage capital credits	263,850	251,000
American Transmission Company, LLC	7,346,979	6,920,652
Federated Rural Electric Ins. Co.	213,537	194,908
CoBank	738,087	459,907
Deferred compensation funds	64,975	113,141
Other	425,497	398,873
TOTAL	\$ 9,912,510	\$ 9,207,855

In 2001, the Cooperative transferred transmission assets with a net book value of \$4,632,376 to American Transmission Company, LLC for a .83% investment in the partnership. The Cooperative received cash from the partnership of \$2,316,188 and was allocated \$142,434 for any possible tax adjustments. The investment at December 31, 2011 and 2010 is \$7,346,979 and \$6,920,652, respectively. This transaction was approved by the Rural Utilities Service.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6: GOODWILL**

The carrying amount of Goodwill for the years ended December 31, 2011 and 2010 was \$243,301 and \$125,590, respectively. The requirements of Statement of Financial Accounting standards No. 142, "Goodwill and Other Intangible Assets," requires that Goodwill be valued at its fair market value and adjusted annually for any impairment losses. Management has determined that there has been no impairment in the carrying value of the Goodwill.

The current year increase was the result of purchasing the customer list of the Mackinac Island Cable Company for \$117,711.

**NOTE 7: SHORT TERM INVESTMENTS - RESTRICTED**

On March 20, 1984, the Michigan Public Service Commission issued its opinion and order in Case No. U-7901, directing Michigan's Rural Electric Cooperatives to maintain power supply cost recovery over-collections and refundable contributions in restricted accounts to be used only for the purpose for which they are intended.

In order to accomplish the objectives of the Commission, RUS accounting and reporting requirements, a non-complex mechanism acceptable to CFC and a workable approach acceptable to Cloverland Electric Cooperative, Inc., Cloverland, on December 17, 1985, entered into an agreement with CFC to escrow power supply cost recovery over-collections and refundable contributions. A monthly certification is to be included with the monthly Form 7 advising RUS as to amounts included in the special funds representing power supply cost recovery over-collections and refundable contributions.

Cloverland is to provide CFC a copy of the monthly certification described above which will serve as notice to CFC as to the amount below which the fund should not fall. Under the provisions of the agreement with CFC when the amount of deposits held by CFC falls below the level set forth in the latest available certification furnished CFC, CFC will advise RUS and the Commission if Cloverland has not remedied the deficiency within three business days of notification by CFC to Cloverland.

The following is a summary of the cash amounts restricted as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Construction advances	\$ 237	\$ 237
Refundable power costs		<u>82,849</u>
<b>TOTAL</b>	<b>237</b>	<b>83,086</b>
Amount of required restriction in excess of available CFC investment		<u>719,309</u>
<b>TOTAL FUNDS RESTRICTED</b>	<b><u>\$ 237</u></b>	<b><u>\$ 802,395</u></b>



**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8: CASH AND INVESTMENTS**

Statements of Financial Accounting Standards (SFAS) No. 105 require disclosure of significant concentrations of credit risk arising from cash deposits in excess of federally insured limits. The detail of these amounts are as follows:

	Per Institution
Insured	\$ 702,088
Uninsured	4,362,873
Total deposits at banks	5,064,961
In transit items	(1,156,139)
	3,908,822
Undeposited funds	28,556
Working funds	3,640
Money market funds and special construction	5,201
Total Cash	\$ 3,946,219

**NOTE 9: PATRONAGE CAPITAL**

Patronage capital balances as of December 31, 2011 and 2010 consisted of:

	2011	2010
Assignable	\$ 2,136,910	\$ 2,601,942
Assigned	33,925,373	31,323,431
	36,062,283	33,925,373
Less retirements to date	14,163,971	13,150,784
Balance	\$ 21,898,312	\$ 20,774,589

In accordance with 7 CFR 1717.617, published in the Federal Register on December 29, 1995, RUS approval is already given for distribution borrowers declaring or paying patronage capital retirements if the following requirements are met: after the distribution, the borrower's equity is equal to/or greater than 30 percent of its total assets; the borrower is current on all payments due on all notes secured under the mortgage; the borrower is not in default under its loan documents; and after distribution, the borrower's current and accrued assets will not be less than its current and accrued liabilities. The Cooperative did not meet all of these requirements in the current year, and therefore had to request approval from RUS before retiring capital credits in 2011. Approval to retire capital credits was granted by RUS pursuant to the Cooperative's request. Additionally, approval from CFC is not necessary, if the cooperatives equity position immediately following the refund is greater than the 20 percent minimum mentioned in the CFC Mortgage. The Cooperative was not in compliance with this requirement in 2011, and CFC agreed to RUS' approval of the capital credit retirement.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9: PATRONAGE CAPITAL – continued**

The equities and margins of Cloverland represent 15.75% and 16.21% of the total assets at December 31, 2011 and 2010, respectively. The borrower is current on all payments due and is not in default under its loan documents.

Capital credit retirements representing patronage capital from 1989 and 2010 and retirements to deceased patrons, in the amounts of \$1,013,187 and \$1,000,000 were paid in the years ended December 31, 2011 and 2010, respectively.

**NOTE 10: OTHER EQUITIES**

Other equities consisted of the following for the years ending December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Pre-1978 operating margins	\$ 506,734	\$ 506,734
Pre-1978 non-operating margins	378,063	378,063
Capital gains	11,254	11,254
Donated capital	461,158	448,425
Non-assignable margins	<u>451,949</u>	<u>444,718</u>
TOTAL	<u>\$ 1,809,158</u>	<u>\$ 1,789,194</u>

**NOTE 11: MORTGAGE NOTES**

Long-term debt is composed of 2.52% to 8.10% mortgage notes payable to the Federal Financing Bank, the Rural Utilities Service (RUS) of the United States of America and the National Rural Utilities Cooperative Finance Corporation (CFC), and other local banks. A CoBank note was scheduled to mature in September 2012, but was refinanced during the year by the issuance of mortgage notes to Federal Financing Bank. Certain mortgage notes to CFC will be repriced and the interest rate adjusted accordingly during the next 10 years in accordance with the policy and procedure governing such repricing. The RUS notes are for 35 year periods each, with principal and interest installments due either quarterly or monthly. The notes are scheduled to be fully repaid at various times from May 2012 through January 2046.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11: MORTGAGE NOTES - continued**

Detail of the long-term debt is as follows:

	2011	2010
Federal Financing Bank notes bearing interest at 2.52% to 2.87% per annum, payable in monthly and quarterly installments through 2046.	\$ 67,762,000	\$
Rural Utilities Service notes bearing interest at 3.45% to 5.23% per annum, payable in monthly and quarterly installments to 2042.	27,838,510	28,505,698
National Rural Utilities Cooperation Finance Corporation notes bearing interest at 5.40% to 8.1% per annum, payable in quarterly installments to the year 2032.	3,712,788	4,294,009
Notes payable to Freddie Mac in quarterly installments of \$137,814, Including interest at 6.293%, with final maturity ranging from 2012 to 2034. Secured by substantially all assets.	3,798,951	4,016,481
CoBank note bearing interest at 1.47% per annum with final Maturity in September 2012, or upon receipt of RUS loan funds		64,000,000
Note payable-Bank. Monthly installment payments of \$2,058, including interest at 6.5%, until November 20, 2011, with a final payment of \$198,745 due on December 20, 2011. Secured by land and building. *** this note was refinanced on 1/04/12 at an interest rate of 6.85% maturing December 24, 2021.	197,116	207,267
Note payable-Bank. Monthly installment payments of \$7,577, including interest at 7.0%, until May 5, 2021, Secured by cable television equipment. ***there is \$96,759 in unadvanced loan funds available to be drawn on this loan until May 5, 2012.	528,986	
Vehicle loan-Bank. Monthly installment payments of \$627, including interest at 5.0%, until August 1, 2013. Secured by the vehicle purchased.	11,880	18,623
	103,850,231	101,042,078
Less:		
RUS Cushion of credit	386,695	142,937
Current maturities	1,688,796	1,609,516
<b>TOTAL LONG-TERM DEBT</b>	<b>\$ 101,774,740</b>	<b>\$ 99,289,625</b>

Unadvanced loan funds were available to Cloverland on the loan commitments from RUS/FFB in the amount of \$34,238,000 for 2011 and \$14,000,000 for 2010, respectively. Unadvanced loan funds were available to Cloverland on the loan commitments from CFC in the amount of \$-0- for 2011 and 2010, respectively.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11: MORTGAGE NOTES - continued**

Maturities of long-term debt for each of the next five years are as follows:

	<u>Total</u>
2012	\$ 1,688,796
2013	2,929,507
2014	3,013,848
2015	2,919,261
2016	2,281,042

The loan agreement requires certain financial ratios to be met in the operation and management of its business. The company did not meet these ratios for 2011. The Cooperative expects to obtain a waiver of these requirements for that year.

**NOTE 12: LINE OF CREDIT**

The Cooperative has available a perpetual line of credit with CFC in the amount of \$4,000,000 for 2011 and 2010, respectively. The Cooperative had an outstanding balance of \$-0- for 2011 and 2010. Interest at December 31, 2011 was charged at 3.2%

The Cooperative has available a line of credit with CoBank in the amount of \$10,000,000 for 2011. The Cooperative had an outstanding balance of \$6,750,000 for 2011 and \$750,000 in 2010. Interest at December 31, 2011 was charged at 3.2%.

Maximum short term loan allowed by CFC and CoBank agreement is \$10,000,000 in any combination of either or both sources.

**NOTE 13: DEFERRED DEBITS AND CREDITS**

The balance of deferred credits at December 31, 2011 consists of a land contract receivable from the sale of vacant property to a governmental unit and a deferred regulatory asset relating to pension obligations assumed pursuant to the acquisition of Edison Sault Electric. The land contract is to be paid to the Cooperative over ten years. The balance was \$23,000 at December 31, 2011. The balance of the regulatory pension asset was \$10,997,889 at December 31, 2011. The Cooperative has concluded that substantially all of the unrecognized costs resulting from the recognition of the funded status of the pension and OPEB plans qualify as a regulatory asset.

The balance of deferred credits at December 31, 2011 and 2010 consists of consumers deposits for memberships, connection fees and aid to construction. The balances for these amounts were \$237 for both 2011 and 2010.

**NOTE 14: RETIREMENT PLAN**

Retirement plan benefits for substantially all employees are provided through participation in a retirement and security program (defined benefit plan) and savings plan (cash or deferred arrangements) of the National Rural Electric Cooperative Association (NRECA) and its member systems. The income earned by funds while held under the plans is qualified under Code Section 401 and tax-exempt under Code Section 501(a) of the Internal Revenue Code. The retirement and security program provides benefits to employees based on years of service and the highest five years of compensation for the last ten years of employment.

Contributions to the retirement and security program, which are determined by the NRECA, were \$1,043,916 and \$797,282 in 2011 and 2010, respectively. Contributions to the savings program, which are based on a percentage of the employees' compensation, were \$480,694 in 2011 and \$384,293 in 2010, respectively.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 15: NON-CASH INVESTING AND FINANCING ACTIVITIES**

Non-cash investing activities for 2011 and 2010 were as follows:

	2011	2010
Patronage capital allocated	\$ 659,729	\$ 552,015
Materials salvaged from inventory	4,830	7,079
Capital credits applied to bad debt	157,305	312,429
Capitalized depreciation	238,157	80,728

**NOTE 16: POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

The plan sponsored by the cooperative is an unfunded defined benefit post-retirement plan that covers all employees who were hired before October 1, 1995, and who retire after the attainment of age 60 and completion of 15 years of service. Spouses of pensioners are included, with coverage continuing to the spouse after the pensioner's death. Employees of the cooperative as of October 1, 1995 had the option to participate in the defined benefit post-retirement health insurance plan or have a Rabbi trust established in their name (see below).

The Actuarial calculated amount of liability has been recounted as expense in prior years.

The plan's net periodic postretirement benefit cost include the following components:

<b>Components of Benefit Cost</b>	2011	2010
Service Cost	\$ 1,021	\$ 74,630
Interest Cost	58,738	24,219
Amortization of transition obligation	24,219	10,936
Recognition of net Gain/loss	10,936	24,253
Prior Service cost	74,055	
	\$ 168,969	\$ 123,102

The following table sets forth the plan funded status and amounts reported on the Cooperative's balance sheets:

<b>Change in Benefit Obligation</b>	2011	2010
Benefit obligation at beginning of year	\$ 1,262,932	\$ 995,065
Interest cost	58,738	74,630
Unrecognized prior service cost	110,231	370,273
Net actuarial loss/(gain) for the prior year		(107,036)
Benefits paid	(127,454)	(70,000)
	\$ 1,304,447	\$ 1,262,932

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 16: POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - continued**

	2011	2010
<b>Change in Plan Assets</b>		
Fair value of plan assets at beginning of year		
Actual return on plan assets		
Employer contributions	\$ 127,454	\$ 70,000
Benefits paid	(127,454)	(70,000)
<b>Fair value of plan assets at end of year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Recognized Benefit Obligation</b>	<b>\$ (1,304,447)</b>	<b>\$ (1,262,932)</b>
<b>Amounts Recognized in Accumulated Other Comprehensive Loss - Beginning</b>	<b>\$ 708,268</b>	<b>\$ 493,503</b>
Prior service cost		370,273
Net actuarial gains		(107,036)
Transition obligation		(24,219)
Net current year loss		(24,253)
<b>Amounts Recognized in Accumulated Other Comprehensive Loss</b>	<b>\$ 708,268</b>	<b>\$ 708,268</b>

For measurement purposes a 9.0% and 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2011 and 2010, respectively. The rate was assumed to decrease gradually by 0.5% per year to an ultimate rate of 5.0% per annum

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.5 percent.

Benefits are expected to be paid out as follows:

2012	\$	103,315
2013		112,087
2014		120,018
2015		114,377
2016		345,728

A Rabbi Trust was established for the employees who were hired before 10/01/95 and who elected not to be covered by the Cooperatives post retirement health insurance. Some employees elected the total buyout under this option. The buyout costs were expensed when paid. The Rabbi Trust was fully funded at December 31, 2011.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 17: LEASES AND POWER PURCHASE AGREEMENTS**

The Cooperative's primary source of generation is its 30-megawatt hydroelectric-generating plant located on the St. Marys River in Sault Ste. Marie, Michigan. The water for this facility is leased under a contract between Edison Sault Electric Company, LLC and the United States Corps of Engineers with tenure to December 31, 2075. However, the Secretary of the Army has the right to terminate the contract subsequent to December 2050 by providing at least a five-year termination notice. No such notice can be given prior to December 31, 2045. The Cooperative pays for all water taken from the St. Marys River at predetermined rates with a minimum annual payment of \$200,000. Rentals under this contract were \$755,000 in 2011. The total flow of water taken out of Lake Superior, which in effect is the flow of water in the St. Marys River, is under the direction and control of the International Joint Commission, created by the Boundary Water Treaty of 1909 between the United States and Great Britain, now represented by Canada.

The International Joint Commission places limitations on the flow of water from Lake Superior that limits Cloverland's amount of hydroelectric generation. Water elevation levels on Lake Superior have been below normal levels since 1998, resulting in decreased water release. During any limited flow months, it is necessary for the Cooperative to purchase additional power from other sources or increase the use of the Cooperative's diesel generation. Water elevation levels on Lake Superior in 2006 and 2007 approached or exceeded all-time record seasonal lows, resulting in less water available for hydroelectric operation. Water elevation levels on Lake Superior improved in the fall of 2007, but are still well below normal elevation levels. In 2011, the water elevations improved over 2007 levels, but continue to be below normal.

Hydroelectric generation is also purchased by Edison Sault Electric Company, LLC under contract from the United States Corps of Engineers' hydroelectric-generating plant located within the Soo Locks complex on the St. Marys River in Sault Ste. Marie, Michigan. This 17-megawatt contract has tenure to November 1, 2040, and cannot be terminated by the United States Government prior to November 1, 2030. Payments under the contract in 2011 were \$1,832,362, with modifications to such payments for power outages and the cost of designated repairs in excess of the federal share of such costs. Annual payments are subject to re-negotiation every five years, and the re-negotiation increasing the payment to \$1,850,948 was approved in January 2009.

**NOTE 18: COMMITMENTS AND CONTINGENCIES**

**St. Ignace division Remediation Project** - A decommissioned diesel-generating site located at the St. Ignace Division's service center is currently being remediated for diesel fuel. The Michigan Department of Natural Resources and Environment (DNRE) is working with the Cooperative at the site. The cost of monitoring and remediation was \$45,076 in 2011. At this time, we cannot reasonably estimate future monitoring and remediation expenses.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 19: DEFERRED COMPENSATION**

Cloverland Electric Cooperative, Inc. offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is administered by Cloverland and is available to all employees. The plan allows employees to defer a portion of their salary until a future date. It becomes available to the employee at death, termination, retirement or disability. This plan has not been formally approved by the IRS.

All amounts deferred under the plan, all investments purchased with those amounts and all income attributable to those amounts are the sole property of Cloverland. The preceding amounts are subject only to the claims of general creditors of the Cooperative in an amount equal to the fair market value of the deferred account for each participant.

Cloverland has no liability for losses under the plan, but does have the duty of due care that would be required as a prudent investor. Cloverland has invested the amounts deferred by employees in a trust account each year. Therefore, the assets are segregated and Cloverland feels that it is highly unlikely that the assets would be used to satisfy the claims of general creditors.

The investment balances in the plan are stated at market value and consist of mutual funds.

Cloverland has adopted a Cafeteria Plan for all employees in lieu of the deferred compensation plan.

**NOTE 20: LETTERS OF CREDIT**

The Cooperative has a letter of credit outstanding to the Midwest Independent Transmission System Operator (MISO) for \$1,500,000 at December 31, 2011. This letter of credit is required in order to mitigate risk of loss in financial operations.

Also, the Cooperative has a letter of credit outstanding to the Michigan Department of Environmental Quality for \$30,000 at December 31, 2011. This letter of credit is required in order for wetlands mitigation.



**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 21: INCOME TAXES**

The detail of the deferred tax liability of Lighthouse.Net is as follows:

	<u>2011</u>	<u>2010</u>
Deferred tax asset arising from:		
Timing difference	\$ 6,588	\$ 5,101
Deferred tax liability arising from:		
Accumulated depreciation for tax purposes in excess of book	<u>(47,673)</u>	<u>(41,050)</u>
Net deferred tax asset (liability)	<u>\$ (41,085)</u>	<u>\$ (35,949)</u>

The detail of income tax expense is as follows:

	<u>2011</u>	<u>2010</u>
Current operations	\$ 3,000	\$ 1,768
Deferred taxes	<u>(5,136)</u>	<u>(840)</u>
Total income tax benefit (expense)	<u>\$ (2,136)</u>	<u>\$ 928</u>

Management believes that positions taken during prior years and to be taken for 2011 in reporting federal taxable income for Cloverland and Lighthouse are not controversial and have a high degree of being sustained upon an examination by the taxing authority.

**NOTE 22: SUBSEQUENT EVENTS**

Lighthouse.Net management has evaluated the impact of subsequent events as they relate to the financial statements through May 16, 2012, the date of issuance of the financial statements. The building loan was refinanced on January 4, 2012, as noted in Note 11.

Cloverland Electric Cooperative, Inc. and subsidiary management has evaluated the impact of subsequent events as they relate to the financial statements through May 16, 2012, the date of issuance of the financial statements.

## **ADDITIONAL INFORMATION**

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2011**

	Cloverland Electric Cooperative	Lighthouse.net	Eliminations	Consolidated Total
<b>ASSETS</b>				
<b>ELECTRIC PLANT:</b>				
In service – at cost	\$ 132,218,902	\$ 1,590,481	\$	\$ 133,809,383
Construction work in progress	<u>7,503,757</u>	<u>136,663</u>		<u>7,640,420</u>
	139,722,659	1,727,144		141,449,803
Less accumulated depreciation	<u>33,810,675</u>	<u>709,527</u>		<u>34,520,202</u>
<b>NET ELECTRIC PLANT</b>	<u>105,911,984</u>	<u>1,017,617</u>		<u>106,929,601</u>
<b>OTHER ASSETS AND INVESTMENTS:</b>				
Investments in associated organizations	9,789,471	123,039		9,912,510
Investment in subsidiary	676,950		(676,950)	
Receivables from subsidiary	9,477		(9,477)	
Non-utility property	51,472			51,472
Temporarily restricted investments	237			237
Goodwill		<u>243,301</u>		<u>243,301</u>
<b>TOTAL OTHER ASSETS AND INVESTMENTS</b>	<u>10,527,607</u>	<u>366,340</u>	<u>(686,427)</u>	<u>10,207,520</u>
<b>CURRENT ASSETS:</b>				
Cash and temporary cash investments	3,822,792	123,427		3,946,219
Accounts receivable, less allowance for doubtful accounts of approximately \$308,000	9,477,659	31,004		9,508,663
Refundable power costs	1,235,546			1,235,546
Materials and supplies	3,646,470	37,311		3,683,781
Prepaid expenses and other current assets	85,012	4,835		89,847
Prepaid Federal income tax		<u>17,500</u>		<u>17,500</u>
<b>TOTAL CURRENT ASSETS</b>	<u>18,267,479</u>	<u>214,077</u>		<u>18,481,556</u>
<b>DEFERRED DEBITS</b>	<u>11,020,889</u>	<u>17,422</u>		<u>11,038,311</u>
<b>TOTAL ASSETS</b>	<u>\$ 145,727,959</u>	<u>\$ 1,615,456</u>	<u>\$ (686,427)</u>	<u>\$ 146,656,988</u>

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2011**  
**(continued)**

	Cloverland Electric Cooperative	Lighthouse.net	Eliminations	Consolidated Total
<b>EQUITIES:</b>				
Memberships	\$ 92,760	\$	\$	\$ 92,760
Patronage capital	21,898,312			21,898,312
Other equities	1,100,890	676,950	(676,950)	1,100,890
<b>TOTAL EQUITIES</b>	<b>23,091,962</b>	<b>676,950</b>	<b>(676,950)</b>	<b>23,091,962</b>
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES:</b>				
Mortgage notes to Rural Utilities Service	26,663,815			26,663,815
Mortgage notes to Federal Financing Bank	67,762,000			67,762,000
Mortgage notes to National Rural Utilities Cooperative Finance Corporation	6,680,239			6,680,239
Mortgage notes to Central Savings Bank		663,899		663,899
Bank loan-Soo Co-op Credit Union		4,787		4,787
<b>TOTAL LONG-TERM DEBT</b>	<b>101,106,054</b>	<b>668,686</b>		<b>101,774,740</b>
<b>OTHER NON-CURRENT LIABILITIES</b>				
Accrued Postretirement benefits other than pensions and deferred compensation	1,360,021			1,360,021
Deferred income tax liability		41,085		41,085
<b>TOTAL OTHER NON-CURRENT LIABILITIES</b>	<b>1,360,021</b>	<b>41,085</b>		<b>1,401,106</b>
<b>CURRENT LIABILITIES:</b>				
Current maturities of long-term debt	1,619,500	69,296		1,688,796
Line of credit	6,750,000			6,750,000
Accounts payable:				
Purchased power	4,889,291			4,889,291
Other	2,799,692	11,114		2,810,806
Intercompany		9,477	(9,477)	
Refundable power costs				
Customer deposits and prepayments	554,781	99,181		653,962
Accrued interest	532,701			532,701
Accrued vacation and sick pay	1,274,836			1,274,836
Accrued taxes and other current liabilities	1,748,884	39,667		1,788,551
<b>TOTAL CURRENT LIABILITIES</b>	<b>20,169,685</b>	<b>228,735</b>	<b>(9,477)</b>	<b>20,388,943</b>
<b>DEFERRED CREDITS</b>	<b>237</b>			<b>237</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>\$ 145,727,959</b>	<b>\$ 1,615,456</b>	<b>\$ (686,427)</b>	<b>\$ 146,656,988</b>

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**CONSOLIDATING STATEMENT OF REVENUE**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Cloverland Electric Cooperative	Lighthouse.net	Eliminations	Consolidated Total
OPERATING REVENUES	\$ 85,476,845	\$ 1,321,212	\$	\$ 86,798,057
OPERATING EXPENSES:				
Cost of power-produced	3,164,252			3,164,252
Cost of power—purchased	48,033,879			48,033,879
Cost of goods sold		632,474		632,474
Transmission	6,070,419			6,070,419
Distribution – operations	3,226,660			3,226,660
Distribution – maintenance	4,959,060			4,959,060
Customer accounts	3,920,322	36,834		3,957,156
Customer service and information expense	683,239			683,239
Sales expense	171,193			171,193
Administrative and general	5,152,139	518,467	(2,433)	5,668,173
Depreciation and amortization	3,744,705	103,092		3,847,797
Taxes – property	2,491,292	20,782		2,512,074
Taxes – other	166,921	29,451		196,372
<b>TOTAL OPERATING EXPENSES</b>	<b>81,784,081</b>	<b>1,341,100</b>	<b>(2,433)</b>	<b>83,122,748</b>
OPERATING MARGINS BEFORE FIXED CHARGES	3,692,764	(19,888)	2,433	3,675,309
FIXED CHARGES:				
Interest on long-term debt	2,208,587	38,538		2,247,125
Other interest	907,701			907,701
<b>TOTAL FIXED CHARGES</b>	<b>3,116,288</b>	<b>38,538</b>		<b>3,154,826</b>
OPERATING MARGINS AFTER FIXED CHARGES	576,476	(58,426)	2,433	520,483
CAPITAL CREDITS	659,729	25,389		685,118
NET OPERATING MARGINS	1,236,205	(33,037)	2,433	1,205,601
NON-OPERATING MARGINS:				
Interest Income	49,703	2,466		52,169
Other	851,002	37,802	(2,433)	886,371
Income from subsidiary	7,231		(7,231)	
<b>TOTAL NON-OPERATING MARGINS</b>	<b>907,936</b>	<b>40,268</b>	<b>(9,664)</b>	<b>938,540</b>
NET MARGINS	\$ 2,144,141	\$ 7,231	\$ (7,231)	\$ 2,144,141



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

May 16, 2012

To the Board of Directors  
Cloverland Electric Cooperative, Inc.  
Dafter, Michigan

We have audited the financial statements of Cloverland Electric Cooperative, Inc. for the year ended December 31, 2011, and have issued our report thereon dated May 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Cloverland Electric Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cloverland Electric Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cloverland Electric Cooperative's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined

## **Compliance and other matters**

As part of obtaining reasonable assurance about whether Cloverland Electric Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, the Rural Utilities Service, and supplemental lenders, entities and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants