GREAT LAKES AVIATION LTD
Form 10-K
March 26, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

Commission File No. 0-23224

GREAT LAKES AVIATION, LTD.

(Exact name of registrant as specified in its charter)

Iowa	**42-1135319**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
1022 Airport Parkway, Cheyenne, WY	**82001**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (307) 432-7000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.01

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of common stock held by non-affiliates of the registrant as of the last business day of registrant s most recently completed second fiscal quarter was approximately $5,600.000.

As of March 20, 2013 there were 8,974,990 shares of Common Stock of the registrant issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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GREAT LAKES AVIATION, LTD.

FORM 10-K

For the Fiscal Year Ended December 31, 2012

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Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Great Lakes Aviation, Ltd. (Great Lakes, we, our, its, it or the Company) notes that certain statements in this Form 10-K and elsewhere are forward-looking and provide other than historical information. Our management may also make oral, forward-looking statements from time to time. These forward-looking statements include, among others, statements concerning our general business strategies, financing decisions, and expectations for funding expenditures and operations in the future. The words may, will, believe, plan, continue, could, should, hope estimate, project, intend, expect, anticipate and similar expressions reflected in such forward-looking statements are based on reasonable assumptions, and none of the forward-looking statements contained in this Form 10-K or elsewhere should be relied on as predictions of future events. Such statements are necessarily dependent on assumptions, data, or methods that may prove to be incorrect or imprecise, and may be incapable of being realized. The risks and uncertainties that are inherent in these forward-looking statements could cause actual results to differ materially from those expressed in or implied by these statements.

As more fully described in this report, important factors that could cause results to differ materially from the expectations reflected in any forward-looking statements include, but are not limited to:

1) the receipt of sufficient passenger revenues on the routes that we serve;

2) the continued funding of the Essential Air Service program and our ability to continue to be awarded future service;

3) the volatility of fuel costs;

4) the effect of general economic conditions on business and leisure travel;

5) dependence on other air carrier connecting capacity at our hubs;

6) the payments and restrictions resulting from our contractual obligations;

7) the effect of rules regarding the effect of stock sales on the availability of net operating loss carryforwards;

8) exposure to increases in interest rates associated with our new debt financing;

9) our ability to maintain compliance with specified financial and non-financial covenants.

10) the incidence of domestic or international terrorism and military actions;

11) competition from other airlines and from ground transportation;

12) the incidence of labor disruptions or strikes;

13) dependence on our key personnel;

14) the incidence of aircraft accidents;

15) the level of regulatory and environmental costs;

16) the incidence of technological failures or attacks;

17) maintenance costs related to aging aircraft;

18) the possibility of substantial numbers of shares being sold by our current investors;

19) the limited market for our securities;

20) our ability to remediate timely any deficiencies in our internal controls;

21) no expectation of dividends; and

22) anti-takeover provisions in our charter documents and Iowa law.

See also Item 1A. Risk Factors, below for additional discussion of these factors.

Readers are cautioned not to attribute undue certainty on the forward-looking statements contained herein, which speak only as of the date hereof. Changes may occur after that date, and we assume no obligation to publicly update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting these statements other than as required by applicable law.

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PART I

Item 1. BUSINESS
General

We were incorporated on October 25, 1979 as an Iowa corporation and became a publicly traded company in January 1994. We commenced scheduled air service operations on October 12, 1981. Great Lakes Airlines currently operates hubs at Albuquerque, NM, Denver, CO, Los Angeles, CA, Las Vegas, NV, Minneapolis, MN and Phoenix, AZ.

We are a regional airline operating as an independent carrier and as a code share partner with United Air Lines, Inc. (United or United Airlines) and Frontier Airlines, Inc. (Frontier or Frontier Airlines). Our code share agreements allow our mutual customers to purchase connecting flights through our code share partners and to share other benefits such as baggage transfer and frequent flyer benefits (in certain instances), while we maintain our own branding on our planes and ticket counters and our own designator code on all our flights. Effective April 1, 2013, we will serve 45 airports in 13 states with a fleet of six Embraer EMB-120 Brasilias and 28 Raytheon/Beech 1900D regional airliners.

General information about us and a current route map can be found at www.flygreatlakes.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website after we have filed such reports with, or furnished them to, the United States Securities and Exchange Commission. Information on our website is not incorporated into, nor a part of, this Form 10-K or our other securities filings.

Essential Air Service (EAS) Program

We derived approximately 42% of our total revenue from the EAS program in the year ended December 31, 2012, which is administered by the United States Department of Transportation (DOT). The EAS program was instituted under the Airline Deregulation Act of 1978 (the Deregulation Act), which allowed airlines greater freedom to introduce, increase, and generally reduce or eliminate service to existing markets. Under the EAS program, certain communities are guaranteed specified levels of essential air service. In order to promote the provision of essential air services, the DOT may authorize the payment of federal subsidies to compensate an air carrier that is providing essential air services in otherwise unprofitable or minimally profitable markets.

The FAA Modernization and Reform Act of 2012 was enacted into law on February 14, 2012. This legislation provides for the authorization of the EAS program for federal fiscal years 2011 through 2014. Federal fiscal year 2014 ends on September 30, 2015. While the FAA Modernization and Reform Act of 2012 reaffirmed the Congressional commitment to the continuance of the Essential Air Service program, a portion of the funding for the EAS program continues to depend on annual Congressional appropriations. Furthermore, the Budget Control Act of 2011, popularly known as sequestration legislation mandating across-the-board federal budget cuts, went into effect on March 1, 2013. If, and how this legislation will affect the EAS program and our public service revenue, is unknown at this time.

An airline serving a community that qualifies for essential air services is required to give the DOT advance notice before the airline may terminate, suspend, or reduce service. Depending on the circumstances, the DOT may require the continuation of existing service until a replacement carrier is found. EAS rates are normally set for two-year periods for each city. Significant fluctuations in passenger traffic, fares and associated revenues, as well as fluctuations in fuel and other costs, may cause EAS routes to become unprofitable during these two-year terms. Near the end of the two year term for EAS service to a particular city, the DOT will request service proposals from the Company and competitive proposals from other airlines. Proposals, when requested, are evaluated on, among other things, the level of service provided, the amount of subsidy requested, the fitness of the applicant, and comments from the communities served.

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Effective April 1, 2013, we will serve 32 EAS communities on a subsidized basis.

EAS Program Activity

On February 1, 2012, March 11, 2012 and March 17, 2012, we initiated service to our Minneapolis hub from Pierre, SD (non-EAS subsidized), Ironwood, MI, and Jamestown, ND and Williston, ND (non-EAS subsidized).

On April 2, 2012 we commenced service from Watertown, SD to Minneapolis, MN and on April 11th we initiated service from Fort Dodge, IA and Mason City, IA to Minneapolis, MN.

On April 4, 2012 we discontinued EAS service to Garden City, KS and transitioned this service to another carrier.

On May 17, 2012 we initiated service from Thief River Falls, MN to our Minneapolis hub.

On November 4, 2012 we discontinued EAS service to Laramie, WY and transitioned this service to another carrier.

On February 1, 2013 we continued our service to Dickinson, ND on a non-subsidized basis.

On February 12, 2013 the U.S. Department of Transportation terminated the eligibility of Ely, NV under the EAS program effective April 1, 2013. We will operate our last flight to Ely, NV on March 31, 2013 and discontinue operations at our Las Vegas, NV hub at this time.

United Airlines and Frontier Airlines Code Share Relationships

United Airlines. We have operated under ticket revenue proration code share agreements with United Airlines since April 1992. On May 1, 2001, we transitioned from a United Express branded code share agreement to a unique code share agreement that provides United with code share marketable access to all seats on Great Lakes aircraft where the United code share product can provide our mutual customers connecting opportunities and access to all of the benefits of the United product line including convenient baggage transfer and United s frequent flyer program. The Company and United entered into a new code share agreement on September 1, 2011. Terms of the agreement provide for the Company to continue United Airlines code sharing for destinations the Company services to and from our Denver, Los Angeles and Phoenix, AZ hubs.

Frontier Airlines. On May 3, 2001, we entered into a code share agreement with Frontier, which was implemented July 9, 2001. While the Frontier agreement does not have a fixed termination date, it is terminable 180 days after written notice by either party. The Frontier agreement facilitates additional convenient access to connecting seat inventories and makes available the entire Frontier product line to all Great Lakes communities. The Frontier flight designator code (F9) can be used on Great Lakes flights connecting with Frontier s flights at our Denver, CO, Los Angeles, CA and Phoenix, AZ hubs. Accordingly, certain flights to and from our Denver, Los Angeles and Phoenix hubs carry both the United Airlines and Frontier Airlines flight designator codes and all flights throughout our route system carry the Great Lakes designator code.

During 2012, we estimate that approximately 32% of Great Lakes passenger traffic utilized the United code share product line and approximately 23% of Great Lakes passenger traffic utilized the Frontier code share product line.

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Interline Relationships

Since 1982, Great Lakes has developed and maintained various interline relationships with numerous domestic and international airlines. In recent years, the airline industry has modified its interline ticketing and baggage agreements to move towards electronic processing of interline transactions and related customer services. Great Lakes is committed to being part of the airline industry s mission to simplify the customer relationship. As a part of this commitment, we have developed electronic ticketing (e-ticket) interline agreements with American Airlines, Delta Airlines, Frontier Airlines, United Airlines and U.S. Airways. We intend to update our remaining paper ticket interline agreements with e-ticket processing procedures.

Markets

Effective April 1, 2013, we will operate 241 weekday flights. Service scheduled to and from our four hubs includes: 126 flights at Denver, 12 flights at Phoenix, 14 flights at Los Angeles (LAX), and 22 flights at Minneapolis. Great Lakes route map below illustrates our route map with the effect of discontinuing operations at our Las Vegas, NV hub:

We frequently modify our routes. For a current map of routes being flown, please visit our website at *www.flygreatlakes.com*.

Marketing

Our services are marketed primarily by means of our internet website, code-share partners websites, the Delta.com website, global distributions systems (travel agencies and travel agent websites) and our reservation system s call center. Our promotional programs emphasize our close affiliation with our code share and interline e-ticket partners and, in particular, the opportunity for our passengers to participate in certain related customer service benefits, such as frequent flyer programs.

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Yield Management

We monitor our inventory and pricing of available seats utilizing yield management techniques. These processes enable our revenue control analysts to examine our past traffic and pricing trends, and to estimate the optimal number of seats to make available for sale at various fares. The analysts then monitor each flight to adjust seat allocations and booking levels, with the objective of maximizing total revenue for each flight.

Charter, Freight and Contract Service

Great Lakes uses its Beechcraft 1900Ds and Embraer Brasilia aircraft to provide charter services to private individuals, corporations and athletic teams. We also carry freight and small packages on most of our scheduled flights and provide contract services for other airlines. Combined revenues from our charter flights, freight and contract services were 0.3%, 0.8%, and 1.5% of our total revenues for the years ended December 31, 2012, 2011, and 2010, respectively.

Seasonality

Seasonal factors, related to weather conditions and changes in passenger demand, generally affect our monthly passenger enplanements. We have historically shown a higher level of passenger enplanements in the May through October period as compared with the November through April period for many of the cities served. These seasonal factors have generally resulted in reduced revenues, lower operating income, and reduced cash flow for us during the November through April period. As a result of such factors, our revenues and earnings have shown a corresponding increase during the May through October period. Essential Air Service revenues are generated under subsidy per departure rates established by the DOT and we realize revenue as departures are performed. Inherently, most of our EAS revenues, other than winter weather related cancellations, are not affected by seasonality, but certain EAS markets do receive summer season increased departures which are eligible for subsidy revenue.

Competition

Great Lakes competes for passenger traffic with regional and major air carriers and ground transportation. We also compete with other regional air carriers to receive EAS subsidies for providing air service to small communities. Our competition from other air carriers varies from location to location and, in certain areas, comes from regional and major carriers who serve airports in close proximity to destinations we serve.

Aircraft

As of March 20, 2013, our fleet consisted of 28 Beechcraft Model 1900D 19-passenger aircraft and six Embraer Brasilia Model 120 30-passenger aircraft.

Beechcraft 1900D Aircraft. The 19 passenger Beechcraft 1900D aircraft are pressurized and weather radar equipped, and offer a 310-mile per hour cruising speed.

Embraer Brasilia Aircraft. The 30-passenger Embraer Brasilia aircraft are pressurized, weather radar equipped, configured with lavatories, staffed with a flight attendant, and offer a 330-mile per hour cruising speed.

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A summary of our operating aircraft as of December 31, 2012, 2011 and 2010 is as follows:

	2012		2011		2010	
	Beechcraft 1900D	Embraer Brasilia	Beechcraft 1900D	Embraer Brasilia	Beechcraft 1900D	Embraer Brasilia
Owned	28	6	27	4	25	4
Operating leases	0	0	0	2	7	2
	28	6	27	6	32	6

As of March 20, 2013, the average age of our aircraft was approximately 18 years.

Maintenance

We utilize Federal Aviation Administration (FAA) approved FAR part 121 maintenance programs developed by Great Lakes for periodic inspection and maintenance of our aircraft. We have operated and maintained Beechcraft 1900 aircraft since August of 1987 and we have operated and maintained Embraer Brasilia EMB 120 aircraft since June of 1994. We perform inspection and maintenance of our aircraft at our maintenance bases in Cheyenne, WY, Farmington, NM, Fort Dodge, IA and Williston, ND. Select components such as engine gas generators, power sections and avionics repairs and/or overhauls may be contracted with third parties certified to perform such maintenance. Line maintenance is also performed in Denver, CO and Minneapolis, MN. Parts inventories are maintained at these locations to promote the mechanical dispatch reliability of the fleet. We also keep an inventory of spare engines and propellers for our fleet to allow for minimal downtime during major overhauls.

Since 1979, we have operated a FAA certified repair station (CRS), under FAA Federal Aviation Regulation (FAR) part 145. We currently utilize the repair station, located in Cheyenne, WY, to perform overhaul and repair of selected aircraft components for our fleet of Beechcraft 1900D and Embraer Brasilia EMB-120 aircraft.

Fuel

We expect to continue to be able to obtain fuel in quantities sufficient to meet our future requirements. We contract, both through intermediaries and directly with refiners, for the purchase of a significant portion of our aircraft fuel requirements. However, standard industry contracts generally do not provide protection against fuel price increases and do not ensure availability of supply. Accordingly, an increase in the cost of fuel, if not accompanied by an equivalent increase in passenger revenues or subsidies, could have a material adverse impact on our future operating results. During 2012, our average price of fuel, including taxes and into plane service fees, was $3.76 per gallon, as compared to $3.69 in 2011 and $2.83 in 2010. Based on rates of consumption for 2012, a one cent increase or decrease in the per gallon price of fuel would increase or decrease our fuel expense by approximately $113,000 annually.

Liquidity, Financing and Capital Resources

We have historically used debt to finance the purchase of aircraft. On November 16, 2011, we entered into a financing agreement with GB Merchant Partners, LLC, serving as Collateral Agent, and Crystal Capital LLC, serving as Administrative Agent (the Credit Agreement). Terms of the financing include a four-year term loan in the amount of $24 million and a revolving loan credit facility in which we may borrow up to $10 million. This Credit Agreement enabled us to:

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Make a one-time payment to Raytheon Aircraft Credit Corporation (Raytheon) in the amount of $27 million to satisfy $37.2 million of outstanding debt obligations, extinguishing all of our debt obligations to Raytheon;

Pay related expenses of $2.5 million, and

Obtain, as a part of the transaction, the return of all 5,371,980 shares of Great Lakes common stock previously held by Raytheon. This transaction reduced the issued and outstanding balance of common stock from 14,291,970 shares to 8,919,990 shares at November 2011.

At December 31, 2012, our outstanding principal balance on the term loan was $18.7 million and we had borrowed $7.5 million under the revolving credit facility.

Pursuant to the terms of a pledge and security agreement and an aircraft security agreement, our obligations to the lenders identified in the Credit Agreement are secured by substantially all assets of the Company, including all owned aircraft.

Since we entered into the November 2011 Credit Agreement, a combination of cash generated from operations and additional borrowings of $3.5 million under the revolving credit facility through March 20, 2013, has provided enough liquidity to purchase three Beechcraft 1900D aircraft and two Embraer EMB-120 Brasilia aircraft. Two Beechcraft 1900D aircraft, one of which was purchased without engines, were purchased in December 2011 and the third Beechcraft 1900D aircraft was purchased in January 2012. We leased two Embraer EMB-120 Brasilia aircraft which leases where scheduled to terminate in January of 2013 and April of 2013. In December of 2012, we negotiated the early termination of these lease agreements and the purchase of the two Embraer EMB-120 Brasilia leased aircraft.

For the 12 months ending December 31, 2012, we invested $6.5 million of cash in aircraft, engines, rotable parts and other equipment. Aircraft and aircraft engine acquisitions, consisting of one Beechcraft 1900D, two Embraer EMB-120 Brasilia aircraft and one Embraer EMB-120 Brasilia aircraft engine, represented $3.3 million of the $6.5 million cash investment. We do not expect to acquire additional aircraft or engines in the foreseeable future.

For the year ending December 31, 2012, we incurred $1.4 million of aircraft rental expense of which $0.6 million was related to contractual lease obligations for the two Embraer EMB-120 Brasilia aircraft, $0.1 million was related to accelerated rent payments associated with the termination of the leases and a non-cash expense of $0.7 million was related to maintenance deposits expensed as a result of terminating the leases early. These expenses will be non-recurring going forward. At December 31, 2012 the Company has no aircraft lease obligations.

We had borrowed $7.5 million under the revolving credit facility at December 31, 2012 and borrowed an additional $1.5 million in 2013. The borrowings under the revolving credit facility are secured by accounts receivable, parts inventory and spare engines. As of March 20, 2013, we have borrowed $9.0 million, leaving $1.0 million available under our revolving credit facility.

Mandatory contractual principal and interest obligations for the next 12 months will be approximately $7.1 million. In addition to the mandatory contractual principal and interest obligations, we are required to make principal payments, based on a percentage of excess cash flows, on September 30 of each year beginning September 30, 2012, as determined in the Credit Agreement. In November of 2012, we made an excess cash flow payment in the amount of $2.3 million used to reduce the principal outstanding balance of the term loan. In 2012, we also made principal payments of $5.3 million which reduced the outstanding principal balance of the term loan from $24.0 million at December 31, 2011 to $18.7 million at December 31, 2012.

The term loan and the revolving loan credit facility are set to mature on November 16, 2015 at which time the outstanding principal balance due under the term loan is scheduled to be $7.8 million. If we do not decrease our borrowings under the revolving credit facility between March 31, 2013 and November 16, 2015, an additional $9.0 million under the revolving credit facility will also be due at maturity.

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For additional information regarding the EAS Program and Liquidity, Financing and Capital Resources see Item 1A Risk Factors and Notes 1 and 5 to the Company s financial statements included in this Annual Report on Form 10-K.

Employees

At March 20, 2013, the Company had 803 full-time and 361 part-time active employees, as compared to 743 full-time and 325 part-time active employees at March 20, 2012.

The Company s pilots are represented by the United Transportation Union (UTU). The pilot collective bargaining agreement became amendable on September 16, 2010. The Company and the UTU have been engaged in contract mediation under the auspices of the National Mediation Board (NMB). In August 2012, both the pilots and the Company asked to be released from mediated bargaining. On March 22, 2013, the NMB proffered arbitration. The parties have 30 days to accept that proffer. If, at the end of the 30 day period both parties have not agreed to arbitrate, then they will be released to exercise self-help.

The Company s flight attendants are also represented by the UTU. The Company entered into a new agreement with the flight attendants on May 17, 2011. This agreement will continue in full force and effect for four years and thereafter is subject to amendment, which would reopen collective bargaining.

The Company s mechanics and maintenance clerks are represented by the International Association of Machinists and Aerospace Workers (IAM). The collective bargaining agreements between the Company and the clerks and mechanics represented by IAM, District 143, became amendable in 2002 and 2005, respectively. We are currently engaged in contract mediation under the auspices of the National Mediation Board.

In 2003, the Company s dispatchers voted to be represented by the International Brotherhood of Teamsters. Negotiations with the dispatchers are not active at the present time.

Executive Officers of the Registrant

The following table provides information with respect to the Company s executive officers as of March 20, 2012.

Name	Age	Title
Douglas G. Voss	58	Chairman of the Board of Directors and President
Charles R. Howell IV	55	Chief Executive Officer
Michael O. Matthews	56	Vice President and Chief Financial Officer
Michael L. Tuinstra	59	Treasurer

Douglas G. Voss. Mr. Voss co-founded the Company in 1979 and served in the position of Chief Executive Officer from the Company s inception until December 31, 2002. Mr. Voss has served as a director of the Company since the Company s inception. Mr. Voss was initially licensed as a private pilot in 1974 and today holds both an Airline Transport Pilot Certificate and Airframe and Powerplant Mechanic Certificates. Mr. Voss is a graduate of Colorado Aero Tech. Mr. Voss has previously served the Company in the FAA Air Carrier Certificate required operational control positions of Director of Operations and Director of Maintenance.

Charles R. Howell IV. Mr. Howell became the Chief Executive Officer of the Company on December 31, 2002. Mr. Howell served as Chief Operating Officer from August 2002 until December 31, 2002. Prior to joining the Company, Mr. Howell was the President and Chief Executive Officer of Corporate Airlines, Inc., a Nashville-based airline that he co-founded in 1996.

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Michael O. Matthews. Mr. Matthews became the Vice President and Chief Financial Officer of the Company on March 28, 2005. Mr. Matthews joined the Company in November 2004 as Vice President of Finance. Prior to joining the Company, Mr. Matthews was employed as Director of Treasury for Budget Group, Inc. Prior to joining Budget Group, Inc. in 2000, Mr. Matthews held management positions in the financial services industry including Newcourt Financial, MetLife Capital, Sanwa Business Credit and Societe Generale Financial Corporation.

Michael L. Tuinstra. Mr. Tuinstra became the Company s Treasurer in January 2002. From April 1999 to January 2002, Mr. Tuinstra served as the Company s Director of Purchasing and Inventory Control. From August 1998 until April 1999, Mr. Tuinstra was the Company s Budget and Financial Analyst.

Regulation

The U.S. Department of Transportation (DOT) has continuous economic and fitness oversight of the Company s operations. The Company s economic authority is authorized under DOT Part 298 commuter air carrier certification regulations. The Deregulation Act of 1978 eliminated many regulatory constraints so that airlines became free to set fares and, with limited exceptions, to establish domestic routes without the necessity of seeking government approval.

The DOT is authorized to establish consumer protection regulations in order to prohibit certain pricing practices, influence conditions of carriage, and make ongoing determinations of a carrier s fitness, willingness, and ability to provide air transportation properly and lawfully. The DOT also has the power to bring proceedings to enforce its regulations and seek penalties, including the assessment of civil penalties, the revocation of operating authority, and criminal sanctions.

We hold an air carrier operating certificate and a certified repair station certificate issued by the Federal Aviation Administration (FAA) pursuant to Federal Aviation Regulation (FAR) Part 121 and Federal Aviation Regulation (FAR) Part 145, respectively. As a result, we are subject to the jurisdiction of the FAA with respect to our flight operations, aircraft maintenance, and safety related matters, including, but not limited to, equipment, ground facilities, dispatch, communications, training, weather observation, flight personnel, and other matters affecting air safety. Our certificate is subject to suspension or revocation for cause.

The Aviation and Transportation Security Act requires the adoption of certain security measures by airlines and airports, including the screening of passengers and baggage. The security measures are being partially funded by a per flight segment tax on tickets. We are responsible for certain security costs above this level.

We are subject to the jurisdiction and regulations of the Federal Communications Commission regarding the use of our radio facilities. In addition, local governments and authorities in certain markets have adopted regulations governing various aspects of aircraft operations, including noise abatement, curfews, and use of airport facilities. We believe that we are in compliance with all such regulations.

We are subject to regulation under various environmental laws and regulations, including the Clean Air Act, the Clean Water Act and Comprehensive Environmental Response, Compensation and Liability Act of 1980. In addition, many state and local governments have adopted environmental laws and regulations to which our operations are subject.

Insurance

Great Lakes carries the types and amounts of insurance that are required by the DOT and are customary in the regional airline industry, including coverage for public liability, property damage, aircraft loss or damage, baggage and cargo liability, and workers compensation.

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As a result of the September 11, 2001 terrorist attacks, aviation insurers have significantly increased premiums for all aviation coverage, while dramatically reducing the amount of coverage available for war-risk occurrences. In response to the reduction in coverage, the Air Transportation Safety and System Stabilization Act (the Stabilization Act) provided U.S. air carriers with the option to purchase certain war-risk liability insurance from the United States government on an interim basis at rates that are more favorable than those available in the private market. We have purchased this coverage from the United States government and anticipate renewing it for as long as the coverage is available. The airline and insurance industries, together with the United States and other governments, are continuing to evaluate both the cost of aviation insurance and options for providing insurance coverage. We anticipate that we will follow industry practices with respect to sources of insurance. We believe our insurance is adequate as to amounts and risks covered. There can be no assurance, however, that the limits of our insurance will be sufficient to cover any catastrophic loss, or that we will be able to renew insurance at commercially reasonable rates.

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ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks described below and the other information included or incorporated by reference into this annual report, including our financial statements and the related notes, before deciding to invest in our common stock. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently do not deem material may also impair our business operations. If any of the events or circumstances described in the following risk factors actually occur, or if any unforeseen risk develops, our business, financial condition and results of operations could suffer, the trading price of our stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business

We depend on Essential Air Service revenue to justify a substantial portion of our capacity.

We receive Essential Air Service (EAS) revenue as compensation for essential air service provided by us to smaller communities. We received $58.3 million of EAS revenue for the twelve month period ending December 31, 2012, representing approximately 42% of our total operating revenue, compared to $52.4 million of EAS revenue, or approximately 42% of our total operating revenue, for the twelve month period ending December 31, 2011. The total amount of EAS revenue ultimately received by us over an extended period is determined by, among other things, overall funding levels of the EAS program by the U.S. Congress (which could be reduced), competitive bids by other carriers (which could cause us to lose EAS revenue to competitors), and our ability to optimize our schedules. EAS revenue awards generally have a term of two years. The U.S. Department of Transportation, which administers the EAS program, has the right to cancel EAS revenue awards if it deems that the communities served by such arrangements are no longer eligible.

The FAA Modernization and Reform Act of 2012 was enacted into law on February 14, 2012. This legislation provides for the authorization of the Essential Air Service program for federal fiscal years 2011 through 2014. Federal fiscal year 2014 ends on September 30, 2015. The FAA Modernization and Reform Act of 2012 reaffirmed the Congressional commitment to the continuance of the Essential Air Service program. However, there can be no assurances that future legislation will be consistent with this current legislation or that Congress will provide appropriated funding for the program at any particular level. Furthermore, the Budget Control Act of 2011, popularly known as sequestration legislation mandating across-the- board federal budget cuts, went into effect on March 1, 2013. If, and how this legislation will affect the EAS program and our public service revenue, is unknown at this time. A reduction of EAS revenue could adversely affect our business, financial condition, operating results and cash flows.

Our senior credit facility with GB Merchant Partners, LLC and Crystal Capital LLC requires us to maintain certain financial ratios and comply with various operational and other covenants.

Our failure to comply with the covenants contained in the credit agreement, including as a result of events beyond our control, could result in an event of default. If there were an event of default under our senior credit facility that was not cured or waived, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flow will be sufficient to fully repay borrowings under our outstanding debt instruments, either upon maturity or if accelerated, upon an event of default, or that we would be able to refinance or restructure the payments on those debt instruments. This would have a material adverse impact on our liquidity, financial position and results of operations.

Airline industry conditions constantly change, and negative economic conditions in the United States may materially and adversely affect our business and results of operations.

The airline industry is significantly affected by general economic conditions, and the global economic recession has resulted in weaker demand for air travel in general. Economic and competitive conditions in the airline industry have contributed to a number of airline bankruptcies in recent years. A worsening of current economic conditions, or an extended period of recession, whether nationally or regionally, would have a material adverse effect on our business, financial condition, operating results and cash flows.

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We depend on connecting capacity at our hubs and the activities of our code share partners affect that capacity.

Our business depends on, and is sensitive to, events affecting the airline industry capacity at our connecting hubs. The operations of other airlines with substantial business at those hubs, therefore, impact our business. Our code share partners United Airlines and Frontier Airlines operate a large percentage of the flights at Denver International Airport, our largest hub. Changes in their business plans or models, employee strikes or job actions, or significant curtailment of services could have an adverse effect on our financial results.

Our code share agreements with Frontier Airlines and United Airlines do not have a fixed termination date, but are cancellable by either party upon sufficient notice. We estimate that approximately 32% and 23% of our connecting passenger traffic utilizes the United Airline and Frontier Airlines code share product line, respectively. While we are the only carrier serving the majority of the non-hub destinations we serve, we can make no assurances that absent a code share agreement with United Airlines or Frontier Airlines, that passengers wishing to travel to these destinations would either: (i) purchase travel through our interline e-ticketing agreements established with United Airlines, Frontier Airlines, Continental Airlines, Delta Airlines, U.S. Airways and American Airlines or (ii) purchase their travel directly through our own sales channels. Therefore, if the United Airlines or Frontier Airlines code share agreements are terminated, we cannot predict the effect this would have on our future total operating revenue.

An ownership change under IRS Section 382 could reduce, eliminate, or defer the utilization of our net operating loss carryforwards.

At December 31, 2012, we had estimated net operating loss carryforwards (NOLs) of $20.8 million for federal income tax purposes that expire beginning in 2021 and continuing through 2024. Section 382 of the Internal Revenue Code (Section 382) imposes limitations on a corporation s ability to utilize NOLs if it experiences an ownership change . Generally, an ownership change occurs if one or more shareholders, each of whom owns 5% or more in value of a corporation s stock, increase their percentage ownership, in the aggregate, by more than 50% over the lowest percentage of stock owned by such shareholders at any time during the preceding three-year period.

If we were to undergo an ownership change as defined in Section 382, our NOLs generated prior to the ownership change would be subject to annual limitations, which could reduce, eliminate, or defer the utilization of these losses. Our NOLs available to offset future taxable income could be severely limited and the NOLs may expire as a result of the limitation. If we were to experience an ownership change as defined in Section 382 we may have to reduce or eliminate our deferred tax assets, incur future income taxes payable that could require cash payments or a combination of both. The effect could be materially adverse to our financial statements and cash flows.

At this time, we cannot predict if future transactions in our shares would constitute a change in ownership as defined by Section 382, and, therefore, affect the availability of our NOLs.

Our operations could be negatively impacted by terrorist events or war activity.

Our operations are sensitive to changes in the economy and airline industry that are caused by, or related to, past and future terrorist attacks. Such changes include, but are not limited to, the impact of additional airline and security charges on our costs, reduced customer demand for travel, the cost and availability of war-risk and other aviation insurance (including the federal government s provision of third party war-risk coverage). War or other military action by the United States or other countries could have a significant effect on passenger traffic and passenger revenue, which could adversely affect our business, financial condition, operating results and cash flows.

We compete for passenger traffic and EAS revenue with other air carriers.

We compete for passenger traffic with regional and major air carriers. We also compete with other regional air carriers to receive EAS revenue for providing air service to small communities. Our competition from other air carriers varies from location to location and, in certain areas, comes from regional and major carriers who serve the same airports or larger airports which are in close proximity to some of the destinations we serve. Additionally, passengers may decide to drive or utilize other ground transportation services to nearby airports which we do not serve and/or hubs in which we serve. These competing factors could adversely affect our future passenger revenues.

Fuel prices or disruptions in fuel supplies could have a material adverse effect on us.

Expenditures for fuel and related taxes represent one of the largest costs of operating our business. Our operations depend on the availability of jet fuel supplies, and our results are significantly impacted by changes in jet fuel prices, which have been volatile in the last 36 months. Jet fuel prices increased in 2012 and continue to increase in first quarter of 2013. We do not participate in fuel hedging instruments. Fuel prices could increase dramatically and supplies could be disrupted as a result of many factors outside of our control. Further volatility in jet fuel prices or disruptions in fuel supplies could have a material adverse effect on our results of operations, financial condition and liquidity.

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Any labor disruption by our employees or those of our code share partners would adversely affect our ability to conduct our business.

Our pilots, flight attendants, mechanics and maintenance clerks, and dispatchers are represented by unions. Collectively, these employees represented approximately 34% of our workforce as of December 31, 2012. The collective bargaining agreements became amendable in 2010 for the pilots and 2005 for the mechanics. We entered into a new four year agreement with our flight attendants effective May 17, 2011.

Our pilots are represented by the United Transportation Union (UTU). The pilot collective bargaining agreement became amendable on September 16, 2010. The Company and the UTU have been engaged in contract mediation under the auspices of the National Mediation Board (NMB). In August 2012, both the pilots and the Company asked to be released from mediated bargaining. On March 22, 2013, the NMB proffered arbitration. The parties have 30 days to accept that proffer. If, at the end of the 30 day period both parties have not agreed to arbitrate, then they will be released to exercise self-help.

If we are unable to reach agreement with any of our unionized work groups when collective bargaining agreements are amendable and the work group is released from bargaining by the NMB, we may be subject to work interruptions and/or stoppages, which could adversely affect our business, financial condition, operating results and cash flows. A labor disruption or labor strike at either of our code share partners could have the same effects.

Our business could be harmed if we lose the services of our key personnel.

Our business depends upon the efforts of our Chairman of the Board and President, Douglas G. Voss, and our other key management and operating personnel. We depend on the experience and industry knowledge of these individuals to execute our business plans. If we experience turnover in our leadership and other key employees, our business, financial condition, operating results and cash flows could be materially adversely impacted.

We are at risk of losses stemming from an accident involving any of our aircraft.

If one of our aircraft were to be involved in a serious accident, we could be exposed to significant liability for loss of life or other damages. Though we carry insurance against liability resulting from accidents, we cannot assure you of its adequacy in all circumstances. An accident could result in decreased revenues which could materially adversely affect our business, financial condition, operating results and cash flows. In addition, depending on the circumstances, any accident involving a particular aircraft of the type that we operate could result in a negative perception of that type of aircraft by air travelers. This could adversely affect our revenue whether or not our company was actually involved in the accident.

The airline industry is subject to extensive government regulation, and new regulations, or changes in interpretations of current regulations, could increase our operating costs.

Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs. The Federal Aviation Administration (FAA) from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that may necessitate significant expenditures. Other laws, regulations, taxes and airport rates and charges have also been imposed from time to time that significantly increase the cost of airline operations and/or reduce our revenue. The Aviation and Transportation Security Act, which became law in November 2001, mandated the federalization of certain airport security procedures and imposed additional security requirements on airports and airlines, most of which are funded by a per ticket tax on passengers and a tax on airlines.

In 2010 Congress passed legislation, effective in July 2013, which may require the company to alter its minimum flight crew (pilot) hiring requirements for First Officers. The legislation statutorily will require a minimum of 1,500 hours of piloting experience and Airline Transport Pilot FAA certificate. This Act is subject to further rulemaking and the FAA Administrator has been designated by Congress with the authority to grant exemptions to the new hiring standard subject to the development of specialized pilot training programs. The airline industry has had a long history of recognizing regional airlines, such as Great Lakes, for providing initial FAR Part 121 pilot experience development.

With the most recent economic recession and the statutory retirement age for airline pilots increasing from age 60 to age 65, the airline industry has experienced a reduced level of pilot hiring as pilots have been allowed to extend their careers. New student pilot certificates have decreased dramatically in the past three years and subsequently the pool of eligible pilots qualified to be new hires into the airline industry has been diminishing significantly. The new federally mandated changes to hiring requirements, along with the current reduction of eligible and qualified pilot work force, could create a potentially serious regional airline pilot shortage. Depending on the outcome of this active rulemaking process, the provisions could significantly negatively impact the supply of pilots available to conduct our flight operations.

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We incur substantial costs in maintaining our current certifications and otherwise complying with the laws, rules and regulations to which we are subject. We expect to continue incurring expenses to comply with the FAA s regulations, as well as regulation by states, airports and municipalities that have jurisdiction over our operations.

In addition, proposed laws, regulations, taxes and user fees, if enacted, may increase our operating expenses and otherwise affect our business. Examples of this are the recent proposals to impose substantial user fees on aviation (including airlines) to fund air traffic control system costs and upgrades to that system. Future regulatory action concerning climate change and aircraft emissions also could have a significant effect on the airline industry, including the potential for increased fuel costs, carbon taxes or fees or a requirement to purchase carbon credits. We cannot predict whether these or other new regulations may be imposed on airlines and we cannot assure that laws or regulations enacted in the future will not materially adversely affect our business, financial condition, operating results and cash flows.

We rely on technology and automated systems to operate our business, and a failure of these technologies or systems, or failures by their operators, could harm our business.

We depend on technology and automated systems to operate our business, including our computerized airline reservations system, our telecommunication systems, our website, our maintenance and engineering systems, our flight dispatching and crew management systems, our flight scheduling systems, and other technologies and systems. Disruption in, changes to, or a breach of, these systems could result in the loss of important data, negatively affect our customer service, increase our expenses, delay or impede our flight and related operations, or otherwise adversely impact our business. We may be vulnerable to external interruption in technology infrastructure on which we depend, such as power, telecommunications or the internet, whether due to large-scale events, such as natural disasters, or directed actions, including terrorist attacks and system security attacks seeking to compromise or obtain financial data, infect systems with computer viruses or impair or disrupt functionality through denial of services.

Production of both types of aircraft which we fly has ceased.

As of March 20, 2013, we operated a fleet of 28 Beechcraft Model 1900D 19-passenger aircraft and 6 Embraer Brasilia Model 120 30-passenger aircraft, neither of which of which are currently in production. These aircraft types continue to receive factory parts, manufacturing and engineering support. We may experience increased maintenance costs as our fleet ages.

Risks Related to Our Securities

The limited market for our securities could make trading more difficult or more expensive.

Trading in our common stock is conducted on the Over-the-Counter Bulletin Board, which was established for securities that do not meet NASDAQ listing requirements. We cannot assure you of an active public market for our common stock. Consequently, trading our common stock may be more difficult because of lower trading volumes, transaction delays, and reduced security analyst and news media coverage. These factors also could contribute to lower prices and larger spreads in the bid and ask prices for our common stock than might otherwise prevail.

The market price of our common stock may be subject to wide fluctuations.

The price of our common stock may fluctuate, depending on many factors, some of which are beyond our control and may not be related to our operating performance. As a result of this volatility, investors may not be able to sell their common stock at or above the price paid for the stock. The price of our common stock will be determined in the marketplace and may be influenced by many factors, including:

- the extremely limited float in the public market;
- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of companies in the airline industry;

actual or anticipated changes in our earnings or fluctuations in our operating results or in the expectations of financial market analysts;

regulatory changes affecting the airline industry;

investor perceptions of our industry, in general, and our company, in particular;

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- passenger concerns about the safety of air travel, in general, and public perceptions of our company, in particular;
- the operating and stock performance of comparable companies;
- general economic conditions and trends;
- major catastrophic events;
- loss of external funding sources;
- sales of large blocks of our stock or sales by insiders; or
- departures of key personnel.

A decline in the market price of our common stock could cause you to lose some or all of your investment and may adversely impact our ability to attract and retain employees and raise capital. In addition, stockholders may initiate securities class action lawsuits if the market price of our stock drops significantly, which may cause us to incur substantial costs and could divert the time and attention of our management.

We are controlled by our Chairman and President.

Our Chairman of the Board and President, Douglas G. Voss, beneficially owns 4,160,247 shares of our outstanding common stock, representing approximately 46.4% of our outstanding shares. As a result, Mr. Voss may be able to control our company and direct our affairs, including the election of directors and approval of significant corporate transactions.

This concentration of ownership could also delay, defer or prevent a change in control of our company, and make some transactions more difficult or impossible without Mr. Voss support. These transactions might include proxy contests, tender offers, open market purchase programs or other share purchases that could give our stockholders the opportunity to realize a premium over the then-prevailing market price of our securities. As a result, this concentration of ownership could depress the price of our securities.

We may be exposed to potential risks relating to our internal control over financial reporting and our ability to have those controls remediated timely.

In the event we identify control deficiencies that we cannot remediate in a timely manner, investors and others may lose confidence in the reliability of our financial statements, and the trading price of our common stock and our ability to obtain any necessary equity or debt financing could suffer.

We are restricted from paying cash dividends on our shares of common stock in the foreseeable future.

We intend to retain any future earnings to fund the operation and expansion of our business and, therefore, we do not anticipate paying cash dividends on our shares of common stock in the foreseeable future. In addition, we are restricted from paying dividends under the current terms of our debt instruments. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for investors in our common stock for the foreseeable future.

Provisions in our credit agreement restrict us from issuing preferred stock, merging with or acquiring another entity or modifying any of our organizational documents.

Our current credit agreement restricts us from issuing preferred stock or amending, modifying or waiving any term or provision of our organizational documents, including our articles of incorporation, certificates of designation pertaining to preferred stock, by-laws, or other operating agreement in any manner adverse to our current lenders without their prior consent.

Our credit agreement also restricts us from participating in any merger or acquisition activity that would be adverse to our current lenders without their prior consent. This provision could discourage others from bidding for our common stock and could, as a result, reduce the likelihood of an increase in our stock price that would otherwise occur if a bidder sought to buy our stock.

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Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Aircraft

We currently operate a total of 34 aircraft consisting of 28 19-passenger Beechcraft 1900D aircraft and six 30-passenger Embraer Brasilia aircraft. The average age of our fleet is approximately 18 years. All 34 of our aircraft are owned and pledged as security for our loan agreements with GB Merchant Partners, LLC and Crystal Capital LLC.

Ground Facilities

We lease approximately 94,000 square feet of space for maintenance, operations, and administration in Cheyenne, Wyoming.

On September 1, 2008 we entered into a lease for an approximate 120,000 square foot hangar and aircraft maintenance facility in Farmington, NM. We also lease aircraft maintenance facilities in Williston, ND and Fort Dodge, IA.

On March 31, 2013 we will have leased gate, terminal and ramp facilities at 45 airports where ticketing and passenger loading and unloading are handled by Great Lakes personnel.

Item 3. LEGAL PROCEEDINGS

We are a party to ongoing legal claims and assertions arising in the ordinary course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position, results of operations, or cash flows.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

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PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is traded under the symbol GLUX on the Over-the-Counter Bulletin Board (the OTCBB). The following table sets forth the range of high and low sale prices for our Common Stock for each of the fiscal quarters for the past two years as reported on the OTCBB. These prices represent inter-dealer prices without adjustments for mark-up, mark-down, or commission and do not necessarily reflect actual transactions.

Stock Quotations	High	Low
2012:		
First quarter	$ 1.49	$ 0.65
Second quarter	1.60	1.10
Third quarter	1.69	1.09
Fourth quarter	2.46	1.15
2011:		
First quarter	$ 1.70	$ 1.20
Second quarter	1.43	0.35
Third quarter	0.85	0.40
Fourth quarter	0.83	0.50

As of March 20, 2013, we had approximately 293 record holders of our Common Stock.

The transfer agent for our Common Stock is Wells Fargo Bank Minnesota, N.A., 161 North Concord Exchange, South St. Paul, Minnesota 55075-0738, telephone: (651) 450-4064.

We have not paid any dividends on our Common Stock since our initial public offering in January 1994. We expect that, for the foreseeable future, we will follow a policy of retaining earnings in order to finance the continued development of our business. Payment of dividends is within the discretion of our Board of Directors and will depend, among other factors, upon the earnings, capital requirements, operating and financial condition of Great Lakes, and any applicable restrictive debt and lease covenants. In addition, the provisions of our November 16, 2011 financing agreement with GB Merchant Partners, LLC and Crystal Capital LLC, restrict us from paying dividends without their prior consent.

There were no sales of unregistered securities of the Company during the fiscal year ended December 31, 2012.

There are no securities authorized for issuance under equity compensation plans as of December 31, 2012.

Item 6. SELECTED FINANCIAL AND OPERATING DATA

The following statement of operations and balance sheet data as of, and for each of the years in the five-year period ended December 31, 2012 have been derived from our audited financial statements. The financial statements as of December 31, 2012 and 2011, and for each of the years in the three-year period ended December 31, 2012, and the audit report thereon, are included elsewhere in this Form 10-K. The following selected financial data should be read in conjunction with, and are qualified in their entirety by, the financial statements and the notes thereto included elsewhere in this Form 10-K.

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	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per share and selected operating data)				
Statement of Operations Data:					
Passenger revenues	$ 79,008	$ 70,989	$ 63,066	$ 58,737	$ 75,719
Public service revenues	58,347	52,406	60,398	61,258	39,250
Freight, charter, and other	424	970	1,937	1,849	1,187
Total operating revenues	137,779	124,365	125,401	121,844	116,156
Operating expenses:					
Salaries, wages and benefits	34,176	32,118	32,847	31,500	26,834
Aircraft fuel	41,871	38,955	31,374	26,631	38,556
Aircraft maintenance, material, and repairs	16,649	13,368	16,066	16,925	13,774
Depreciation and amortization	5,830	5,236	5,300	5,641	5,606
Aircraft rental	1,418	1,907	2,294	2,066	968
Other rentals and landing fees	7,136	6,046	5,717	6,646	5,162
Other operating expense	21,286	20,411	21,160	20,490	18,411
Total operating expenses	128,366	118,041	114,758	109,899	109,311
Operating income	9,413	6,324	10,643	11,945	6,845
Interest expense, net	(5,008)	(2,618)	(1,910)	(2,160)	(2,336)
Gain on extinguishment of debt and deferred leases		13,697			
Income before income taxes	4,405	17,403	8,733	9,785	4,509
Income tax expense	(1,503)	(6,715)	(3,680)	(4,003)	(2,568)
Net income	$ 2,902	$ 10,688	$ 5,053	$ 5,782	$ 1,941
Net income per share:					
Basic	$ 0.33	$ 0.78	$ 0.35	$ 0.40	$ 0.14
Diluted	0.32	0.78	0.35	0.40	0.13
Average number of common shares outstanding:					
Basic	8,923	13,630	14,292	14,292	14,237
Diluted	9,060	13,740	14,446	14,442	14,414

	December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per share and selected operating data)				
Balance Sheet Data:					
Working capital	$ 14,891	$ 15,110	$ (18,778)	$ 9,647	$ 3,086
Total assets	84,372	83,778	84,350	84,644	86,217
Long-term debt (including current installments) and long-term debt classified as current	26,173	29,473	43,988	51,779	59,411
Stockholders equity	39,061	36,137	28,941	23,887	17,385
Common Stock Issued and Outstanding (1)	8,975	8,920	14,292	14,292	14,292

(1) On November 16, 2011, Raytheon Aircraft Credit Corporation returned 5,371,980 shares of common stock to the Company. These shares were retired, resulting in our issued and outstanding shares of common stock decreasing from 14,291,970 shares to 8,919,990 shares.

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	Year Ended December 31,				
	2012	2011	2010	2009	2008
Selected Operating Data (unaudited):					
Available seat miles (in thousands) (1)	397,160	370,376	388,162	401,068	360,636
Revenue passenger miles (in thousands) (2)	169,929	162,893	149,131	134,077	154,655
Revenue passengers carried	540,062	519,601	499,439	481,668	569,846
Departures flown	79,699	74,888	82,802	92,517	82,477
Passenger load factor (3)	42.8%	44.0%	38.4%	33.4%	42.9%
Average yield per revenue passenger mile (4)	46.5¢	43.6¢	42.3¢	43.8¢	49.0¢
Revenue per available seat mile (5)	34.7¢	33.6¢	32.3¢	30.4¢	32.2¢
Operating cost per available seat mile (6)	32.3¢	31.9¢	29.6¢	27.4¢	30.3¢
Average passenger fare (7)	$ 146.29	$ 136.62	$ 126.27	$ 121.94	$ 132.88
Average passenger trip length (miles) (8)	315	313	299	278	271
Aircraft in service (end of period)	34	34	38	38	34
Destinations served (end of period)	47	44	58	62	59

(1) Available seat miles or ASMs represent the number of seats available for passengers in scheduled flights multiplied by the number of scheduled miles those seats are flown.
(2) Revenue passenger miles represent the number of miles flown by revenue passengers.
(3) Passenger load factor represents the percentage of seat miles flown by revenue passengers and is calculated by dividing revenue passenger miles by available seat miles.
(4) Average yield per revenue passenger mile represents the average passenger revenue received for each mile a revenue passenger is carried.
(5) Revenue per available seat mile represents the average total operating revenue received for each available seat mile.
(6) Operating cost per available seat mile represents operating expenses divided by available seat miles.
(7) Average passenger fare represents passenger revenue divided by the number of revenue passengers carried.
(8) Average passenger trip length represents revenue passenger miles divided by the number of revenue passengers carried.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Overview

The discussion and analysis throughout this report contains certain forward-looking terminology such as believes, anticipates, will, and intends or comparable terminology. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Potential purchasers of Great Lakes securities are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by the cautions and risks described herein. See Forward-Looking Statements at the front of this report.

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Great Lakes began providing air charter service in 1979, and has provided scheduled passenger service since 1981. We provide scheduled air service to our hubs under the Great Lakes brand. Connecting code share and interline e-ticket products are available to both United and Frontier Airlines at selected hubs. American Airlines, Delta Airlines, Frontier Airlines, United Airlines and U.S. Airways interline e-ticket products are available at all of the hubs which we serve . Effective April 1, 2013, we will provide passenger service to 45 airports in 13 states.

Financial Highlights

We had operating revenue of $137.8 million for the year ending December 31, 2012, a 10.8 percent increase compared to operating revenue of $124.4 million for the year ending December 31, 2011. We realized a $8.0 million increase in passenger revenue and an $5.9 million increase in public service revenue.

We had operating income of $9.4 million for the year ending December 31, 2012, a 48.8 percent increase compared to operating income of $6.3 million for the year ending December 31, 2011. The $3.1 million increase in operating income is attributable to a $13.4 million increase in operating revenue offset by a $10.3 million increase in operating expenses.

We had net income of $2.9 million for the year ending December 31, 2012, compared to net income of $10.7 million for the year ending December 31, 2011. This $7.8 million decrease in net income is primarily a result of a one-time $13.7 million gain on extinguishment of debt in 2011.

Additional Comments Forthcoming

	For the Years Ended December 31,							
	2012			2011			2010	
	Amount	Cents per ASM	% Increase (decrease) from 2011	Amount	Cents per ASM	% Increase (decrease) from 2010	Amount	Cents per ASM
Operating revenues:								
Passenger	$ 79,008		11.3 %	$ 70,989		12.6 %	$ 63,066	
Public service	58,347		11.3	52,406		(13.2)	60,398	
Other	424		(56.3)	970		(49.9)	1,937	
Total operating revenues	137,779		10.8 %	124,365		(0.8)%	125,401	
Salaries, wages, and benefits	34,176	8.6 ¢	6.4 %	32,118	8.7 ¢	(2.2)%	32,847	8.5 ¢
Aircraft fuel	41,871	10.5	7.5	38,955	10.5	24.2	31,374	8.1
Aircraft maintenance materials and component repairs	16,649	4.2	24.5	13,368	3.6	(16.8)	16,066	4.1
Depreciation and amortization	5,830	1.5	11.3	5,236	1.4	(1.2)	5,300	1.4
Aircraft rental	1,418	0.4	(25.6)	1,907	0.5	(16.9)	2,294	0.6
Other rentals and landing fees	7,136	1.8	18.0	6,046	1.6	5.8	5,717	1.5
Other operating expense	21,286	5.4	4.3	20,411	5.5	(3.5)	21,160	5.5
Total operating expenses	128,366	32.3 ¢	8.7 %	118,041	31.9 ¢	2.9 %	114,758	29.7 ¢
Operating income	$ 9,413			$ 6,324			$ 10,643	

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	2012	Increase/ (decrease) from 2011	2011	Increase/ (decrease) from 2010	2010
Available seat miles (thousands)	397,160	7.2 %	370,376	(4.6)%	388,162
Revenue passenger miles (thousands)	169,929	4.3 %	162,893	9.2 %	149,131
Passenger load factor	42.8%	(2.7)%	44.0%	14.6 %	38.4%
Average yield per revenue passenger mile	46.5¢	6.7 %	43.6¢	3.1 %	42.3¢
Revenue per available seat mile	34.7¢	3.3 %	33.6¢	4.0 %	32.3¢
Cost per available seat mile	32.3¢	1.3 %	31.9¢	7.8 %	29.6¢

Comparison of 2012 to 2011

Passenger Revenues. Passenger revenues increased 11.3% from 2011. The increase in passenger revenues was largely due to a 4.3% increase in revenue passenger miles in addition to a 6.7% increase in average yield per revenue passenger mile.

Public Service Revenues. Public service revenues earned through the Essential Air Service program increased 11.3% to $58.3 million in 2012, as compared to $52.4 million in 2011. The increase in public service revenue is primarily attributable to our expansion into our Minneapolis hub, which serves communities requiring higher subsidation, in combination with renewing EAS services in existing markets that required subsidy rate increases. These factors contributed to a net increase of $4.5 million of public service revenue in 2012 as compared to 2011.

Other Revenues. Other revenues decreased 56.3% to $0.4 million in 2012. This decrease was mainly due to a $0.5 million decrease in ground handling services provided to other carriers who served the same locations in which we had ongoing operations.

Operating Expenses. Total operating expenses increased 8.7%, or $10.3 million from the previous year.

Salaries, wages, and benefits increased 8.7% to $34.2 million or 8.6 cents per ASM compared to $32.1 million or 8.7 cents per ASM in 2011, which was primarily attributable to additional employees needed to support the increase in operations served, offset by decreases in health insurance claims in 2012 compared to 2011.

Aircraft fuel expense, in 2012, was $41.9 million, or 10.5 cents per ASM, an increase of $2.9 million compared to 2011. In 2011, aircraft fuel expense was $39.0 million, or 10.5 cents per ASM. The average cost of fuel increased from $3.69 per gallon in 2011 to $3.76 per gallon in 2012. The effect of the $0.07 increase in cost per gallon, along with an increase in consumption, was an increase in total cost of approximately $2.9 million in 2012. At 2012 rates of consumption, a one cent increase or decrease in the price per gallon of fuel will increase or decrease our fuel expense by approximately $113,000 annually.

Aircraft maintenance, materials and component repair expense was $16.6 million, or 4.2 cents per ASM, in 2012, an increase of $3.3 million from 2011. In comparison, our aircraft maintenance, materials, and repairs expense for 2011 was $13.4 million, or 3.6 cents per ASM. The 24.5% increase in 2012 aircraft maintenance expense was primarily attributable to a 6.4% increase in the number of departures and a 7.9% increase in aircraft block hour time. Aircraft maintenance, materials and component expense does not include internal salaries, wages and benefit expenses incurred as a result of employees performing aircraft maintenance.

Depreciation and amortization expense was $5.8 million in 2012 and $5.3 million in 2011. The increase in depreciation is primarily due to addition of flight equipment and other property and equipment purchased.

Aircraft rental expense was $1.4 million in 2012, a decrease of 25.6% compared to $1.9 million in 2011. The decrease resulted mainly from the return of seven Beechcraft model 1900D aircraft leased from Raytheon during the second half of 2011. The $1.4 million of aircraft rental expense in 2012, consisted of $0.6 million of rental expense for two Embraer EMB-120 Brasilia aircraft. In December of 2012 we negotiated the early termination of these lease agreements and the purchase of the two Embraer EMB-120 Brasilia leased aircraft. As result of the early termination of these leases and the acquisition of the aircraft, we incurred an additional $0.1 million of aircraft rental expense related to accelerated rent payments associated with the termination of these leases and a non-cash aircraft rental expense of $0.7 million related to maintenance deposits expensed as a result of terminating the leases early. These expenses will be non-recurring going forward.

Other rentals and landing fees increased 18.0% to $7.1 million in 2012 from $6.0 million in 2011. The increase is mostly attributable to opening of our Minneapolis hub as well as increased rent expense at pre-existing airport locations combined with incremental departures over the prior year.

Other operating expenses increased 4.3% in 2012 to $21.3 million, or 5.4 cents per ASM from $20.4 million or 5.5 cents per ASM in 2011. The increase in other operating expenses is primarily due to increases in pilot training and associated lodging expenses of $0.4 million, communications and utilities of $0.3 million, passenger related expenses of $0.3 million, employee related expenses of $0.2 million and other expenses of $0.2 million. These were offset by decreases for professional fees of $0.2 million, deicing expense of $0.2 million and insurance expense of $0.1 million.

Interest Expense. Interest expense was $5.0 million during 2012, an increase of 91.3% from $2.6 million in 2011. In 2011, we amortized $0.6 million of deferred debt restructuring gains which had the effect of lowering our interest expense from $3.2 million to $2.6 million. The 2012 interest expense increase is attributable to a combination of higher interest rates associated with our long-term debt and the absence of deferred debt restructuring gains which became fully amortized in June of 2011.

Income Tax Expense. We had income tax expense of $1.5 million in 2012 compared to $6.7 million in 2011. The provision for income taxes, as a percentage of income before taxes, decreased to 34.1 percent in 2012 from 38.6 percent in 2011.

As of December 31, 2012, we had approximately $20.8 million of federal net operating loss carryforwards which will be available to offset future taxable income. We also had $13.3 million of state net operating loss carryforwards, of which $9.5 million ($0.6 million tax effected) is expected to expire unused and $3.8 million will be available to offset future taxable income. A valuation allowance of approximately $609,000 remained at December 31, 2012 for state net operating loss carryforwards that may not be utilized before they expire.

Comparison of 2011 to 2010

Passenger Revenues. Passenger revenues increased 12.6% from 2010. The increase in passenger revenues was largely due to a 9.2% increase in revenue passenger miles in addition to a 3.1% increase in average yield per revenue passenger mile.

Public Service Revenues. Public service revenues earned through the Essential Air Service program decreased 13.2% to $52.4 million in 2011, as compared to $60.4 million in 2010. The decrease in public service revenues was mainly attributable to a net decrease in communities served by us under the EAS program, partially offset by subsidy rate increases, stemming primarily from higher fuel costs, in recent rate renewals for EAS markets in which we were reselected to continue subsidized air service. In February of 2011, we discontinued our Kansas City EAS hub operation and in April of 2011 we discontinued our EAS hub operation in Milwaukee. We discontinued EAS operations to seven Montana communities in May of 2011 and ceased operations at our Billings, MT EAS hub on June 30, 2011. The discontinuation of these EAS routes, offset by increases in other public service revenues, resulted in a net decrease of $8.0 million of EAS revenue in 2011 as compared to 2010.

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Other Revenues. Other revenues decreased 49.9% to $1.0 million in 2011. This decrease was mainly due to a $0.9 million decrease in ground handling services provided to other carriers who served the same locations in which we had ongoing operations.

Operating Expenses. Total operating expenses increased 2.9%, or $3.3 million from the previous year, primarily related to increased fuel costs. Fuel costs increased 24.2%, or $7.6 million, from 8.1 cents per ASM in 2010 to 10.5 cents per ASM in 2011.

Salaries, wages, and benefits decreased 2.2% to $32.1 million, which was primarily attributable to fewer employees needed to support the decreased number of communities served and a reduction of health insurance claims.

Aircraft fuel expense, in 2011, was $39.0 million, or 10.5 cents per ASM, an increase of $7.6 million compared to 2010. In 2010, aircraft fuel expense was $31.4 million, or 8.1 cents per ASM. The average cost of fuel increased from $2.83 per gallon in 2010 to $3.69 per gallon in 2011. The effect of the $0.86 increase in cost per gallon, net of a decrease in consumption, was an increase in total cost of approximately $7.6 million in 2011.

Aircraft maintenance, materials and component repair expense was $13.4 million, or 3.6 cents per ASM, in 2011, a decrease of $2.7 million from 2010. In comparison, our aircraft maintenance, materials, and repairs expense for 2010 was $16.1 million, or 4.1 cents per ASM. The 16.8% decrease in 2011 aircraft maintenance expense was primarily attributable a 9.6% reduction in the number of departures and a 6.0 % reduction in aircraft block hour time. Our Fleet Management Program (FMP) with Pratt and Whitney Canada Corporation expired by its terms on June 30, 2011. The termination of this contract also contributed to lower aircraft maintenance expense in 2011. Aircraft maintenance, materials and component expense does not include internal salaries, wages and benefit expenses incurred as a result of employees performing aircraft maintenance.

Depreciation and amortization expense was $5.2 million during 2011 and $5.3 million during 2010.

Aircraft rental expense was $1.9 million during 2011, a decrease of 16.9% compared to $2.3 million during 2010. The decrease resulted from the return of seven Beechcraft model 1900D aircraft leased from Raytheon during the second half of 2011.

Other rentals and landing fees increased 5.8% to $6.0 million in 2011 from $5.7 million in 2010. The increase is mostly attributable to reduced retroactive annual rate adjustment from Denver International Airport (DIA), which was partially offset by net decreases in expense mostly attributable to the decrease in communities served.

Other operating expenses decreased 3.5% in 2011 to $20.4 million, or 5.5 cents per ASM from $21.2 million or 5.5 cents per ASM in 2010. The decrease in other operating expenses is primarily due to a decrease in pilot training and associated lodging expenses of $0.5 million, contract handling of $0.3 million, communication expenses $0.3 million, contract maintenance of $0.2 million and passenger related expenses of $0.1 million. These were offset by increases for professional fees of $0.4 million, deicing expenses of $0.1 million and insurance of $0.1 million.

Interest Expense. Interest expense was $2.6 million during 2011, an increase of 37.1% from $1.9 million in 2010. The increase was mostly the result of the amortization of gains from the 2002 deferred debt restructuring becoming fully amortized as of June 30, 2011.

Income Tax Expense. We had income tax expense of $6.7 million in 2011 compared to $3.7 million in 2010. The provision for income taxes, as a percentage of income before taxes, decreased to 38.6 percent in 2011 from 42.1 percent in 2010.

As of December 31, 2011, we had approximately $28.6 million of federal net operating loss carryforwards which were available to offset future taxable income. We also had $13.6 million of state net operating loss carryforwards, of which $10.0 million ($0.6 million tax effected) is expected to expire unused and $3.6 million will be available to offset future taxable income. A valuation allowance of approximately $646,000 remained at December 31, 2011 for state net operating loss carryforwards that may not be utilized before they expire.

Liquidity, Financing and Capital Resources

We have historically used debt to finance the purchase of aircraft. On November 16, 2011, we entered into a financing agreement with GB Merchant Partners, LLC, serving as Collateral Agent, and Crystal Capital LLC, serving as Administrative Agent (the Credit Agreement). Terms of the financing include a four-year term loan in the amount of $24 million and a revolving loan credit facility in which the Company may borrow up to $10 million. This Credit Agreement enabled us to:

- Make a one-time payment to Raytheon Aircraft Credit Corporation (Raytheon) in the amount of $27 million to satisfy $37.2 million of outstanding debt obligations, extinguishing all of our debt obligations to Raytheon;
- Pay related expenses of $2.5 million, and
- Obtain, as a part of the transaction, the return of all 5,371,980 shares of Great Lakes common stock previously held by Raytheon. This transaction reduced the issued and outstanding balance of common stock from 14,291,970 shares to 8,919,990 shares at November 2011.

At December 31, 2012, our outstanding principal balance on the term loan consisted of $18.7 million and we had borrowed $7.5 million under the revolving credit facility.

Pursuant to the terms of a pledge and security agreement and an aircraft security agreement, our obligations to the lenders identified in the Credit Agreement are secured by substantially all assets of the Company, including all owned aircraft.

Since we entered into the November 2011 Credit Agreement, a combination of cash generated from operations and additional borrowings of $3.5 million under the revolving credit facility through March 20, 2013, has provided enough liquidity to purchase three Beechcraft 1900D aircraft and two Embraer EMB-120 Brasilia aircraft. Two Beechcraft 1900D aircraft, one of which was purchased without engines, were purchased in December 2011 and the third Beechcraft 1900D aircraft was purchased in January 2012. We leased two Embraer EMB-120 Brasilia aircraft which leases where scheduled to terminate in January of 2013 and April of 2013. In December of 2012, we negotiated the early termination of these lease agreements and the purchase of the two Embraer EMB-120 Brasilia leased aircraft.

For the 12 months ending December 31, 2012, we invested $6.5 million of cash in aircraft, engines, rotable parts and other equipment. Aircraft and aircraft engine acquisitions, consisting of one Beechcraft 1900D, two Embraer EMB-120 Brasilia aircraft and one Embraer EMB-120 Brasilia aircraft engine, represented $3.3 million of the $6.5 million cash investment. We do not expect to acquire additional aircraft or engines in the foreseeable future.

For the year ending December 31, 2012, we incurred $1.4 million of aircraft rental expense of which $0.6 million was related to contractual lease obligations for the two Embraer EMB-120 Brasilia aircraft, $0.1 million was related to accelerated rent payments associated with the termination of the leases and a non-cash expense of $0.7 million was related to maintenance deposits expensed as a result of terminating the leases early. These expenses will be non-recurring going forward. At December 31, 2012 the Company has no aircraft lease obligations for aircraft.

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We had borrowed $7.5 million under the revolving credit facility at December 31, 2012 and borrowed an additional $1.5 million in 2013. The borrowings under the revolving credit facility are secured by accounts receivable, parts inventory and spare engines. As of March 20, 2013, we will have borrowed $9.0 million leaving $1.0 million available under our revolving credit facility.

Mandatory contractual principal and interest obligations for the next 12 months will be approximately $7.1 million. In addition to the mandatory contractual principal and interest obligations, we are required to make principal payments, based on a percentage of excess cash flows, on September 30 of each year beginning September 30, 2012, as determined in the Credit Agreement. In November of 2012, we made an excess cash flow payment in the amount of $2.3 million used to reduce the principal outstanding balance of the term loan. In 2012, we also made principal payments of $5.3 million used to reduce the outstanding principal balance of the term loan from $24.0 million at December 31, 2011 to $18.7 million at December 31, 2012.

The term loan and the revolving loan credit facility are set to mature on November 16, 2015 at which time the outstanding principal balance due under the term loan is scheduled to be $7.8 million. If we do not decrease our borrowings under the revolving credit facility between March 31, 2013 and November 16, 2015, an additional $9.0 million under the revolving credit facility will also be due at maturity.

Working Capital

Net cash provided by operating activities was $9.1 million at December 31, 2012 compared to $8.0 million at December 31, 2011. We had positive working capital of $14.9 million and a current ratio of 2.2:1 at December 31, 2012, compared to positive working capital of $15.1 million and a current ratio of 2.3:1 at December 31, 2011.

We believe that in the absence of unusual circumstances, the working capital currently available to us, together with our projected cash flows from operations, will be sufficient to meet our present financial requirements, meet debt service, and fulfill our other cash requirements for at least the next 12 months.

For additional information regarding Liquidity and Capital Resources see Item 1A Risk Factors.

Operating Activities. Net cash provided by operating activities for the year ended December 31, 2012 was $9.1 million as compared to $8.0 million for the year ended December 31, 2011.

Investing Activities. Net cash used in investing activities for the year ended December 31, 2012 was $6.5 million for the purchase of flight equipment and other property and equipment. Net cash used in investing activities for the year ended December 31, 2011 was $3.9 million.

Financing Activities. Net cash used in financing activities for the year ended December 31, 2012 was $3.3 million, consisting of $5.3 million of contractual principal payments on long-term debt, offset by $2.0 million of incremental borrowings under our revolving credit facility.

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Contractual Obligations

The following table summarizes our major contractual payment obligations as of December 31, 2012:

	2013	2014	2015	After 2015	Total
Long-term debt - contractual					
Term loan facility	$ 3,500,000	$ 4,000,000	$ 11,200,000	$	$ 18,700,000
Revolving credit facility (1)			7,473,333		7,473,333
Contractual interest					
Term loan facility	2,731,175	2,151,487	1,341,611		6,224,273
Revolving credit facility	821,215	821,215	719,970		2,362,400
Total debt	7,052,390	6,972,702	20,734,914		34,760,006

(1) Does not include a February of 2013 additional $1.5M draw on the revolving line of credit.
See discussion below for contractual interest obligations.

Contractual Interest Expense

The projected contractual interest expense on our long-term obligations (based on the minimum variable interest rate stated in the debt instruments, which is the rate in effect as of December 31, 2012) for the next five years and thereafter is as follows:

Maturity	Variable Rate Contractual Interest
2013	$ 3,552,390
2014	2,972,702
2015	2,061,581
2016	
2017	
Thereafter	

The preceding projected contractual interest rate expenses are calculated based on borrowings as of December 31, 2012. Our contractual interest expense is subject to fluctuations in the amount of debt outstanding at any given time, particularly under our revolving credit facility, as well as increases in 30-day LIBOR. In February of 2013, we borrowed an additional $1.5 million under our revolving credit facility. Under the provisions of our revolving credit facility LIBOR would have to increase approximately 2.2 percentage points before we would realize increases in interest expense as a result of contractual minimums applied to the variable rates within our debt instruments.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements; revenues and expenses during the reporting period; and related disclosures of contingent assets and liabilities in the financial statements and the accompanying notes. Actual results could differ from those estimates.

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The United States Securities and Exchange Commission (the SEC) has defined a company s most critical accounting policies as the ones that are most important to the portrayal of our financial condition and results and that require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified our critical accounting policies as including those addressed below. We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions. See Note 2, Summary of Significant Accounting Policies and Procedures, in the Notes to the Financial Statements for additional discussion of these items. Management believes that its estimates and assumptions are reasonable, based on information presently available; however, changes in these estimates, judgments, and assumptions will occur as a result of future events. Accordingly, actual results could differ from amounts estimated.

Depreciation and Residual Values of Aircraft. In accounting for long-lived assets, we make estimates about the expected useful lives, projected residual values, and the potential for impairment. Estimates of useful lives and residual values of aircraft are based on actual industry experience with the same or similar aircraft types and anticipated utilization of the aircraft. Changing market prices of new and used aircraft, government regulations, and changes in our maintenance program or operations could result in changes to these estimates.

Accounting for Maintenance Deposits. Until December 2012, we leased two Embraer EMB-120 Brasilia aircraft and, in addition to the base rent, were required to pay supplemental rent (Maintenance Rent) based upon flight hours or cycles flown. Under the terms of the leases the lessor would reimburse the Company for performing specified maintenance activities. This Maintenance Rent was accounted for as maintenance deposits in accordance with ASC subtopic 840-10, whereby the amount of the rent is capitalized and treated as a deposit against future maintenance expense until: (i) such time as a defined maintenance event is performed and a reimbursement is received, or (ii) we determined it was no longer probable that all or a portion of the deposit would be refunded as a reimbursement of the costs of a maintenance activity. When an amount on deposit is less than probable of being returned, it shall be recognized as additional expense. In December of 2012, we negotiated the early termination of these lease agreements and the purchase of these two leased aircraft. In connection with the early termination of the aircraft leases and purchase of the aircraft, we determined it was no longer probable that $0.7 million of the maintenance deposits would be refunded when maintenance activity was performed and so we incurred additional aircraft rental expense of $0.7 million in December of 2012. At December 31, 2012 and December 31, 2011, the Company had maintenance deposits of approximately $0 and $1.7 million, respectively.

In connection with the purchase of these aircraft, $1.5 million of maintenance deposits and $0.3 million of accounts receivable, associated with maintenance activity performed on the aircraft and reimbursable by the lessor, were considered to be used as a part of the aircraft acquisition cost. Both aircraft and their respective engines were capitalized for a total of $3.5 million. As a result of this transaction, the $0.7 million of aircraft rental expense was a non-cash transaction and $1.8 million of the aircraft acquisition cost did not require a cash outflow.

Inventories. Inventories are comprised primarily of expendable spare aircraft parts, fuel, materials, and supplies relating to flight equipment, which are recorded at the lower of cost (average cost) or market. Expendable spare aircraft parts are subject to reserves for obsolescence.

Aircraft Valuation and Impairments. In accordance with ASC Section 360-10-35 (originally Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets and for Long-Lived Assets to Be Disposed of*) long-lived assets, such as property, plant, equipment and aircraft, subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the

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fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. An impairment loss is recognized to the extent that the carrying amount exceeds the asset s fair value.

Income Taxes. We account for income taxes using the asset and liability method. Under that method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax bases of existing assets and liabilities and net operating losses (NOLs) and tax credit carryforwards. A valuation allowance is provided to the extent that it is more likely than not that deferred tax assets will not be realized.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The tax net operating loss carryforwards (NOLs) that have been generated are due in large part to the accelerated depreciation of property and equipment over a shorter useful life for tax purposes. Our NOLs will expire between 2021 and 2024. The book basis of property and equipment is approximately $39.3 million greater than the tax basis at December 31, 2012, all of which is expected to reverse during periods in which NOLs are available. Approximately $9.5 million ($0.6 million tax effected) of state NOLs are expected to expire unused and accordingly a valuation allowance has been provided for these deferred tax assets. Based upon the projections for future taxable income over the periods in which the deferred tax assets become deductible, the Company believes it is more likely than not that it will realize the benefits of most of the deductible temporary differences and NOLs. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Liability Accruals and Reserves. We are obligated under various agreements relating to employee health and welfare, injuries, tax and fee remittances, and other contractual matters, some of which involve estimates of the ultimate amounts due and impacts of insurance coverage. Changes in the estimates and assumptions could occur and would result in actual results being different than those estimated.

Effects of Inflation

We are subject to inflationary pressures from labor agreements, fuel price escalations, and increased operating costs at airports served by us. We attempt to counteract the effects of inflation through fare increases, subsidy increases and capacity adjustments.

Environmental Matters

In the normal course of our operations, we are subject to various federal, state, local and foreign laws and regulations relating to environmental protection matters. These laws and regulations govern such matters as environmental reporting, storage and disposal of materials and chemicals and aircraft noise. We are, and expect in the future to be, involved in various environmental matters and conditions at, or related to, our properties. We are not currently subject to any environmental cleanup orders or actions imposed by regulatory authorities. We are not aware of any active material environmental investigation related to our assets or properties.

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Off Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging or research and development arrangements with the company.

We have no off-balance sheet arrangements of the types described in the four categories above that we believe may have a material current or future effect on our financial condition, liquidity or results of operations.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks

We are susceptible to certain risks related to changes in the cost of aircraft fuel and changes in interest rates. As of December 31, 2012, we did not have any derivative financial instruments.

Aircraft Fuel

Due to the airline industry s dependency on aircraft fuel for operations, airline operators including Great Lakes are impacted by changes in aircraft fuel prices. Aircraft fuel represented approximately 33.0% of our operating expenses in 2012. At 2012 rates of consumption, a one cent increase or decrease in the per gallon price of fuel would increase or decrease our fuel expense by approximately $113,000 annually.

Interest Rates

Our operations are capital intensive because the vast majority of our assets consist of flight equipment, which is financed primarily with long-term debt. At December 31, 2012, we had approximately $26.2 million of variable rate debt. Going forward, we could be subject to increased rates of interest on our debt if the 30 day LIBOR rate increases by more than 2.2 percentage points.

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GREAT LAKES AVIATION, LTD.

FORM 10-K

For the Fiscal Year Ended December 31, 2012

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the Company as of December 31, 2012 and 2011 and for the each of the years in the three year period ended December 31, 2012, together with the Report of the Company s Independent Registered Public Accounting Firm, are included in this Form 10-K on the pages indicated below.

Supporting schedules are omitted because they are inapplicable, not required, or the information is presented in the financial statements or notes thereto.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Great Lakes Aviation, Ltd.:

We have audited the accompanying balance sheets of Great Lakes Aviation, Ltd. (the Company) as of December 31, 2012 and 2011, and the related statements of income, stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2012. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Aviation, Ltd. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Denver, Colorado

March 26, 2013

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GREAT LAKES AVIATION, LTD.

Balance Sheets

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash	$ 2,887,634	$ 3,592,993
Accounts receivable and other receivables	9,235,433	9,945,461
Inventories	8,971,610	7,568,792
Prepaid expenses and other current assets	2,634,839	1,962,959
Deferred income taxes	3,573,024	3,789,530
Total current assets	27,302,540	26,859,735
Property and equipment:		
Flight equipment	124,406,769	117,573,486
Other property and equipment	10,498,439	9,766,209
Less accumulated depreciation and amortization	(81,123,534)	(75,696,512)
Total property and equipment	53,781,674	51,643,183
Maintenance deposits		1,718,943
Other assets	3,288,281	3,555,639
Total assets	$ 84,372,495	$ 83,777,500
Liabilities and Stockholders Equity		
Current liabilities:		
Notes payable and current maturities of long-term debt	$ 3,500,000	$ 3,000,000
Accounts payable	4,604,906	4,301,993
Accrued interest, unearned revenue and other liabilities	4,306,980	4,447,321
Total current liabilities	12,411,886	11,749,314
Long-term debt, net of current maturities	22,673,333	26,473,333
Deferred income taxes	10,226,538	9,417,813
Total liabilities	45,311,757	47,640,460
Preferred stock; $0.01 par value; Authorized: 25,000,000 shares.		
No shares issued or outstanding		
Common stock; $0.01 par value; Authorized: 50,000,000 shares.		
Issued and outstanding: 8,974,990 and 8,919,990 shares	89,750	89,200
Paid-in capital	31,494,609	31,473,597
Retained earnings	7,476,379	4,574,243
Total stockholders equity	39,060,738	36,137,040
Commitments and contingencies		
Total liabilities and stockholders equity	$ 84,372,495	$ 83,777,500

See accompanying notes to financial statements.

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GREAT LAKES AVIATION, LTD.

Statements of Income

	Years Ended December 31, 2012	2011	2010
Operating revenues:			
Passenger	$ 79,007,876	$ 70,989,350	$ 63,065,692
Public service	58,347,399	52,406,337	60,398,036
Freight, charter, and other	423,601	969,770	1,936,602
Total operating revenues	137,778,876	124,365,457	125,400,330
Operating expenses:			
Salaries, wages, and benefits	34,175,706	32,117,733	32,846,739
Aircraft fuel	41,871,066	38,954,692	31,374,203
Aircraft maintenance, materials, and repairs	16,648,569	13,367,928	16,065,583
Depreciation and amortization	5,830,006	5,236,110	5,300,217
Aircraft rental	1,417,918	1,906,682	2,294,100
Other rentals and landing fees	7,136,225	6,046,212	5,717,207
Other operating expense	21,286,349	20,411,414	21,159,510
Total operating expenses	128,365,839	118,040,771	114,757,559
Operating income	9,413,037	6,324,686	10,642,771
Other income (expense):			
Interest expense net of interest income of $2,639, $4,043 and $6,104 respectively	(5,007,949)	(2,618,222)	(1,909,642)
Gain on extinguishment of debt		13,696,695	
Total other income (expense)	(5,007,949)	11,078,473	(1,909,642)
Income before income taxes	4,405,088	17,403,159	8,733,129
Income tax expense	(1,502,952)	(6,714,891)	(3,679,851)
Net income	$ 2,902,136	$ 10,688,268	$ 5,053,278
Net income per share:			
Basic	$ 0.33	$ 0.78	$ 0.35
Diluted	0.32	0.78	0.35
Average shares outstanding:			
Basic	8,923,269	13,629,671	14,291,970
Diluted	9,065,171	13,739,516	14,445,732

See accompanying notes to financial statements.

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GREAT LAKES AVIATION, LTD.

Statements of Stockholders Equity

Years Ended December 31, 2012, 2011, and 2010

	Common stock			Retained	
	Shares	Amount	Paid-in capital	Earnings	Total
Balance at January 1, 2010	14,291,970	$ 142,920	$ 33,568,669	$ (9,824,308)	$ 23,887,281
Net income and comprehensive income				5,053,278	5,053,278
Balance at December 31, 2010	14,291,970	142,920	33,568,669	(4,771,030)	28,940,559
Repurchase and retirement of common stock	(5,371,980)	(53,720)	(2,095,072)	(1,342,995)	(3,491,787)
Net income and comprehensive income				10,688,268	10,688,268
Balance at December 31, 2011	8,919,990	$ 89,200	$ 31,473,597	4,574,243	$ 36,137,040
Exercise of stock options	55,000	550	21,012		21,562
Net income and comprehensive income				2,902,136	2,902,136
Balance at December 31, 2012	8,974,990	$ 89,750	$ 31,494,609	$ 7,476,379	$ 39,060,738

See accompanying notes to financial statements.

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GREAT LAKES AVIATION, LTD.

Statements of Cash Flows

	Years Ended December 31, 2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 2,902,136	$ 10,688,268	$ 5,053,278
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	5,830,006	5,236,110	5,300,217
Loss on items beyond economic repair	303,692	166,117	178,341
Amortization of deferred debt restructuring gain		(599,945)	(1,344,610)
Amortization of debt issuance costs	641,339	78,153	
Non-cash gain on extinguishment of debt		(13,696,695)	
Deferred tax expense	1,025,231	5,586,974	3,193,333
Change in current operating items:			
Accounts receivable	710,028	(845,050)	427,690
Inventories	(1,402,818)	(977,583)	(218,452)
Prepaid expenses and other current assets	(671,880)	715,679	(958,394)
Maintenance deposits	(41,057)	305,501	(461,876)
Other assets	(373,982)	184,309	(61,370)
Accounts payable	302,913	1,068,028	(355,168)
Accrued interest, unearned revenue and other liabilities	(140,341)	106,851	47,895
Other long-term liabilities			(152,866)
Deferred credits		(35,434)	(46,837)
Net cash provided by operating activities	9,085,267	7,981,283	10,601,181
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of flight equipment and other property and equipment	(6,512,188)	(3,859,011)	(2,765,732)
Net cash flows used in investing activities	(6,512,188)	(3,859,011)	(2,765,732)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of notes payable and repurchase of common stock	(5,300,000)	(33,182,962)	(6,446,882)
Proceeds from the issuance of debt	2,000,000	29,473,333	
Payments for debt issuance costs		(2,535,755)	
Proceeds from the exercise of stock options	21,562		
Net cash used in financing activities	(3,278,438)	(6,245,384)	(6,446,882)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(705,359)	(2,123,112)	1,388,567
Cash and Cash Equivalents:			
Beginning of year	3,592,993	5,716,105	4,327,538
End of year	$ 2,887,634	$ 3,592,993	$ 5,716,105
Supplementary cash flow information:			
Cash paid during the year for interest (contractual)	$ 4,434,100	$ 3,144,060	$ 3,260,357
Cash paid during the year for income taxes	$ 1,454,359	$ 368,576	$ 660,226
Non-cash purchase of flight equipment	$ 1,760,000	$	$

See accompanying notes to financial statements.

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Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

Note 1. Business

Passenger Revenue

Great Lakes Aviation, Ltd. (Great Lakes, the Company, we or us) is a regional airline operating as an independent carrier and as a code share partner with United Air Lines, Inc. (United Airlines or United) and Frontier Airlines, Inc. (Frontier Airlines or Frontier). Terms of the agreement provide for the Company to continue United Airlines code sharing for destinations the Company currently services to and from Denver, CO, Los Angeles, CA and Phoenix, AZ hubs.

The Company operates under a similar code share agreement with Frontier. The Frontier agreement provides for the use of Frontier s flight designator code on the Company s flights connecting with Frontier s flights in Denver, CO, Los Angeles, CA, and Phoenix, AZ. The Company s code share agreements do not have fixed termination dates and are cancellable by either party upon sufficient notice.

Currently, we estimate that approximately 32% of Great Lakes passenger traffic utilizes the United code share product line and approximately 23% of Great Lakes passenger traffic utilizes the Frontier code share product line.

The Company provides charter air services to private individuals, corporations, and athletic teams. The Company also carries cargo on most of the Company s scheduled flights.

Public Service Revenue

Approximately 42% of the Company s total revenue during each of the twelve months ended December 31, 2012 and 2011, were generated by services provided under the Essential Air Service (EAS) program administered by the United States Department of Transportation (DOT). The FAA Modernization and Reform Act of 2012 was enacted into law on February 14, 2012. This legislation provides for the authorization of the Essential Air Service program for fiscal years through 2014. Federal fiscal year 2014 ends on September 30, 2015.

As of March 20, 2013, the Company served 46 airports, of which 32 locations receive EAS subsidy, in 13 states with a fleet of six Embraer EMB-120 Brasilia and 28 Raytheon/Beechcraft 1900D regional airliners. The Company currently operates hubs at Denver, CO, Las Vegas, NV, Los Angeles, CA Minneapolis, MN and Phoenix, AZ.

Liquidity

The Company has historically used debt to finance the purchase of its aircraft. On November 16, 2011, the Company entered into a new financing agreement with GB Merchant Partners, LLC, serving as Collateral Agent, and Crystal Capital LLC, serving as Administrative Agent (the Credit Agreement). Terms of the financing include a four-year term loan in the amount of $24 million and a revolving loan credit facility in which the Company may borrow up to $10 million. Pursuant to the terms of a pledge and security agreement and an aircraft security agreement, the Company s obligations to the lenders identified in the Credit Agreement are secured by substantially all assets of the Company, including all owned aircraft.

The Company had previously leased seven Beechcraft model 1900D aircraft from Raytheon, four with attached engines and three without engines. The Company returned these seven aircraft in the quarters ended September 30, 2011 and December 31, 2011. The Company subsequently purchased three Beechcraft model 1900D aircraft. Two aircraft, one of which was purchased without engines, were purchased in December 2011 and the third aircraft was purchased in January 2012.

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Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

On November 16, 2011, the Company used $27 million of the proceeds obtained from the Credit Agreement to satisfy all of the Company s outstanding debt obligations with Raytheon Aircraft Credit Corporation (Raytheon), at a discount, and to repurchase the Company s common stock owned by Raytheon representing approximately 37.6% of the then outstanding shares of common stock. On that day, the debt obligations with Raytheon were extinguished and 5,371,980 shares of the Company s common stock were returned resulting in a decrease in the issued and outstanding balance of common stock from 14,291,970 shares to 8,919,990 shares. The Company used $2.5 million of the proceeds to pay the closing fee and professional fees associated with the transaction. Mandatory contractual principal and interest obligations for the next 12 months will be approximately $7.1 million. In addition to the mandatory contractual principal and interest obligations, the Company is required to make principal payments, based on a percentage of excess cash flows, on September 30 of each year beginning September 30, 2012, as determined in the Credit Agreement. In November of 2012, the Company made an excess cash flow payment in the amount of $2.3 million.

The Company leased two Embraer EMB-120 Brasilia aircraft from Boeing Capital Corporation which leases were scheduled to terminate in January of 2013 and April of 2013. In December of 2012, the Company negotiated the early termination of these lease agreements and purchased of these two aircraft, resulting in cash expenditures of $1.7 million.

The Company had drawn down $7.5 million on the revolving credit facility as of December 31, 2012 and drew down an additional $1.5 million in 2013. The draws are secured by accounts receivable, parts inventory and spare engines. The Company was also required to pay a closing fee based on the initial facility commitment, and is required to pay a monthly unused line fee, a specified fee for certain prepayments of the term loan, and certain administrative and fronting fees related to the Credit Agreement. The term loan and the revolving loan credit facility are set to mature on November 16, 2015.

Note 2. Summary of Significant Accounting Policies and Procedures

(a) Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company s management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; the salvage value of fixed assets; the valuation of deferred tax assets, fixed assets, maintenance deposits and inventory; and reserves for employee benefit obligations and other contingencies.

(b) Cash and Cash Equivalents. Cash and cash equivalents include highly liquid investments with original maturities of three months or less that are readily convertible into cash. Cash equivalents are not subject to significant risk from fluctuations in interest rates and as a result, the carrying amount of cash equivalents approximates fair value. To preserve capital and maintain liquidity, we invest with financial institutions we deem to be of sound financial condition, and in high quality and relatively risk-free investment products. Our cash investment policy limits the concentration of investments with specific financial institutions or among certain products and includes criteria related to credit worthiness of any particular financial institution.

(c) Accounts Receivable and Other Receivables. Approximately 96% of accounts receivable balances are due from various airlines, credit card companies, or the United States government.

Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

The table below shows the composition and approximate percentages attributable to our receivables at December 31, 2012 and 2011.

	December 31, 2012	December 31, 2011
United Airlines	11%	10%
Frontier Airlines	9	11
Other Airlines	2	3
Credit card companies	14	13
United States government	60	48
Other	4	15
Total accounts receivable	100%	100%

All receivables are pledged as collateral under the Company s debt agreements.

(d) Inventories. Inventories consist of expendable spare parts, fuel, materials, and supplies relating to flight equipment. Inventories are stated at the lower of average cost or market. Expendable parts are charged to maintenance expense as used. Inventories consisting of expendable spare parts and equipment are pledged as collateral for our loan agreements.

(e) Property and Equipment. Property and equipment includes aircraft and major parts relating to such aircraft. Property is stated at cost and depreciated on a straight-line basis for financial reporting purposes over estimated useful lives of 10 to 20 years for flight equipment and 3 to 10 years for other property and equipment. The estimated lives used to record depreciation on the Company s aircraft may be affected by the revenue generating capability of the aircraft, technology, policies regarding EAS subsidies promulgated by the DOT, and changes in strategy by the Company. In accounting for long-lived assets, we make estimates about the expected useful lives and projected residual values. Estimates of useful lives and residual values of aircraft are based on actual industry experience with the same or similar aircraft types and anticipated utilization of the aircraft. Changing market prices of new and used aircraft, government regulations, and changes in our maintenance program or operations could result in changes to these estimates. Leasehold improvements are amortized over the shorter of the life of the lease or the life of the asset. Accelerated methods of depreciation are used for tax reporting purposes. All owned aircraft are pledged as collateral for our loan agreements

(f) Impairment of Long Lived Assets**.** In accordance with ASC Section 360-10-35, (originally Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets and for Long-Lived Assets to Be Disposed of*) long-lived assets, such as property, plant, equipment, and aircraft, subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would no

Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

longer be depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. An impairment loss is recognized to the extent that the carrying amount exceeds the asset s fair value.

***(g) Other Assets*.** Other assets consist primarily of prepayments of debt issuance costs, deposits with financial institutions, bonding companies, facilities lessors, aircraft lessors and others to secure the payment of fixed obligations. We incurred $2.5 million of debt issuance costs in 2011. At December 31, 2012, the unamortized debt issuance costs are $1.8 million, of which $0.6 million is classified as a prepaid expense that will be amortized in 2013 and $1.2 million is classified in other assets which will amortize in the years 2014 and 2015. Security deposits related to long-term facility leases were $1.2 million and $1.0 million at December 31, 2012 and 2011, respectively.

***(h) Maintenance Deposits*.** Until December 2012, the Company leased two of its Embraer EMB-120 Brasilia aircraft and, in addition to the base rent, was required to pay supplemental rent (Maintenance Rent) based upon flight hours or cycles flown. Under the terms of the leases the lessor would reimburse the Company for performing specified maintenance activities. This Maintenance Rent was accounted for as maintenance deposits in accordance with ASC subtopic 840-10, whereby the amount of the rent is capitalized and treated as a deposit against future maintenance expense until: (i) such time as a defined maintenance event is performed and a reimbursement is received, or (ii) the Company determined it was no longer probable that all or a portion of the deposit would be refunded as a reimbursement of the costs of a maintenance activity. When an amount on deposit is less than probable of being returned, it shall be recognized as additional expense. In December of 2012, the Company negotiated the early termination of these lease agreements and the purchase of these two leased aircraft. In connection with the early termination of the aircraft leases and purchase of the aircraft, management determined it was no longer probable that $0.7 million of the maintenance deposits would be refunded when maintenance activity was performed and so the Company incurred additional aircraft rental expense of $0.7 million in December of 2012. At December 31, 2012 and December 31, 2011, the Company had maintenance deposits of approximately $0 and $1.7 million, respectively.

In connection with the purchase of these aircraft, $1.5 million of maintenance deposits and $0.3 million of accounts receivable, associated with maintenance activity performed on the aircraft and reimbursable by the lessor, were considered to be used as a part of the aircraft acquisition cost. Both aircraft and their respective engines were capitalized for a total of $3.5 million. As a result of this transaction, the $0.7 million of aircraft rental expense was a non-cash transaction and $1.8 million of the aircraft acquisition cost did not require a cash outflow.

***(i) Revenue Recognition*.** Revenue generated from passenger, cargo, and other activities are recorded as revenue either when the respective services are rendered or when the time for use of the ticket has expired, one year after the date of issuance, and are net of excise taxes, passenger facility charges and security fees. Unused tickets issued by the Company are recorded in the accompanying balance sheets as unearned revenue.

The Company also receives public service subsidy revenues for providing air service to certain communities that do not generate sufficient traffic to fully support profitable air service under the EAS program. With respect to awarded EAS subsidy cases, the Company records revenues based on departures performed at departure rates that were approved by the DOT during the term of service agreement.

Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

(j) Code Share Relationships. At December 31, 2012, the Company operated under code share agreements with United Airlines and Frontier Airlines. These code share agreements are prorate agreements whereby the passenger s fare is split between the two carriers based on the distance traveled by the passenger on each airline. Revenue from these code share agreements is recorded as passenger revenue when the services are rendered. The Company also participates in United s Mileage Plus frequent flyer program. If a customer books travel on United which includes a segment on Great Lakes, the United customer earns points in their United frequent flier account for the miles flown on the Great Lakes segment. When a United frequent flier customer earns sufficient points to earn an award, he or she can choose whether to redeem those points on a United flight connecting with a Great Lakes flight. Our participation in United s frequent flyer program does not require us to issue tickets in exchange for frequent flyer awards. Award redemption can only be facilitated through United on United flights in conjunction with a Great Lakes flight. Tickets sold to passengers on Great Lakes ticket stock for Great Lakes flight segments (ZK designator) are not eligible to accrue United frequent flyer credits. The Company accounts for the incremental cost to fly United frequent flyer passengers at the time of service since the Company does not have sufficient information to estimate future awards expected to be redeemed on a Great Lakes segment, and an estimated frequent flyer liability would be insignificant in the aggregate given the historical volume of awards used for flights including Great Lakes segments.

(k) Income Taxes. The Company accounts for income taxes using the asset and liability method. Under that method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities and net operating losses and tax credit carryforwards. A valuation allowance is provided to the extent that it is more likely than not that deferred tax assets will not be realized. The effect on deferred taxes from a change in tax rates is recognized in income in the period that includes the enactment date.

(l) Income Per Share. Basic income per share has been computed by dividing the net income for a particular year by the weighted average number of shares of common stock outstanding during such year. Diluted earnings per share reflects the potential dilution of securities that could share in earnings. The Company currently has 8,974,990 shares of common stock outstanding.

(m) Stock Option Plans. For the years ending December 31, 2012, 2011 and 2010 there were no stock-based compensation awards granted.

(n) Aircraft Maintenance. The Company operates under an FAA-approved continuous inspection and maintenance program. The Company accounts for maintenance activities on the direct expense method. Under this method, major airframe overhaul maintenance costs are recognized as expense as maintenance services are performed. Routine maintenance and repairs are charged to operations as incurred. For the first six months of 2011, major Beechcraft 1900D engine maintenance for most of the Company s 1900D engines were performed under a Fleet Management Program (FMP) with Pratt and Whitney Canada Corporation which expired by its terms on June 30, 2011. Under the FMP contract, the Company paid a fixed amount per flight hour (subject to fixed nominal annual rate increases) in exchange for required maintenance and repairs under the predefined maintenance program. The expense over the life of the contract was recognized at a level rate per hour during the minimum, non-cancelable term of the agreement. Beginning July 1, 2011 all maintenance costs related to the Company s Beechcraft 1900D engines are recognized as

Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

an expense as the maintenance services are performed. In the event an engine undergoes a significant repair or overhaul, the Company may determine that it is more appropriate to capitalize the repair or overhaul depending on the specific nature of the maintenance activity performed.

(o) Fair Value of Financial Instruments. Fair value estimates, methods, and assumptions of financial instruments are set forth below:

Cash, accounts receivable, accounts payable, and accrued liabilities. The carrying amount approximates fair value because of the short-term nature of these instruments.

Long-term debt. All of the Company s debt is comprised of variable rate debt (see Note 5). Because there is not an active market for the Company s notes, and the Company is unable to determine an appropriate discount rate to use in estimating the fair value of this obligation or the probability of early redemption, it is not practical to estimate the fair value of the debt.

Note 3. Leases
Aircraft Leases

Prior to December 27, 2012 the Company operated two leased Embraer Brasilia Model 120 aircraft, which were accounted for under operating lease agreements. The Company negotiated the early termination of these lease agreements and the purchase of these two leased aircraft in December of 2012. The Company was required to make supplemental rent payments to cover the cost of major scheduled maintenance overhauls of these aircraft which were reimbursable to the Company at the time maintenance activities were completed. These supplemental rentals are based on the number of flight hours flown and/or flight departures and are recorded as maintenance deposits. See Note 2(h) *Summary of Significant Accounting Policies and Procedures Maintenance Deposits* for the Company s accounting policy. As a result of the early termination of the aircraft leases and purchase of the aircraft by the Company, it was no longer probable that $0.7 million of maintenance deposits would be refunded when maintenance activity was performed and the Company incurred additional aircraft rental expense of $0.7 million in December of 2012. At December 31, 2012 the Company has no aircraft leases for aircraft. During the years ended December 31, 2012, 2011 and 2010 supplemental rent expense recorded as a result of the maintenance rent provisions in the leases was $0.7, $0.4 and $0.5 million, respectively.

At December 31, 2010, the Company operated seven Beechcraft 1900D aircraft leased from Raytheon which were accounted for under operating lease agreements. These aircraft were returned to Raytheon in the quarters ended September 30 and December 31, 2011. Four of the aircraft were complete with engines and three aircraft were without engines. The lease agreements required the Company to pay taxes, maintenance, insurance, and other operating expenses applicable to the leased property. In addition to scheduled minimum lease payments, the Company was required to make payments to cover the cost of components related to leased engines, attached to four of the leased aircraft, as these components usable life cycle is consumed. At December 31, 2012, the Company had no commitments under aircraft operating leases.

Other Leases

The Company leases office and hangar space, spare engines and office equipment for its headquarters, reservation facilities, airport facilities, and certain other equipment. The Company s headquarter lease provides for three five-year renewal options making this facility available to the Company through the year 2020. The

Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

Company also leases certain airport gate facilities on a month-to-month basis. Facilities rental expense under operating leases, including month-to-month leases, for the years ended December 31, 2012, 2011 and 2010 was $3.9 million, $3.1 million, and $2.8 million, respectively.

Note 4. Accrued Liabilities

Accrued liabilities consisted of the following balances at December 31, 2012 and 2011:

	2012	2011
Accrued expenses	$	$ 25,178
Unearned revenue	1,710,269	1,703,358
Accrued property taxes	30,830	226,318
Accrued Interest	307,849	373,719
Accrued payroll	2,258,032	2,118,748
Total accrued liabilities	$ 4,306,980	$ 4,447,321

Note 5. Notes Payable and Long-Term Debt

The following table sets forth, as of December 31, 2012 and 2011, the carrying amount of the Company s long-term debt and current maturities of long term debt. The carrying amount of the debt consists of the principal payments contractually required under the debt agreements:

	2012	2011
Long-term debt:		
GB/Crystal Term Loan - principal	$ 18,700,000	$ 24,000,000
GB/Crystal Revolving Loan - principal	7,473,333	5,473,333
Total long-term debt	26,173,333	29,473,333
Less current portion:		
GB/Crystal Term Loan - principal	(3,500,000)	(3,000,000)
Total current portion	(3,500,000)	(3,000,000)
Total long-term portion	$ 22,673,333	$ 26,473,333

On November 16, 2011, the Company entered into a new financing agreement with GB Merchant Partners, LLC, serving as Collateral Agent, and Crystal Capital LLC, serving as Administrative Agent. Terms of the financing include a four-year term loan in the amount of $24 million and a revolving loan credit facility in which the Company may borrow up to $10 million. Pursuant to the terms of a pledge and security agreement and an aircraft security agreement, the Company s obligations to the lenders identified in the Credit Agreement are secured by substantially all assets of the Company, including all owned aircraft. The term loan bears interest at a floating rate of 30 day LIBOR rate plus 11% with a minimum rate of 15.5%. Voluntary prepayments of the term loan are subject to prepayment penalties ranging from 4% prior to the first anniversary of the loan and

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Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

declining in increments of 1% at each anniversary of the loan thereafter. As of December 31, 2012, $18.7 million was outstanding under the term loan. In addition to the scheduled contractual principal and interest obligations, the Company is required to make principal payments, based on a percentage of excess cash flows (as defined in the Credit Agreement), as measured on September 30 of each year beginning September 30, 2012. The Company is required to prepay an amount equal to 50% of such excess cash flow for the nine month period ending September 30, 2012, and each subsequent twelve-month period thereafter. The excess cash flow payments are to be applied to reduce the outstanding principal balance of the term loan. The first excess cash flow payment was due November 14, 2012 whereby the Company made an excess cash flow payment of $2.3 million, reducing the outstanding principal balance of the term loan.

The term loan is set to mature on November 16, 2015 at which time the outstanding principal balance due is scheduled to be $7.8 million.

As of December 31, 2012, $7.5 million was outstanding under the revolving credit facility secured by accounts receivable, parts inventory and spare engines. The revolving credit facility bears interest at the rate of 30 day LIBOR rate plus 8.0% with a minimum interest rate of 10.5%. The Company was also required to pay a closing fee based on the initial facility commitment, and is required to pay a monthly unused line fee, a specified fee for certain prepayments of the term loan, and certain administrative and fronting fees related to the Credit Agreement. The revolving loan credit facility is set to mature on November 16, 2015 at which time any outstanding principal balance will be due.

The following table summarizes the Company s long-term debt obligations as of December 31, 2012:

	2013	2014	2015	After 2015	Total
Long-term debt - contractual					
Term loan facility	$ 3,500,000	$ 4,000,000	$ 11,200,000	$	$ 18,700,000
Revolving credit facility			7,473,333		7,473,333
Total debt	3,500,000	4,000,000	18,673,333		26,173,333

Note 6. Income Taxes

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The tax net operating loss carryforwards (NOLs) that have been generated are due in large part to the accelerated depreciation of property and equipment over a shorter useful life for tax purposes. The Company s NOLs will expire between 2021 and 2024. The book basis of property and equipment is approximately $39.3 million greater than the tax basis at December 31, 2012, all of which is expected to reverse during periods in which NOLs are available. Approximately $9.5 million ($0.6 million tax effected) of state NOLs are expected to expire unused and accordingly a valuation allowance has been provided for these deferred tax assets. Based upon the projections for future taxable income over the periods in which the deferred tax assets become deductible, the Company believes it is more likely than not that it will realize the benefits of most of the deductible temporary differences and NOLs. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

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Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

The Company s estimated net operating loss carryforwards for federal income tax purposes totaling approximately $20.8 million at December 31, 2012, expire in years 2021 through 2024 as follows (in thousands):

Year of Expiration	Amount
2021	14,782
2023	4,011
2024	2,055
	$ 20,848

In order for the Company to utilize these NOLs prior to expiration, the Company would need to generate taxable income of $20.8 million during the next 10 years, or approximately $2.0 million per year. The Company expects to use $7.7 million of NOL carryforwards in 2012 to offset taxes payable.

Income tax expense (benefit) for the years ended December 31, 2012, 2011 and 2010 is presented below

	Current	Deferred	Total
Year ended December 31, 2012:			
U.S. Federal	137,096	1,316,899	$ 1,453,995
State and local	340,626	(291,669)	$ 48,957
	$ 477,722	$ 1,025,230	$ 1,502,952
Year ended December 31, 2011:			
U.S. Federal	$ 337,604	$ 5,611,401	$ 5,949,005
State and local	$ 790,317	(24,431)	$ 765,886
	$ 1,127,921	$ 5,586,970	$ 6,714,891
Year ended December 31, 2010:			
U.S. Federal	$ 232,586	$ 2,740,756	$ 2,973,342
State and local	$ 253,932	452,577	$ 706,509
	$ 486,518	$ 3,193,333	$ 3,679,851

The federal statutory tax rate of 34% for 2012 and 35% for 2011 and 2010 differs from the Company s effective income tax rate for the years ended December 31, 2012, 2011, and 2010 as follows:

	2012	2011	2010
Income tax expense at the federal statutory income tax rate	$ 1,497,730	$ 6,091,106	$ 3,056,595
State income tax expense, net of federal income tax benefit	134,530	507,910	280,601
Book expenses not deductible for tax purposes	139,389	125,959	164,025

Increase (Decrease) in valuation allowance	(36,283)	21,111	111,950
Impact of changes in rates	(232,413)	(31,195)	66,680
Income tax expense	$ 1,502,952	$ 6,714,891	$ 3,679,851

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Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

Deferred tax assets (liabilities) as of December 31, 2012 and 2011, were as follows:

	2012	2011
Deferred tax assets:		
Net operating loss carryforwards	$ 7,844,304	$ 10,753,078
Alternative minimum tax credit carryforwards	1,152,601	994,545
Inventory reserve	814,416	784,751
Deferred revenue	632,603	649,572
Other reserves	242,099	258,555
Other	185	6,985
Total gross deferred tax assets	10,686,208	13,447,486
Less: valuation allowance	(609,436)	(645,719)
Net deferred tax assets	10,076,772	12,801,767
Deferred tax liabilities:		
Property and equipment	(16,668,935)	(18,319,511)
Other	(61,353)	(110,540)
Total deferred tax (liability) asset	$ (6,653,516)	$ (5,628,284)

The Company files income tax returns in the U.S., and various state and local jurisdictions. Federal tax returns remain subject to examination for three years after a tax net operating loss is utilized, accordingly the tax returns may remain subject to audit beyond the original statute of limitations State jurisdictions also remain subject to examination.

The Company believes that its income tax filing positions and deductions related to tax periods subject to examination will be sustained upon audit and does not anticipate any adjustments that will result in a material adverse effect on the Company s financial condition, results of operations, or cash flows. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740-10-25.

Note 7. Employee Benefit Plans

The Company maintains a qualified 401(k) employee retirement savings plan for the benefit of substantially all of the Company s employees. The Company matches up to 4% of participating employees contributions. Company contributions, net of forfeitures, totaled $299,605 in 2012, $317,299 in 2011, and $340,630 in 2010.

In 1993, the Company adopted the Great Lakes Aviation, Ltd. 1993 Stock Option Plan and the Great Lakes Aviation, Ltd. 1993 Director Stock Option Plan (collectively, the Plans). The Plans permitted the grant of stock options in the aggregate of 1,300,000 shares of the Company s common stock to key employees, officers, and directors of the Company. Pursuant to their terms, both Plans expired on October 31, 2003, and no options have been granted after October 31, 2003. As of December 31, 2012, no options remained outstanding under the plans.

The Company did not realize any tax deductions related to the exercise of stock options during 2012, 2011 or 2010. The aggregate intrinsic value for options outstanding and exercisable at December 31, 2012 and 2011

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Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

was $0 and $94,153 respectively. There was no unrecognized compensation cost from unvested stock options at the implementation date of ASC Section 718-10-25 (originally pursuant to SFAS 123(R)-*Share Based Payment).*

A summary of the option activity under all stock option plans during the year ended December 31, 2012 is presented below:

	Shares	Weighted Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding at January 1, 2012	205,000	$ 0.40	1
Granted			
Expired	150,000	0.40	
Exercised	55,000	0.40	
Outstanding at December 31, 2012		$	
Options exercisable at December 31, 2012		$	

The weighted average intrinsic value of options exercised during the year was $1.53 per share.

Note 8. Income Per Share

The following table provides a reconciliation of the numerators and denominators of the basic and diluted income per share computations for the periods presented:

	2012			2011			2010		
	Income (numerator)	**Shares (denominator)**	**Per share amount**	**Income (numerator)**	**Shares (denominator)**	**Per share amount**	**Income (numerator)**	**Shares (denominator)**	**Per share amount**
Basic income per share attributable to common stockholders	$ 2,902,136	8,923,269	$ 0.33	$ 10,688,268	13,629,671	$ 0.78	$ 5,053,278	14,291,970	$ 0.35
Effect of dilutive securities:									
Stock options		141,902			109,845			153,762	
Diluted income per share attributable to common stockholders	$ 2,902,136	9,065,171	$ 0.32	$ 10,688,268	13,739,516	$ 0.78	$ 5,053,278	14,445,732	$ 0.35

For the years ended December 31, 2012, 2011 and 2010, there were no stock options excluded from the calculation of diluted earnings per share.

Under the terms of the Company s debt agreements, the Company is prohibited from paying dividends.

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Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

Note 9. Fair Value Measurements

A fair value hierarchy that prioritizes the inputs used to measure fair value has been established by ASC 820, *Fair Value Measurement*. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2	Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and other inputs that are observable or can be corroborated by observable market data.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then we rank the estimated values based on the reliability of the inputs used following the fair value hierarchy set forth by the Financial Accounting Standards Board (the FASB).

Our financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities and long-term debt including the current portion. The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values. These are considered Level 1 measurements. The carrying value of our long term debt including the current portion reflects original cost net of unamortized deferred debt restructuring gain and was $26.2 million and $29.5 million as of December 31, 2012 and December 31, 2011, respectively. For additional information, see Note 5 Long-Term Debt.

All of the Company s debt is comprised of variable rate debt (see Note 5). Because there is not an active market for the Company s notes, and the Company is unable to determine an appropriate discount rate to use in estimating the fair value of this obligation or the probability of early redemption, it is not practical to estimate the fair value of the debt.

Note 10. Transactions with Affiliates

The Company rents two six-passenger aircraft and a vehicle from Iowa Great Lakes Flyers, Inc., a corporation solely owned by Douglas G. Voss, the Company s Chairman and major stockholder. Total payments for the leases were $28,500 in 2012, $28,500 in 2011, and $28,500 in 2010. As of December 31, 2012, Mr. Douglas Voss controlled 4,160,247 shares of common stock of the Company, representing an approximate 46.4% interest in the Company s outstanding common stock.

Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

Note 11. Commitments and Contingencies

Litigation. The Company is a party to ongoing legal claims and assertions arising in the ordinary course of business. Management believes that the resolution of these matters will not have a material adverse effect on the Company s financial position, results of operations, or cash flows.

Union Agreements. As of March 20, 2013, approximately 34 percent of the Company s employees are subject to union agreements.

The Company s pilots are represented by the United Transportation Union (UTU). The pilot collective bargaining agreement became amendable on September 16, 2010. The Company and the UTU have been engaged in contract mediation under the auspices of the National Mediation Board (NMB). In August 2012, both the pilots and the Company asked to be released from mediated bargaining. On March 22, 2013, the NMB proffered arbitration. The parties have 30 days to accept that proffer. If, at the end of the 30 day period both parties have not agreed to arbitrate, then they will be released to exercise self-help.

The Company s flight attendants are also represented by the UTU. The Company entered into a new agreement with the flight attendants on May 17, 2011. This agreement will continue in full force and effect for four years and thereafter is subject to amendment, which would reopen collective bargaining.

The Company s mechanics and maintenance clerks are represented by the International Association of Machinists and Aerospace Workers (IAM). The collective bargaining agreements between the Company and the clerks and mechanics represented by IAM, District 143, became amendable in 2002 and 2005, respectively. We are currently engaged in contract mediation under the auspices of the National Mediation Board.

In 2003, the Company s dispatchers voted to be represented by the International Brotherhood of Teamsters. Negotiations with the dispatchers are not active at the present time.

Note 12. Subsequent Event

On February 15, 2013, the Company borrowed an additional $1.5 million under its revolving credit facility increasing the borrowings under the facility from $7.5 million to $9.0 million.

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Great Lakes Aviation, Ltd.

Notes to Financial Statements for December 31, 2012 and December 31, 2011

Note 13. Selected Quarterly Financial Data (unaudited)

The following table presents selected quarterly unaudited financial data for quarters during the years ended December 31, 2012 and 2011 (in thousands, except for per share information):

2012	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Operating revenues	$ 31,357	$ 36,103	$ 37,339	$ 32,980	$ 137,779
Operating income (loss)	1,595	3,910	4,800	(892)	9,413
Net income (loss)	176	1,537	2,167	(978)	2,902
Net income (loss) per share					
Basic	$ 0.02	$ 0.17	$ 0.24	$ (0.11)	$ 0.33
Diluted	0.02	0.17	0.24	(0.11)	0.32
Weighted average shares outstanding					
Basic	8,920	8,923	8,925	8,948	8,923
Diluted	9,028	9,062	9,075	8,948	9,065

2011	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Operating revenues	$ 29,691	$ 31,216	$ 32,773	$ 30,685	$ 124,365
Operating income (loss)	(650)	1,512	3,937	1,526	6,325
Net income (loss)	(577)	607	1,823	8,835	10,688
Net income (loss) per share					
Basic	$ (0.04)	$ 0.04	$ 0.13	$ 0.76	$ 0.78
Diluted	(0.04)	0.04	0.13	0.75	0.78
Weighted average shares outstanding					
Basic	14,292	14,292	14,292	11,664	13,630
Diluted	14,292	14,372	14,385	11,753	13,740

The above financial data includes normal recurring adjustments and reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of such financial data. The Company s business is seasonal and, accordingly, interim results are not indicative of results for a full year.

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2012, our disclosure controls and procedures were effective.

Management s Annual Report On Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting (ICFR) as of December 31, 2012. Management assessed the effectiveness of our ICFR based on the criteria for effective ICFR established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and SEC guidance on conducting such assessments by smaller reporting companies and non-accelerated filers. Based on this assessment, management believes that as of December 31, 2012, our internal control over financial reporting was effective based on those criteria.

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This Annual Report on Form 10-K does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to an exemption for smaller reporting companies under Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Changes in Internal Control Over Financial Reporting

During the Company s most recent fiscal quarter, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Item 9B. OTHER INFORMATION

Not applicable.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our Directors

The following table and narrative provide information concerning the members of our board of directors as of March 20, 2013. Our directors are elected by a plurality of the votes cast. Each director has been appointed to serve until the next annual meeting of shareholders and until their respective successors are elected and duly qualified. There are no familial relationships between any director or officer.

Name	Age	Principal Occupation	Position with Company	Director Since
Douglas G. Voss	58	Chairman of the Board of Directors and President of Great Lakes Aviation, Ltd.	Chairman of the Board of Directors and President of Great Lakes Aviation, Ltd.	1979
A.L. Maxson(1)	77	Financial Consultant	Director	2010
Vernon A. Mickelson(1)(2)(3)	86	Business Consultant	Director	1994
A.R. Moulton, III(1)(2)	70	Financial Consultant	Director	2005
Ivan L. Simpson(1)(2)(3)	62	Retired Airline Transport Pilot for American Airlines	Director	1997

(1) Member of the audit committee.
(2) Member of the compensation committee.
(3) Member of the nominating committee.

Douglas G. Voss. Mr. Voss co-founded the Company in 1979 and served in the position of Chief Executive Officer from the Company s inception until December 31, 2002. Mr. Voss has served as a director of the Company since the Company s inception. Mr. Voss was initially licensed as a private pilot in 1974 and today holds both an Airline Transport Pilot Certificate and Airframe and Powerplant Mechanic Certificates. Mr. Voss is a graduate of Colorado Aero Tech. Mr. Voss has previously served the Company in the FAA Air Carrier Certificate required operational control positions of Director of Operations and Director of Maintenance. He is uniquely qualified to serve as our Chairman based on his rich experience with our Company as our founder and longtime leader.

A.L. Maxson. Mr. Maxson became a director of the Company in August 2010. He previously served as the Company s Chief Financial Officer and a director from 1993-1997. Mr. Maxson began his career in the aviation industry in 1966 when he joined Southern Airways, Inc. as its Controller and was made Chief Financial Officer shortly thereafter. Southern Airways, Inc. was ultimately merged with North Central Airlines Inc. to create Republic Airlines Inc., where Mr. Maxson also served as Chief Financial Officer. Mr. Maxson became Vice President Financial Planning for Northwest Airlines, Inc. upon that company s acquisition of Republic Airlines, Inc. in 1986. Mr. Maxson remained with Northwest Airlines, Inc. until 1991, and was self-employed as a financial consultant during the period from 1991 to December of 1993. Since 1997, Mr. Maxson has been self-employed as a financial consultant. Mr. Maxson serves as one of our independent directors and our audit committee financial expert, and he brings to our board his financial expertise and industry perspective.

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Vernon A. Mickelson. Mr. Mickelson became a director of the Company in January 1994. For more than the past 20 years, Mr. Mickelson has been self-employed as a business consultant. He provided services to the Company concerning matters involving FAA regulatory compliance and maintenance quality control from 1988 to 1994. Mr. Mickelson has worked in the aviation industry since 1949, primarily in the field of aircraft manufacturing and maintenance. From 1969 to 1988, Mr. Mickelson was employed by the FAA in Flight Standards as principal inspector and supervisor of FAA maintenance and avionics inspectors assigned in the states of Indiana and Iowa. In his career, he has held or holds several FAA maintenance certificates and FAA designations in aircraft maintenance in addition to holding a commercial pilot s certificate. Mr. Mickelson is a graduate of Spartan School of Aeronautics (1948-49), specializing in aircraft maintenance. Mr. Mickelson brings his long history with our industry and his more than 22 years as a business consultant to his role as one of our independent directors.

A.R. Moulton, III. Mr. Moulton became a director of the Company in September 2005. Until 2010 Mr. Moulton was a Managing Director of Airline Capital Associates, a consulting firm serving the commercial air transport sector. During his career at Airline Capital Associates he served as a financial advisor to manufacturing companies, financial institutions, and labor unions, providing advice on all aspects of the commercial air transportation industry. Prior to joining Airline Capital Associates in 1990, Mr. Moulton was a Senior Vice President and head of Bank of New England s loan production office in New York City from June 1988 to June 1990. Prior to joining Bank of New England, Mr. Moulton was a Vice President at Morgan Guaranty Trust Company from April 1974 to June 1988. Mr. Moulton is qualified to serve on our board as one of our independent directors through his combination of over 35 years as a commercial banker and financial consultant, giving him financial and industry experience.

Ivan L. Simpson. Mr. Simpson became a director of the Company in 1997. Mr. Simpson co-founded the Company in 1979, and served in various operational roles through 1987, including Chief Pilot and Vice President and Director of Operations. He is a retired Airline Transport Pilot with American Airlines. Mr. Simpson brings a deep knowledge of our Company and our industry to his work as one of our independent directors.

Our Executive Officers

Pursuant to General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K, information regarding our executive officers was provided in Part I of our Form 10-K under separate caption.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers, directors and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Such officers, directors and shareholders are required by the SEC to furnish us with copies of all such reports. To our knowledge, based solely on a review of copies of reports filed with the SEC during the last fiscal year and furnished to the registrant with respect to its most recent fiscal year, all applicable Section 16(a) filing requirements were met on a timely basis except for a Form 4 for Charles Howell and a Form 4 for Ivan Simpson.

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Our code of ethics satisfies the requirements of Item 406(b) of Regulation S-K. Our code of ethics is posted on the Company s web site at www.flygreatlakes.com and is available in print upon written request to our Corporate Secretary at Great Lakes Aviation, Ltd., 1022 Airport Parkway, Cheyenne, WY 82001. We intend to disclose any amendments to or waivers from a provision of our code of ethics that requires disclosure on our website at www.flygreatlakes.com.

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Audit Committee Matters

We have an audit committee that was established in accordance with Section 3(a)(58)(A) of the Exchange Act, comprised of A.L. Maxson, Vernon A. Mickelson, A.R. Moulton, III and Ivan L. Simpson. Under NASDAQ Marketplace Rules that would apply if our common stock was listed on NASDAQ, each member of the audit committee would be required to (i) be independent as defined under Rule 5605(a)(2) of the NASDAQ Marketplace Rules; (ii) meet the criteria for independence set forth in Rule 10A-3 under the Exchange Act; (iii) not have participated in the preparation of the financial statements of our company or any current subsidiary of our company at any time during the past three years, and (iv) be able to read and understand fundamental financial statements, including a company s balance sheet, income statement, and cash flow statement. Our company s board of directors has determined that each member of the audit committee would meet these requirements, except that Mr. Maxson is not independent under the specific standards applicable to audit committee members in Rule 10A-3 due to the consulting services he has provided to our company from time to time. The audit committee, Mr. Maxson abstaining, has considered this issue and has approved Mr. Maxson s consulting services under its charter and Mr. Maxson s service on the audit committee.

The functions of the audit committee include oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, and the performance, qualifications and independence of our independent auditors. Our audit committee is directly responsible for the appointment, retention, compensation, evaluation, termination and oversight of the work of any independent auditor engaged for the purpose of preparing or issuing an audit report or related work.

In addition, our board of directors has determined that Mr. Maxson qualifies as our audit committee financial expert under the rules of the SEC. Our audit committee charter is posted on our web site at www.flygreatlakes.com and is available in print upon written request to our Corporate Secretary at Great Lakes Aviation, Ltd., 1022 Airport Parkway, Cheyenne, WY 82001.

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Item 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the fiscal years ended December 31, 2012, 2011, 2010 and 2009:

Name and Principal Position	Year	Salary ($)	Bonus ($)	All Other Compensation ($)(a)	Total ($)
Charles R. Howell IV	2012	155,000		3,100	158,100
Chief Executive Officer	2011	155,000		3,100	158,100
	2010	155,000		3,100	158,100
	2009	155,000		3,100	158,100
Michael O. Matthews	2012	150,000		6,000	156,000
Vice President and Chief Financial Officer	2011	150,000		6,000	156,000
	2010	150,000		6,000	156,000
	2009	150,000		6,000	156,000
Douglas G. Voss	2012	175,000			175,000
Chairman of the Board of Directors and President	2011	175,000			175,000
	2010	175,000			175,000
	2009	175,000			175,000

(a) Represents matching contributions made by the company on behalf of Mr. Howell and Mr. Matthews under our 401(k) retirement savings plan. These matching contributions are subject to vesting in accordance with the terms of the plan. See discussion below under Retirement Savings Plan.

Employment Agreement

On December 31, 2002, we entered into a two-year employment agreement with Mr. Voss under which he serves as Chairman of the Board of Directors. The agreement specifies a base salary of $120,000 annually and entitles him to participate in the Company s compensation and benefit plans. Subsequent to entering into this agreement, we have amended the compensatory arrangements under the agreement to increase the annual base salary payable thereunder. The agreement provides that it may be terminated by either party upon six months notice. In addition, under the agreement, if we terminate Mr. Voss without cause, or if he terminates because of the company s breach of the agreement, he would receive his regular base pay for the remainder of the contract period. Our company and Mr. Voss have agreed to continue operating under this agreement indefinitely, until such time as a new agreement becomes effective.

We currently do not have any other employment agreements with our executive officers, and do not have any other arrangements between our company and our executive officers in connection with termination of employment, change of control of our company, or any changes to the executive officer s responsibilities following a change of control.

Outstanding Equity Awards at Fiscal Year-End

There were no outstanding equity awards held by our named executive officers as of December 31, 2012.

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Retirement Savings Plan

We provide a 401(k) Retirement Savings Plan in which our employees, including the executive officers, may participate. The plan permits all employees to set aside a portion of their income into the 401(k) Retirement Savings Plan and the company matches one hundred percent (100%) of the first four percent (4%) contributed by an employee up to the statutory maximum. Employee contributions are vested immediately, while matching contributions by the company vest 20% after two years of service with the company, and 20% for each year of service thereafter until fully vested. The participation of the executive officers is on the same terms as any other participant in the plan.

Director Compensation

Our directors who are not employees of the Company were paid a director fee consisting of a quarterly retainer fee of $1,000 for Messrs. Maxson, Moulton and Simpson and $2,000 for Mr. Mickelson who serves as Chairman of the Audit Committee, $1,000 per day for each board conference attended and $1,000 for each board or committee meeting attended, plus reimbursement for all out-of-pocket expenses incurred on behalf of the company.

The following table sets forth information concerning the compensation of our non-employee directors for fiscal year 2012:

Name	Fees Earned or Paid in Cash ($)	All Other Compensation ($)	Total ($)
A.L Maxson	11,000	4,750(a)	15,750
Vernon A. Mickelson	15,000		15,000
A.R. Moulton, III	11,000		11,000
Ivan L. Simpson	11,000		11,000

Mr. Mickelson received $8,000 and Messrs. Maxson, Moulton and Simpson received $4,000 in quarterly retainer fees and each received $6,000 for six audit committee meetings. Messrs. Mickelson, Maxson, Moulton and Simpson each received $1,000 for conferences.

(a) Mr. Maxson received consulting fees of $4,750 during the 12 month period ending December 31, 2012.

There are no outstanding stock options held by our non-employee directors as of December 31, 2012.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information known to us regarding beneficial ownership of the common stock as of March 20, 2013, by (i) each person known to the Company to own beneficially 5% or more of the common stock, (ii) each director of the Company, (iii) each executive officer of the Company named in the summary compensation table, and (iv) all directors and executive officers of the Company as a group. The

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percentage of beneficial ownership is based on 8,974,990 shares outstanding as of March 20, 2013. Any shares that are subject to an option or a warrant exercisable within 60 days are reflected in the following table and are deemed to be outstanding for the purpose of computing the percentage of common stock owned by the option or warrant holder but are not deemed to be outstanding for the purpose of computing the percentage of common stock owned by any other person. Unless otherwise indicated, each person in the table has sole voting and investment power as to the shares shown, and none of the listed shares has been pledged as security. Unless otherwise indicated, the address for each listed shareholder is c/o Great Lakes Aviation, Ltd., 1022 Airport Parkway, Cheyenne, Wyoming 82001.

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Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percentage of Common Stock (1)
Douglas G. Voss	4,160,247 (2)	46.4%
Iowa Great Lakes Flyers, Inc. 10400 Milliron Road Cheyenne, Wyoming 82009	1,710,247 (3)	19.1%
Gayle R. Brandt 256 Emerald Meadows Drive Arnolds Park, Iowa 51331	1,236,690 (4)	13.8%
Charles R. Howell IV	50,000	*
Ivan L. Simpson 15239 215th Ave. Spirit Lake, Iowa 51360	15,450	*
Vernon A. Mickelson 1209 3rd Avenue West Spencer, Iowa 51301	17,000	*
A.L. Maxson	2,000	*
Michael O. Matthews		
A.R. Moulton, III		
All directors and executive officers as a group (8 persons)	4,244,697	47.3%

* Represents less than 1%.

(1) The securities beneficially owned by a person are determined in accordance with the definition of beneficial ownership as set forth in the regulations of the SEC and, accordingly, may include securities owned by or for, among others, the spouse, children, or certain other relatives of such person, as well as other securities as to which the person has or shares voting or investment power or has the right to acquire within 60 days of March 30, 2013. The same shares may be beneficially owned by more than one person.
(2) Mr. Voss is the beneficial owner of 4,160,247 shares. The 1,710,247 shares owned by Iowa Great Lakes Flyers, Inc. are included in the shares reported by Mr. Voss.
(3) Beneficial ownership of these shares of Common Stock is shared with Douglas G. Voss.
(4) According to Ms. Brandt s Form 4 filed with the Securities and Exchange Commission on November 27, 2012.

Equity Compensation Plan Information

As of December 31, 2012 there are no compensation plans under which the Company s equity securities are authorized for issuance.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Review and Approval or Ratification of Transactions with Related Persons

The audit committee of our board of directors is responsible for reviewing any proposed transaction with a related person. In May 2007, our board of directors amended our audit committee charter to include a policy providing for the review and approval of related person transactions requiring disclosure under Rule 404(a) of Regulation S-K. This policy states that the audit committee is responsible for reviewing and approving or disapproving all proposed interested transactions, which are defined as any transaction, arrangement or relationship in which (a) the amount involved may be expected to exceed $120,000 in any fiscal year, (b) the Company will be a participant, and (c) a related person has a direct or indirect material interest. A related person is defined as an executive officer, director or nominee for director, or a greater than five percent beneficial owner of the Company s common stock, or an immediate family member of the foregoing. The policy deems certain interested transactions to be pre-approved, including the employment and compensation of executive officers and compensation paid to directors. All future transactions between our company and its executive officers, directors and principal shareholders and their affiliates will be approved by the audit committee pursuant to the foregoing policy.

Transactions with Related Persons

Raytheon Aircraft Credit Corporation

On November 16, 2011, the Company obtained $29.5 million of funding available under the new Credit Agreement. $27 million of the proceeds was used to satisfy all the outstanding debt obligations with Raytheon Aircraft Credit Corporation (Raytheon), at a discount, and to repurchase the Company s common stock owned by Raytheon representing approximately 37.6% of the outstanding shares of common stock. On that day, the debt obligations with Raytheon were extinguished, 5,371,980 shares of the Company s common stock were returned and Raytheon ceased to be a beneficial owner of the Company. We issued the shares to Raytheon in December 2002 as partial consideration for a series of transactions that included restructured financing terms for aircraft promissory notes, termination of aircraft operating leases, aircraft purchases, aircraft returns, modified aircraft operating leases and other debt restructuring. Raytheon was our principal creditor prior to November 16, 2011.

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In the twelve month period ending December 31, 2011, the Company made principal repayments of debt to Raytheon in the amount of $33.2 million, including a one-time payment of $27.0 million on November 16, 2011 and a non-scheduled prepayment of debt on its Senior Note in the amount of $843,247 as a result of the Company s Excess cash position for the year ending December 31, 2010.

During 2011, the Company operated seven Beechcraft 1900D aircraft leased from Raytheon, four complete with engines and three without engines, which were accounted for under operating lease agreements. These aircraft were returned to Raytheon in the quarters ended September 30 and December 31, 2011 and the leases were terminated. During the year ended December 31, 2011, lease payments made to Raytheon were $1.3 million. The lease agreements required the Company to pay taxes, maintenance, insurance, and other operating expenses applicable to the leased property. In addition to scheduled minimum lease payments, the Company was required to make payments to cover the cost of components related to leased engines, attached to four of the leased aircraft, as these components usable life cycle was consumed. During the year ended December 31, 2011, engine consumption fees were $186,276.

Director Independence

Our company s board of directors is comprised of a majority of independent directors as defined in Rule 5605(a)(2) of the Marketplace Rules of the NASDAQ Stock Market. Our independent directors are A.L. Maxson, Vernon A. Mickelson, A.R. Moulton, III and Ivan L. Simpson. Douglas G. Voss, our Chairman and President, is not an independent director. Our board of directors has an audit committee, compensation committee and nominating committee, each composed of directors who are independent as defined in the applicable Marketplace Rules of the NASDAQ Stock Market. In addition, each member of the compensation committee is a non-employee director as defined in Rule 16b-3 of the Exchange Act and is an outside director as defined in Section 162(m) of the Internal Revenue Code, and each member of our audit committee is independent as defined in Exchange Rule 10A-3 except Mr. Maxson. (See Item 10, Audit Committee Matters.)

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The firm of KPMG LLP has been our independent auditors since 1998. Fees paid to KPMG LLP during the last two fiscal years were as follows:

Audit Fees. Fees for audit services rendered by KPMG LLP for the years ended December 31, 2012 and 2011 were $338,000 and $340,278, respectively. Audit services consisted primarily of the audit and quarterly reviews of our financial statements, consents, assistance with and review of documents filed with the SEC, work performed by tax professionals in connection with the audit and quarterly reviews, accounting and financial reporting consultations, and research work necessary to comply with generally accepted accounting principles.

Audit-Related Fees. Fees for audit-related services provided during the years ended December 31, 2012 and 2011 were $52,000 and $51,300, respectively. Audit-related services consisted primarily of professional services provided with respect to yearly audits of our 401(k) employee savings plan and Passenger Facility Charge audits.

Tax Fees. There were no fees for tax services billed during the years ended December 31, 2012 and 2011.

All Other Fees. During the fiscal year 2012 no other services were provided by KPMG LLP to the Company. During the fiscal year 2011, $20,215 was billed for review of amendments to a resale registration statement. In fiscal year 2011, no other services were provided by KPMG LLP to the Company.

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Audit Committee Pre-Approval Policies and Procedures

The charter of our audit committee provides that the audit committee is responsible for the pre-approval of all auditing services and permitted non-audit services to be performed for our company by the independent auditors, subject to the requirements of applicable law. The procedures for pre-approving all audit and non-audit services provided by the independent auditors include the committee reviewing a budget for audit services, audit-related services, tax services, and other services. The budget includes a description of, and a budgeted amount for, particular categories of non-audit services that are anticipated at the time the budget is submitted. Committee approval would be required to exceed the budgeted amount for a particular category of services or to engage the independent auditors for any services not included in the budget. Budgeted amounts were not exceeded in 2012. The audit committee periodically monitors the services rendered by, and actual fees paid to, the independent auditors to ensure that such services are within the parameters approved by the committee. The text of the audit committee charter is posted on our web site at *www.flygreatlakes.com*. The audit committee pre-approved all of the services we received from KPMG LLP during fiscal year 2012.

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PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

(1) Financial statements of the Company included in Item 8, Financial Statements and Supplementary Data :

(i) Report of Independent Registered Public Accounting Firm

(ii) Balance Sheets as of December 31, 2012 and 2011

(iii) Statements of Income for the Years Ended December 31, 2012, 2011 and 2010

(iv) Statements of Stockholders Equity for the Years Ended December 31, 2012, 2011 and 2010

(v) Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010

(vi) Notes to Financial Statements

Supporting schedules are omitted because they are inapplicable, not required, or the information is presented in the financial statements or notes thereto.

(2) The exhibits filed as part of this report and exhibits incorporated herein by reference to other documents are listed in the Exhibit Index to this Annual Report on Form 10-K (pages E-1 through E-3).

(b) An Exhibit Index is contained on page E-1.

(c) Not Applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GREAT LAKES AVIATION, LTD.

Dated: March 26, 2013

By: /s/ Charles R. Howell IV
Charles R. Howell IV
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michael O. Matthews
Michael O. Matthews
Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each individual whose signature appears below hereby constitutes and appoints Douglas G. Voss, Charles R. Howell IV, and Michael O. Matthews, and each of them individually, as his or her true and lawful agent, proxy, and attorney-in-fact, with full power of substitution and resubstitution for such individual and in such individual s name, place, and stead, in any and all capacities, to act on, sign, and file with the Securities and Exchange Commission any and all amendments to this report together with all schedules and exhibits thereto and to take any and all actions that may be necessary or appropriate in connection therewith, and each such individual hereby approves, ratifies, and confirms all that such agents, proxies, and attorneys-in-fact, any of them, or any of his or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Douglas G. Voss Douglas G. Voss	Chairman of the Board and President	March 26, 2013
/s/ Charles R. Howell IV Charles R. Howell IV	Chief Executive Officer (Principal Executive Officer)	March 26, 2013
/s/ Michael O. Matthews Michael O. Matthews	Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)	March 26, 2013
/s/ Vernon A. Mickelson Vernon A. Mickelson	Director	March 26, 2013
/s/ Ivan L. Simpson Ivan L. Simpson	Director	March 26, 2013
/s/ A. L. Maxson A. L. Maxson	Director	March 26, 2013
/s/ Allan R. Moulton III Allan R. Moulton III	Director	March 26, 2013

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EXHIBIT INDEX

3.1	Amended and Restated Articles of Incorporation. (1)
3.2	Amended and Restated Bylaws. (1)
4.1	Specimen Common Stock Certificate. (2)
10.1	Employment Agreement, dated December 31, 2002, by and between Douglas G. Voss and the Company. (3)
10.2	Code Share Agreement, dated May 3, 2001, by and between Frontier Airlines, Inc. and the Company, as amended on February 8, 2002. Portions of this Exhibit have been excluded from the publicly available document, and the SEC has granted the Company s application for confidential treatment of the excluded material. (4)
10.3	Amendment No. 2 to Code Share Agreement, dated July 1, 2009 by and between Frontier Airlines, Inc. and the Company. Portions of this Exhibit have been excluded from the publicly available document, and the SEC has granted the Company s application for confidential treatment of the excluded material. (5)
10.4	Agreement between the Company and Raytheon Aircraft Credit Corporation, dated June 10, 2011. (6)
10.5	Amendment to Agreement between the Company and Raytheon Aircraft Credit Corporation, dated August 31, 2011. (7)
10.6	Amendment to Agreement between the Company and Raytheon Aircraft Credit Corporation, dated October 14, 2011. (8)
10.7	Codeshare Agreement between the Company and United Air Lines, dated September 1, 2011. Portions of this Exhibit have been excluded from the publicly available document pursuant to a grant of confidential treatment. (9)
10.8	Credit Agreement by and among the registrant, GB Merchant Partners, LLC, Crystal Financial LLC, and the other financial institutions and entities party thereto, dated November 16, 2011. (10)
10.9	Pledge and Security Agreement by and among the registrant and the Pledgors, dated November 16, 2011. (10)
10.10	Aircraft, Engines, Spare Engines, Propellers, Spare Propellers and Spare Parts Mortgage and Security Agreement, dated November 16, 2011. (10)
10.11	Payoff Letter Agreement dated November 16, 2011 between the Company and Raytheon Aircraft Credit Corporation. (10)
10.12	First Amendment to Credit Agreement by and among the registrant, GB Merchant Partners, LLC, Crystal Financial LLC, and the other financial institutions and entities party thereto, dated Jan. 16, 2012. (11)
10.13	Second Amendment to Credit Agreement by and among the registrant, GB Merchant Partners, LLC, Crystal Financial LLC, and the other financial institutions and entities party thereto, dated December 27, 2012.
14	Code of Ethics. Available on the Company s web site.
24	Powers of Attorney. (included in signature page)
31.1	Certification pursuant to Rule 13a-14(a) of Chief Executive Officer.
31.2	Certification pursuant to Rule 13a-14(a) of Chief Financial Officer (Principal Accounting and Financial Officer).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Chief Executive Officer.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Chief Financial Officer.
101	Financial Statements in XBRL format.

(1) Incorporated by reference to the Company s Registration Statement on Form S-1/A, Registration No. 333-159256, as filed September 3, 2009.

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(2) Incorporated by reference to the Company s Registration Statement on Form S-1, Registration No. 033-71180.
(3) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended December 31, 2002. (File No. 000-23224)
(4) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003. (File No. 000-23224)
(5) Incorporated by reference to the Company s Registration Statement on Form S-1/A, Registration No. 333-159256, as filed September 30, 2009.
(6) Incorporated by reference to the Company s Current Report on Form 8-K filed on June 10, 2011. (File No. 000-23224)
(7) Incorporated by reference to the Company s Current Report on Form 8-K filed on September 2, 2011. (File No. 000-23224)
(8) Incorporated by reference to the Company s Current Report on Form 8-K filed on October 17, 2011. (File No. 000-23224)
(9) Incorporated by reference to the Company s Amendment No. 1 to Current Report on Form 8-K filed on October 25, 2011. (File No. 000-23224)
(10) Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011. (File No. 000-23224)
(11) Incorporated by reference to the Company s Annual Report on Form 10-K for the year ended December 31, 2011. (File No. 000-23224)