

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

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION
MI0048

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY**

PERIOD ENDED December, 2010 (Prepared with Audited Data)

BORROWER NAME
Great Lakes Energy Cooperative

INSTRUCTIONS - See help in the online application.

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

CERTIFICATION

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

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

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

(check one of the following)

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

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

Steven Boeckman

4/4/2011

DATE

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY	BORROWER DESIGNATION MI0048
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INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2010
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PART C RE - RENEWABLE GENERATING PLANT SUMMARY

Plant Name (a)	Prime Mover (b)	Primary Renewable Fuel Type (c)	Renewable Fuel (%) (d)	Capacity (kW) (e)	Net Generation (MWh) (f)	Capacity Factor (%) (g)
Total:				0.0	0.0	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY	BORROWER DESIGNATION MI0048
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INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2010
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PART C RE - RENEWABLE GENERATING PLANT SUMMARY

Plant Name (a)	Number of Employees (h)	Total O&M Cost (mils/Net kWh) (i)	Power Cost (mils/Net kWh) (j)	Total Investment (\$1,000) (k)	Percentage Ownership (%) (l)	RUS Funding (\$1,000) (m)
Total:	0	0	0	0		0

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY		BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2010
PART C RE - RENEWABLE GENERATING PLANT SUMMARY		
Plant Name	Comments	

reUNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0048		
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART C - SOURCES AND DISTRIBUTION OF ENERGY		PERIOD ENDED December, 2010		
INSTRUCTIONS - See help in the online application.				
SOURCES OF ENERGY (a)	NO. OF PLANTS (b)	CAPACITY (kW) (c)	NET ENERGY RECIEVED BY SYSTEM (MWh) (d)	COST (S) (e)
Generated in Own Plant (Details on Parts D, E, F IC, F CC, and G)				
1. Fossil Steam	0	0	0	0
2. Nuclear	0	0	0	0
3. Hydro	0	0	0	0
4. Combined Cycle	0	0	0	0
5. Internal Combustion	1	3,400	88	265,136
6. Other				
7. Total in Own Plant (1 thru 6)	1	3,400	88	265,136
Purchased Power				
8. Total Purchased Power			0	0
Interchanged Power				
9. Received Into System (Gross)				
10. Delivered Out of System (Gross)				
11. Net Interchange (9 - 10)				
Transmission For or By Others - (Wheeling)				
12. Received Into System				
13. Delivered Out of System				
14. Net Energy Wheeled (12 - 13)				
15. Total Energy Available for Sale (7 + 8 + 11 + 14)			88	
Distribution of Energy				
16. Total Sales			0	
17. Energy Furnished to Others Without Charge				
18. Energy Used by Borrower (Excluding Station Use)				
19. Total Energy Accounted For (16 thru 18)			0	
Losses				
20. Energy Losses - MWh (15 - 19)			88	
21. Energy Losses - Percentage ((20 / 15) * 100)			100.00 %	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART F IC - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION MI0048
	PLANT Beaver Island
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2010

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER. (MWh) (k)	BTU PER kWh (l)
								SCHED. (i)	UNSCH. (j)			
1.	1	1,250	6.23				107	8,653			88	
2.	2	1,250	6.23				107	8,653			88	
3.	3	900	4.49				105	8,655			61	
4.												
5.												
6.	Total	3,400	16.95	0.00	0.00		319	25,961	0	0	237	
7.	Average BTU		1,400,648.96							Station Service (MWh)	149.50	100,173.00
8.	Total BTU (10 ⁶)		23,741.00			23,741.00				Net Generation (MWh)	87.50	
9.	Total Del. Cost (\$)		54,817.00							Station Service % of Gross	63.08	271,325.71

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	1.00%
2.	No. Employees Part Time			6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	65.47%
4.	Operating Plant Payroll (\$)			4.	15 Min. Gross Max. Demand (kW)		5.	Indicated Gross Max. Demand (kW)

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)	
1.	Operation, Supervision and Engineering	546	0			
2.	Fuel, Oil	547.1	54,350			
3.	Fuel, Gas	547.2	0			
4.	Fuel, Other	547.3	0			
5.	Energy for Compressed Air	547.4	0			
6.	Fuel SubTotal (2 thru 5)	547	54,350			621.14
7.	Generation Expenses	548	109,654			
8.	Miscellaneous Other Power Generation Expenses	549	0			
9.	Rents	550	0			
10.	Non-Fuel SubTotal (1 + 7 thru 9)		109,654			1,253.19
11.	Operation Expense (6 + 10)		164,004			1,874.33
12.	Maintenance, Supervision and Engineering	551	0			
13.	Maintenance of Structures	552	0			
14.	Maintenance of Generating and Electric Plant	553	16,082			
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0			
16.	Maintenance Expense (12 thru 15)		16,082			183.79
17.	Total Production Expense (11 + 16)		180,086	2,058.13		
18.	Depreciation	403.4, 411.10	85,050			
19.	Interest	427	0			
20.	Total Fixed Cost (18 + 19)		85,050			972.00
21.	Power Cost (17 + 20)		265,136	3,030.13		

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

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

BORROWER DESIGNATION

MI0048

PERIOD ENDED

December, 2010

INSTRUCTIONS - See help in the online application.

SECTION L. RENEWABLE ENERGY CREDITS

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1. Renewable Energy Credits		0	0	0	0

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

Revision Date 2010

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION
MI0048

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

PERIOD ENDED December, 2010 (Prepared with Audited Data)

BORROWER NAME
Great Lakes Energy Cooperative

INSTRUCTIONS - See help in the online application.

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(check one of the following)

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

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

Steven Boeckman

4/11/2011

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	149,715,599	154,912,162	156,366,795	14,652,793
2. Power Production Expense	161,855	180,086	184,500	18,542
3. Cost of Purchased Power	96,086,582	98,831,843	100,517,575	8,805,124
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	9,166,212	9,979,263	10,067,291	865,600
7. Distribution Expense - Maintenance	8,497,825	10,737,275	9,817,021	889,530
8. Customer Accounts Expense	4,013,684	4,156,820	4,405,274	387,829
9. Customer Service and Informational Expense	1,076,032	2,196,473	1,980,377	603,803
10. Sales Expense	407,038	429,601	493,659	68,299
11. Administrative and General Expense	7,465,087	7,463,579	8,031,093	598,171
12. Total Operation & Maintenance Expense (2 thru 11)	126,874,315	133,974,940	135,496,790	12,236,898
13. Depreciation and Amortization Expense	10,293,458	10,914,430	10,900,000	921,823
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	272,028	58,001	366,000	(279,127)
16. Interest on Long-Term Debt	9,179,586	9,734,739	9,629,025	860,750
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	228,317	186,481	130,000	15,462
19. Other Deductions	154,250	141,878	163,000	33,867
20. Total Cost of Electric Service (12 thru 19)	147,001,954	155,010,469	156,684,815	13,789,673
21. Patronage Capital & Operating Margins (1 minus 20)	2,713,645	(98,307)	(318,020)	863,120
22. Non Operating Margins - Interest	905,979	1,082,797	717,000	117,517
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	86,991	67,318	77,911	6,786
25. Non Operating Margins - Other	(406,993)	(409,040)	(464,000)	(49,270)
26. Generation and Transmission Capital Credits	7,903,979	0	8,105,000	(5,117,318)
27. Other Capital Credits and Patronage Dividends	316,277	304,508	327,000	27,250
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	11,519,878	947,276	8,444,891	(4,151,915)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2010

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	871	776	5. Miles Transmission		
2. Services Retired	209	2,222	6. Miles Distribution – Overhead	11,053.00	11,038.00
3. Total Services in Place	133,813	132,367	7. Miles Distribution - Underground	2,985.00	3,032.00
4. Idle Services (Exclude Seasonals)	10,787	9,120	8. Total Miles Energized (5 + 6 + 7)	14,038.00	14,070.00

PART C. BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	366,470,982	30. Memberships	519,740
2. Construction Work in Progress	6,971,598	31. Patronage Capital	131,442,277
3. Total Utility Plant (1 + 2)	373,442,580	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	100,802,516	33. Operating Margins - Current Year	206,201
5. Net Utility Plant (3 - 4)	272,640,064	34. Non-Operating Margins	741,075
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	3,251,134
7. Investments in Subsidiary Companies	533,599	36. Total Margins & Equities (30 thru 35)	136,160,427
8. Invest. in Assoc. Org. - Patronage Capital	85,246,080	37. Long-Term Debt - RUS (Net)	123,037,997
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	63,666,749
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	4,907,000	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	275,283	40. Long-Term Debt Other (Net)	34,513,863
12. Other Investments	963,375	41. Long-Term Debt - RUS - Econ. Devel. (Net)	697,500
13. Special Funds	0	42. Payments – Unapplied	13,410,999
14. Total Other Property & Investments (6 thru 13)	91,925,337	43. Total Long-Term Debt (37 thru 41 - 42)	208,505,110
15. Cash - General Funds	1,904,542	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	45. Accumulated Operating Provisions and Asset Retirement Obligations	16,205,092
17. Special Deposits	5,268,826	46. Total Other Noncurrent Liabilities (44 + 45)	16,205,092
18. Temporary Investments	0	47. Notes Payable	3,759,969
19. Notes Receivable (Net)	0	48. Accounts Payable	10,698,607
20. Accounts Receivable - Sales of Energy (Net)	19,105,054	49. Consumers Deposits	1,285,328
21. Accounts Receivable - Other (Net)	816,158	50. Current Maturities Long-Term Debt	6,429,374
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	172,726
23. Materials and Supplies - Electric & Other	2,309,154	52. Current Maturities Capital Leases	0
24. Prepayments	1,319,695	53. Other Current and Accrued Liabilities	6,346,844
25. Other Current and Accrued Assets	68,022	54. Total Current & Accrued Liabilities (47 thru 53)	28,692,848
26. Total Current and Accrued Assets (15 thru 25)	30,791,451	55. Regulatory Liabilities	0
27. Regulatory Assets	79,949	56. Other Deferred Credits	6,648,052
28. Other Deferred Debits	774,728	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	396,211,529
29. Total Assets and Other Debits (5+14+26 thru 28)	396,211,529		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0048	
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2010	
PART D. NOTES TO FINANCIAL STATEMENTS		
NOTE A –special funds		
Special funds at December 31, 2010 consisted of cash in the amount of \$5,268,826.		
<p>The MPSC requires Michigan rural electric cooperatives to maintain funds to satisfy any refundable contributions in aid of construction (CIAC) plus any power supply cost recovery over collections net of any power supply cost under collections. Funds restricted to comply with MPSC's requirements are considered special funds. At December 31, 2010 special funds were equal to the refundable CIAC plus the over collection of the power supply cost recovery charges. At December 31, 2009 special funds were equal to refundable CIAC less the under collection of the power supply cost recovery charges. The status of refundable CIAC and power supply cost recovery net under or over collections is detailed below.</p>		
<u>2010</u>	<u>2009</u>	
Refundable contributions in aid of construction	\$4,182,858	\$4,645,601
Power Supply cost recovery over/(under)		
collections	1,085,968	(720,666)
Special funds required by the State of		
Michigan	<u>5,268,826</u>	<u>3,924,935</u>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0048			
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2010			
PART D. NOTES TO FINANCIAL STATEMENTS				
Special funds available at 12/31/10	<table style="width: 100%; border: none;"> <tr> <td style="text-align: center; width: 33%;">\$5,268,826</td> <td style="text-align: center; width: 33%;">\$3,924,935</td> <td style="width: 34%;"></td> </tr> </table>	\$5,268,826	\$3,924,935	
\$5,268,826	\$3,924,935			

<p>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</p> <p>FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION</p> <p>MI0048</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2010</p>
<p>PART D. CERTIFICATION LOAN DEFAULT NOTES</p>	

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0048

PERIOD ENDED December, 2010

INSTRUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	310,212,733	15,568,400	2,917,766		322,863,367
2. General Plant	25,336,931	2,000,727	865,527		26,472,131
3. Headquarters Plant	13,439,698	304,835			13,744,533
4. Intangibles	34,415	1,408,956	5,429		1,437,942
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	2,407,473		454,465		1,953,008
8. Total Utility Plant in Service (1 thru 7)	351,431,250	19,282,918	4,243,187		366,470,981
9. Construction Work in Progress	6,242,786	728,812			6,971,598
10. Total Utility Plant (8 + 9)	357,674,036	20,011,730	4,243,187		373,442,579

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	2,138,825	5,677,659	45,015	5,209,609	351,327	8,591	2,309,154
2. Other	0						0

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
1. Present Year	22.590	392.820	4.220	168.420	588.050
2. Five-Year Average	29.718	158.844	4.684	211.644	404.890

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	234	4. Payroll - Expensed	9,018,802
2. Employee - Hours Worked - Regular Time	476,102	5. Payroll - Capitalized	3,645,598
3. Employee - Hours Worked - Overtime	29,415	6. Payroll - Other	3,302,185

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	3,580,390	
	b. Special Retirements	375,609	
	c. Total Retirements (a + b)	3,955,999	
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	121,487	
	c. Total Cash Received (a + b)	121,487	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 671,212	2. Amount Written Off During Year	\$ 248,722
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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2010

PART K. kWh PURCHASED AND TOTAL COST

No	ITEM (a)	RUS USE ONLY SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	kWh PURCHASED (e)	TOTAL COST (f)	AVERAGE COST (Cents/kWh) (g)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (h)	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (i)
1	Wolverine Pwr Supply Coop, Inc	20910			1,403,044,200	98,831,843	7.04		
	Total				1,403,044,200	98,831,843	7.04		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2010
PART K. kWh PURCHASED AND TOTAL COST		
No	Comments	
1		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0048
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PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1	Antenna Designs	Tower	4,200
2	CSX Transport	Railroad	4,736
3	Michigan, State of.	Railroad	285
4	EW Marine	Tower	5,400
5	paul Latorre	Tower	12
	TOTAL		14,633

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0048
	PERIOD ENDED December, 2010

INSTRUCTIONS - See help in the online application.

PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting 8/25/2010	2. Total Number of Members 104,284	3. Number of Members Present at Meeting 1	4. Was Quorum Present? N
5. Number of Members Voting by Proxy or Mail 2,976	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 533,460	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0048			
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2010			
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	123,037,997	6,178,960	3,632,973	9,811,933
2	National Rural Utilities Cooperative Finance Corporation	6,178,893	357,389	1,352,470	1,709,859
3	CoBank, ACB	27,394,377	978,601	1,191,402	2,170,003
4	Federal Financing Bank	63,666,749	1,536,498	309,045	1,845,543
5	RUS - Economic Development Loans	697,500	0	91,116	91,116
6	Payments Unapplied	13,410,999			
7	Econ. Dev. Grant - City of Newaygo	400,000			
8	City of Newaygo Special Assessment		148	1,842	1,990
9	IRP	540,592	6,383	28,653	35,036
	TOTAL	208,505,109	9,057,979	6,607,501	15,665,480

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0048
	PERIOD ENDED December, 2010

INSTRUCTIONS - See help in the online application.

PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	75,582	75,313	
	b. kWh Sold			691,077,240
	c. Revenue			83,871,785
2. Residential Sales - Seasonal	a. No. Consumers Served	36,958	37,085	
	b. kWh Sold			85,023,464
	c. Revenue			18,645,909
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	10,408	10,418	
	b. kWh Sold			170,005,628
	c. Revenue			20,086,416
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	299	302	
	b. kWh Sold			393,518,632
	c. Revenue			29,433,272
6. Public Street & Highway Lighting	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (lines 1a thru 9a)		123,247	123,118	
11. Total kWh Sold (lines 1b thru 9b)				1,339,624,964
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				152,037,382
13. Transmission Revenue				
14. Other Electric Revenue				2,874,781
15. kWh - Own Use				
16. Total kWh Purchased				1,403,044,200
17. Total kWh Generated				237,000
18. Cost of Purchases and Generation				99,011,929
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident ___ Coincident <u>X</u>				253,845

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0048

PERIOD ENDED December, 2010

INSTRUCTIONS - See help in the online application.

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)						
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less						
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale - RUS Borrowers						
9. Sales for Resale - Other						
10. Total						

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MI0048
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2010

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

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	Investment in Subsidiaries	533,599			
	WPC patronage - G&T		83,591,993		
	NRUCFC Patronage		736,338		
	Federated Patronage	297,749			
	CoBank patronage		194,497		
	NISC Patronage	156,965			
	Resco Patronage	268,539			
	Resco Stock	5,400			
	MECA Statewide Membership	141,720			
	WPC Membership - G&T	600			
	NRUCFC Membership		1,000		
	CoBank Membership		1,000		
	NRTC Membership	2,000			
	NISC Membership	25			
	Geothermal Energy Membership	600			
	NRUCFC CTC's/Membership Certificates		4,754,655		
	Totals	1,407,197	89,279,483		
3	Investments in Economic Development Projects				
	Petoskey Investment Group				
	Boyne USA Resort		58,792		X
	IRP Loans		134,260		X
	Revolving Loan Fund		82,231		X
	Totals		275,283		
4	Other Investments				
	Homestead Funds - GLE employees.		65,454		
	Homestead funds - Director Def. Comp.		105,179		
	American Funds - Mutual Funds		792,742		
	Totals		963,375		
6	Cash - General				
	Fifth Third Bank	74,620	250,000		
	West Shore Bank		55,877		
	Choice One Bank	29,548			
	Huntington Bank	25,657			
	United Bank of Michigan		9,529		
	Choice One Bank - Economic Dev.	440,962			X
	Huntington Bank - Revolving Loan Fund	63,090	250,000		X
	Choice One Bank - IRP Account	451,188	250,000		X
	Working Funds - Petty Cash	4,075			
	Totals	1,089,140	815,406		
7	Special Deposits				
	Fifth Third Bank - See section D, note 1	5,268,826			
	Totals	5,268,826			
9	Accounts and Notes Receivable - NET				
	Other Accounts Receivable - Net		816,158		
	Totals		816,158		
11	TOTAL INVESTMENTS (1 thru 10)	7,765,163	92,149,705		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0048
	PERIOD ENDED December, 2010

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

PART Q. SECTION II. LOAN GUARANTEES					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0048
	PERIOD ENDED December, 2010

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

SECTION III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	2.08 %
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SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors		25,580	11,419	
2	Energy Resources Conservation Loans				
	TOTAL		25,580	11,419	



Financial Statements
December 31, 2010 and 2009

Great Lakes Energy Cooperative

GREAT LAKES ENERGY COOPERATIVE

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Great Lakes Energy Cooperative
Boyne City, Michigan

We have audited the balance sheets of Great Lakes Energy Cooperative as of December 31, 2010 and 2009, and the related statements of operations, changes in equities and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement 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 the Cooperative, as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 7, 2011 on our consideration of Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
April 7, 2011

www.eidebailly.com

GREAT LAKES ENERGY COOPERATIVE
Consolidated Balance Sheets
as of December 31, 2010 and 2009

ASSETS	2010	2009	EQUITIES AND LIABILITIES	2010	2009
ELECTRIC PLANT:			EQUITIES:		
Distribution and generation plant, at cost	\$ 373,442,579	\$ 357,674,036	Memberships	\$ 519,740	\$ 519,740
Less accumulated depreciation	100,802,516	94,408,683	Patronage capital	139,391,458	142,395,824
Net electric plant	272,640,063	263,265,353	Donated capital	3,251,135	3,023,310
			Accumulated other comprehensive expenses	(7,001,905)	(4,484,303)
			Total equities	136,160,428	141,454,571
OTHER ASSETS AND INVESTMENTS:					
Nonutility property, net of accumulated depreciation	6,261	9,522	LONG-TERM DEBT, net of current maturities	208,505,110	187,242,160
Investments and memberships	91,116,456	90,824,974			
Notes and loans receivables	112,829	336,225	OTHER NON-CURRENT LIABILITIES	16,205,092	12,768,948
Total other assets and investments	91,235,546	91,170,721			
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash	2,386,393	3,709,851	Current maturities of long-term debt	6,602,100	6,150,954
Temporary investments and special funds	5,268,826	3,924,935	Notes payable	3,759,969	15,904,302
Accounts receivable, net of allowance for uncollectable accounts of \$1,207,461 in 2010 and \$1,376,841 in 2009	19,979,922	20,194,007	Accounts payable	10,701,999	10,396,957
Materials and supplies	2,309,154	2,138,825	Accrued expenses	6,360,337	5,276,350
Other current assets, including current portion of notes and other receivables	1,984,540	2,143,533	Customer deposits	1,285,328	1,234,480
Total current assets	31,928,835	32,111,151	Total current liabilities	28,709,733	38,963,043
DEFERRED CHARGES	423,972	542,824	DEFERRED CREDITS	6,648,053	6,661,327
Total assets	\$ 396,228,416	\$ 387,090,049	Total equities and liabilities	\$ 396,228,416	\$ 387,090,049

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Revenue and Net Margins
for the years ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES	\$ 154,912,162	\$ 149,715,546
OPERATING EXPENSES:		
Purchased and produced power	99,011,929	96,248,437
Distribution expenses:		
Operations	9,979,263	9,166,212
Maintenance	10,737,275	8,497,825
Customer accounts and service expense	6,782,894	5,496,755
Administration and general	7,465,097	7,467,709
Depreciation and amortization	10,917,691	10,297,766
Other operating expenses	249,075	469,891
Total operating expenses	145,143,224	137,644,595
OPERATING MARGINS BEFORE FIXED CHARGES	9,768,938	12,070,951
FIXED CHARGES, interest expense	9,921,220	9,407,903
OPERATING MARGINS AFTER FIXED CHARGES	(152,282)	2,663,048
NON-OPERATING MARGINS:		
Interest income	1,087,784	911,338
Other expenses, net of other income	(265,734)	(230,838)
Total non-operating margins	822,050	680,500
CAPITAL CREDITS, from associated organizations	304,508	8,220,256
Net margins before federal income taxes	974,276	11,563,804
PROVISION FOR FEDERAL INCOME TAX	27,000	46,223
Net margins	\$ 947,276	\$ 11,517,581

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Cash Flows
for the years ended December 31, 2010 and 2009

Increase (Decrease) in Cash

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 947,276	\$ 11,517,581
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	10,917,691	10,297,766
Capital credits from associated organizations	(304,508)	(8,220,256)
Net (gain) loss on sale of assets	(44,046)	329
Unrealized appreciation on investments	(4,532)	(13,238)
Bad debt provision	378,985	275,400
Changes in assets and liabilities:		
Accounts receivable	(264,477)	(2,631,951)
Materials and supplies	(125,313)	483,488
Other assets and deferred charges	262,033	392,484
Accounts payable	299,245	(1,074,722)
Accrued expenses and other liabilities	1,083,987	994,335
Customer deposits	50,848	419,196
Other non-current liabilities and deferred credits	1,172,601	1,347,294
Net cash provided by operating activities	14,369,790	13,787,706
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash from (to) short-term investments	(1,343,891)	4,410,312
Net investments and memberships	71,765	(1,978,965)
Proceeds from sale of assets	54,470	33,447
Property additions	(19,787,669)	(18,665,346)
Plant removal costs	(1,652,858)	(1,214,467)
Additions to notes receivable	(17,620)	(9,367)
Collection on notes receivable	95,921	234,716
Changes in deferred charges	(403,076)	(456,443)
Net cash (used) in investing activities	(22,982,958)	(17,646,113)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions in aid of construction received net of refunds	1,072,355	1,159,662
Net proceeds from (payment of) short-term debt	(12,144,333)	777,500
Proceeds from long-term debt	32,600,000	30,000,000
Payment of long-term debt	(10,885,904)	(22,987,386)
Capital credits paid out	(3,581,676)	(3,578,402)
Capital credits paid out of donated capital	(309)	-
Recovery of previously paid out capital credits	227,519	-
Sales tax returned (adjustment) related to equity provided by operating margins	2,058	96,546
Net cash provided by financing activities	7,289,710	5,467,920
Net change in cash	(1,323,458)	1,609,513
CASH, beginning of year	3,709,851	2,100,338
CASH, end of year	\$ 2,386,393	\$ 3,709,851

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Comprehensive Income
for the years ended December 31, 2010 and 2009

	2010	2009
NET MARGINS	\$ 947,276	\$ 11,517,581
Other comprehensive income (expense):		
Unrealized holding gain (loss) on securities arising during year	54,206	76,200
Directors' pension liability adjustment	(10,135)	(181,082)
Employees' Postretirement Health Insurance Benefit Plan liability adjustment	(2,561,673)	1,890,894
Net other comprehensive income (expense)	(2,517,602)	1,786,012
Comprehensive income	\$ (1,570,326)	\$ 13,303,593

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Great Lakes Energy Cooperative (the "Company") is an electric distribution company servicing the rural areas in parts of 26 counties located in the western portion of Michigan's Lower Peninsula.

The Company is organized as a member cooperative with all customers being members. Each member who joins the cooperative is entitled to certain membership rights, including the right to vote on certain corporate matters. The Company is governed by a board of directors elected by the members.

As a cooperative, annual net margins are assigned to members as capital credits based on their relative purchase of electric power during the year. It is the Company's policy to retire these capital credits when the financial condition of the Company permits.

The Company has a wholly-owned subsidiary which engages in certain business activities unrelated to the distribution of electricity.

The Company is a nonprofit organization exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Code, except for tax on any unrelated business income. The Company's subsidiary is a corporation that is not exempt from federal income tax. The Company and its subsidiary are each subject to the Michigan Business Tax.

Basis of Accounting

The Company is subject to the accounting and reporting rules and regulations of Rural Utilities Service, a Federal Government agency. The Company follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by the Rural Utilities Service.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Great Lakes Utilities Services Corporation ("GLUS"). All significant intercompany transactions have been eliminated in preparing the consolidated financial statements.

Electric Plant

Electric plant includes the electric distribution system, a small generating plant, real estate and various buildings and operating equipment. These assets are recorded at cost, net of any contributions received from customers to defray the cost of constructing the distribution system. Assets are depreciated over their estimated useful lives under the straight-line method.

The cost of any distribution system and generating plant that is retired, plus the cost of removal, net of any salvage value realized, is charged, in total, against accumulated depreciation; a gain or loss is not recognized. The cost and related accumulated depreciation of buildings and operating equipment retired or sold is removed from their respective accounts and a gain or loss is recognized.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

Nonutility Property

At December 31, 2010 and 2009 non-utility property consisted of equipment which is being depreciated under the straight-line method over its estimated useful life using the lives permitted for income tax purposes.

Investments and Memberships

Investments and memberships include investments in other cooperatives and various mutual funds. The investments in cooperatives, which comprise the majority of investments, are carried at cost plus assigned capital credits less any capital credits paid to the Company. Income from investments in other cooperatives is recognized when capital credits are assigned by those cooperatives.

Investments in mutual funds are carried at market value. Certain of these investments are directly related to deferred-compensation obligations and changes in market value are recorded as changes in the related liability. The remaining investments are classified as available-for-sale with changes in market value reported in other comprehensive income until realized.

Notes and Other Receivables

Notes and other receivables include primarily low or zero interest loans made under Federal Rural Economic Development programs. These receivables as reported in the balance sheets are net of related allowances for uncollectible accounts of \$55,987 in 2010 and \$148,035 in 2009 with any additions to the allowance charged against margins. Interest income is recognized on these receivables by applying the stipulated interest rates to any unpaid balance; any fee revenue is recognized when assessed.

Special Funds

Special funds consist of cash at the end of 2010 and 2009.

Electric Revenues and Accounts Receivable

Rates for electricity charged to customers are established by the Board of Directors and are subject to approval of the Michigan Public Service Commission ("MPSC") before becoming effective. Revenue is recognized when electricity is delivered to customers. Bills are rendered in staggered cycles throughout each month for economic and business reasons. Consequently, at the end of each month a portion of the recorded revenue remains unbilled. The unbilled revenue was computed by applying approved revenue rates to the difference between total kilowatt hours ("KWH") delivered to customers, as determined from electronic meter readings taken at month end, and the KWH used for cycle billing purposes.

The Company bills and collects Michigan sales tax related to electric revenue from most of its customers. The sales tax billed is reflected in accounts receivable and recorded as a liability; it is not recorded as revenue or as an expense.

Any electric accounts receivable not collected within one month of billing are assessed a one-time late fee of 2 pct. This fee is included as part of operating revenue.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

Allowances are provided for accounts receivable that may become uncollectible, with additions to the allowance charged against margins. Past collection experience is tracked by the Company and is used to determine additions to the allowance. Accounts receivable are written off by a charge against the allowance only after collection efforts have been exhausted and future collection appears unlikely.

Materials and Supplies

Materials and supplies, which are recorded at average cost, consist of items necessary to construct and maintain the distribution system and fuel to operate the generating plant

Deferred Charges

Deferred charges consist principally of preliminary survey, pole inspection, and deferred Energy Optimization Program costs. The preliminary survey and pole inspection costs are being amortized straight-line over periods not exceeding twenty years, the Energy Optimization costs over a two-year period ending December 31, 2011, and the other deferred costs over various periods.

Deferred Credits

Deferred credits consist principally of refundable contributions in aid of construction, which are refundable for a certain period of time, contributions received for future construction, and revenues billed in advance. Upon expiration of the refund period, any contributions not refunded are credited to the electric plant's distribution system. Contributions for future construction are applied against the distribution system when construction costs related to the contribution are incurred. Service availability charges billed in advance are amortized straight-line to revenue over the period covered by the advanced billing.

Fair Value of Financial Instruments

Certain investment assets are recorded at fair value and the fair value of long term debt is disclosed below. Fair values were determined in accordance with fair value measuring criteria under generally accepted accounting principles. Fair value is defined as the price that would be received in exchange for an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at year end, the measurement date, in the principal or most advantageous market for the asset or liability being valued at its fair value.

Under generally accepted accounting principles a hierarchy has been established which prioritizes the techniques for determining fair value. The highest priority, level 1, is quoted market prices on an active market. Level 2 involves quoted market prices in a market that is not considered active while level 3 involves fair value established using other factors but without a market. The valuation level used in determining fair value depends on the Company's ability to access the markets at the measurement date.

Financial instruments, such as cash, temporary investments and special funds, accounts receivable, accounts payable, accrued expenses and customer deposits are carried in the consolidated financial statements at cost. These amounts approximate the fair value of such instruments due to their short maturity. Notes and other receivables are carried at cost as they are made under various government programs which specify below-market interest rates. Investments and memberships in other cooperatives are carried at cost plus undistributed capital credits assigned by the investee cooperatives as there is no practical way to determine a market value for these investments. Investments in mutual funds are carried at active published market prices as of year-end.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

The fair value of long-term debt at December 31, 2010, based on borrowing rates available from current lenders at that date, is estimated at approximately \$191 million versus the carrying amount of approximately \$215 million. At December 31, 2009 the comparable fair value was estimated at approximately \$160 million versus the carrying amount of approximately \$193 million.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Areas requiring the use of significant estimates by management include useful lives of plant, potential uncollectible accounts, notes and other receivables, and postretirement benefit costs. Actual results could differ from the estimates embedded in the consolidated financial statements.

Cash Flows

The Company reports its cash flows using the indirect method in order to present a reconciliation of net margins to significant changes in cash. Cash reported on the consolidated statement of cash flows is cash reflected on the consolidated balance sheet; it does not include special funds.

NOTE B - ELECTRIC PLANT

Major classes of electric plant as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Distribution system	\$322,863,367	\$310,212,732
Generation plant	1,953,008	1,953,008
General plant	40,216,664	39,231,093
Intangible plant	1,437,942	34,416
Construction work in progress, net of related contributions in aid of construction	<u>6,971,598</u>	<u>6,242,787</u>
	373,442,579	357,674,036
Less accumulated depreciation	<u>100,802,516</u>	<u>94,408,683</u>
Total	<u>\$272,640,063</u>	<u>\$263,265,353</u>

During 2010 and 2009, the various components of the electric plant were depreciated based on management's estimate of their useful lives. The lives used equate to an annual composite rate of approximately 2.9 pct. for the distribution system and 4.4 pct. for the generation plant.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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General plant is being depreciated over the following lives:

<u>General Plant</u>	
Structures and improvements	50 years
Office furniture and equipment:	
General office equipment and general purpose data processing equipment	3-16 years
Special purpose data processing equipment	3 years
Computer software	3 years
Transportation equipment:	
Automobile and pickup trucks	5-8.5 years
Heavy trucks	10 years
Power operated equipment	8 years
Communications equipment,	5-12.5 years
Load control equipment	10 years
Other	20 years

The nonutility property is being depreciated over the following lives:

<u>Nonutility Plant</u>	
Equipment	5-7 years
Computer software	3 years

NOTE C - INVESTMENTS AND MEMBERSHIPS

Investments in associated organizations consisted of the following as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Wolverine Power Cooperative, Inc., patronage capital credits and membership	\$83,591,994	\$83,591,994
National Rural Utilities Cooperative Finance Corporation:		
Capital Term Certificates	4,754,655	4,821,254
Patronage capital credits and membership	736,339	714,934
Other memberships, patronage capital and mutual fund investments	2,033,468	1,696,792
Total	<u>\$91,116,456</u>	<u>\$90,824,974</u>

Wolverine Power Cooperative, Inc. ("Wolverine") is an electric generating and transmission cooperative in which the Company has as an approximate 60 pct. interest. According to the contract with Wolverine, all electric power required by the Company is to be purchased from Wolverine (see Note S).

The Company carries its investments in various mutual funds at their fair values. A portion of the investments aggregating \$170,633 at December 31, 2010 and \$145,735 at December 31, 2009 represent investments held on behalf of current and former directors and employees. Accordingly, annual changes in the fair values of these investments are recorded as an adjustment to their related liability accounts rather than as a part of accumulated other comprehensive income.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

Management classifies the remaining investments as available-for-sale. Annual changes in fair value are determined under level 1 valuation techniques and are recorded as a component of accumulated other comprehensive income. A comparison of cost and fair value of these investments at December 31, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Cost of remaining mutual fund investments	\$821,294	\$679,755
Unrealized loss	<u>(28,552)</u>	<u>(82,756)</u>
Fair value	<u>\$792,742</u>	<u>\$596,999</u>

NOTE D -NOTES AND LOANS RECEIVABLE

Notes receivable consisted of the following as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Rural Economic Development loans, net of allowance for uncollectable loans	\$218,296	\$568,447
Land contract receivable	38,931	39,240
Employee loans	<u>11,419</u>	<u>7,960</u>
	268,646	615,647
Less current portion	<u>155,817</u>	<u>279,422</u>
Total	<u>\$112,829</u>	<u>\$336,225</u>

The current portion of notes receivable is classified with other current assets in the consolidated balance sheets.

Rural Economic Development Loans Receivable

The Rural Economic Development loans receivable are zero or low interest loans due in periodic installments of principal and, where appropriate, interest until final maturity. The loans are financed from grants or loans obtained by the Company under various federal programs established for the purpose of promoting loans through electric cooperatives to qualifying entities within their service areas for the purpose of promoting economic development. The loans are collateralized by real estate mortgages or a security interest in equipment.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE E –SPECIAL FUNDS

Special funds at December 31, 2010 consisted of cash in the amount of \$5,268,826.

The MPSC requires Michigan rural electric cooperatives to maintain funds to satisfy any refundable contributions in aid of construction (CIAC) plus any power supply cost recovery over collections net of any power supply cost under collections. Funds restricted to comply with MPSC's requirements are considered special funds. At December 31, 2010 special funds were equal to the refundable CIAC plus the over collection of the power supply cost recovery charges. At December 31, 2009 special funds were equal to refundable CIAC less the under collection of the power supply cost recovery charges. The status of refundable CIAC and power supply cost recovery net under or over collections is detailed below.

	<u>2010</u>	<u>2009</u>
Refundable contributions in aid of construction	\$4,182,858	\$4,645,601
Power supply cost recovery over (under) collections	1,085,968	(720,666)
Special funds required by the MPSC	<u>\$5,268,826</u>	<u>\$3,924,935</u>
Special funds available	<u>\$5,268,826</u>	<u>\$3,924,935</u>

NOTE F – ACCOUNTS RECEIVABLE

Accounts receivable include both billed and unbilled revenues. At December 31, 2010 and 2009 accounts receivable consisted of the following:

	<u>2010</u>	<u>2009</u>
Billed accounts	\$11,293,916	\$12,120,328
Unbilled accounts	9,893,467	9,450,520
	21,187,383	21,570,848
Less allowance for uncollectible accounts	<u>1,207,461</u>	<u>1,376,841</u>
Net accounts receivable	<u>\$19,979,922</u>	<u>\$20,194,007</u>

NOTE G - DEFERRED CHARGES

Deferred charges at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Unamortized debt costs	\$ 22,915	\$ 25,310
Pole inspection	145,440	215,506
Preliminary survey costs	602,313	527,696
Deferred Energy Optimization Program costs	<u>79,949</u>	<u>173,521</u>
	850,617	942,033
Less current portion	<u>426,645</u>	<u>399,209</u>
Totals	<u>\$423,972</u>	<u>\$542,824</u>

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2010 and 2009

NOTE H - EQUITIES

The changes in memberships, patronage capital, donated capital and accumulated other comprehensive expense (AOCE) are summarized as follows:

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Donated Capital</u>	<u>AOCE</u>	<u>Total</u>
Balance at December 31, 2008	\$ 519,740	\$ 134,841,255	\$ 2,338,186	\$ (6,270,315)	\$ 131,428,866
Net margins	-	11,517,581	-	-	11,517,581
Other comprehensive income (expense):					
Unrealized holding loss on securities	-	-	-	76,200	76,200
Directors' Pension and Retiree Welfare Benefit Plan liability adjustment	-	-	-	1,709,812	1,709,812
Sales tax refund	-	96,546	-	-	96,546
Undeliverable retired patronage refunds to members	-	-	717,350	-	717,350
Patronage refunds to members:					
Cash refunds	-	(3,546,379)	(32,226)	-	(3,578,605)
Non-cash refunds	-	(513,179)	-	-	(513,179)
Balance at December 31, 2009	<u>519,740</u>	<u>142,395,824</u>	<u>3,023,310</u>	<u>(4,484,303)</u>	<u>141,454,571</u>
Net margins	-	947,276	-	-	947,276
Other comprehensive income (expense):					
Unrealized holding gain on securities	-	-	-	54,206	54,206
Directors' Pension and Retiree Welfare Benefit Plan liability adjustment	-	-	-	(2,571,808)	(2,571,808)
Sales tax returned	-	2,058	-	-	2,058
Undeliverable retired patronage refunds to members and other adjustments	-	-	227,519	-	227,519
Patronage refunds to members:					
Cash refunds	-	(3,580,390)	(309)	-	(3,580,699)
Non-cash refunds	-	(373,310)	615	-	(372,695)
Balance at December 31, 2010	<u>\$ 519,740</u>	<u>\$ 139,391,458</u>	<u>\$ 3,251,135</u>	<u>\$ (7,001,905)</u>	<u>\$ 136,160,428</u>

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

At December 31, 2010 and 2009, the cumulative transactions in patronage capital consisted of the following:

	2010	2009
Assigned and assignable margins	\$180,608,369	\$179,659,035
Retired	(38,982,478)	(35,029,393)
Undeliverable, transferred to donated capital	(2,234,433)	(2,233,818)
Balance	<u>\$139,391,458</u>	<u>\$142,395,824</u>

The returnable sales tax reflects the State of Michigan's acknowledgement of an electric cooperative principal that amounts paid for electrical service in excess of the cost of providing that service are considered additions to capital, not sales, and accordingly not subject to sales tax. Returnable sales tax represents the tax paid on amounts ultimately determined to be capital additions.

It is the practice of the Company to make patronage refunds to its patrons or members. Such refunds may be made provided total equity, after such refunds are made and excluding the results of GLUS, is greater than 20 pct. of total assets. At both December 31, 2010 and 2009 equities of the Company, excluding GLUS, represented approximately 34.4 pct. and 36.4 pct., respectively, of its total assets.

NOTE I - LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2010 and 2009:

	2010	2009
Rural Utilities Service ("RUS")	\$126,452,182	\$ 149,120,946
Less RUS Cushion of Credit, advance payment		
Earning 5 pct. interest	(14,514,068)	(10,333,068)
	<u>111,938,114</u>	<u>138,787,878</u>
National Rural Utilities Cooperative		
Finance Corporation ("CFC")	7,462,168	8,814,638
CoBank ACB ("CoBank")	29,132,767	11,385,679
Federal Financing Bank ("FFB")	64,763,342	33,072,387
Rural Economic Development Loan Program		
("REDLG")	1,810,819	1,330,587
City of Newaygo special assessment	-	1,945
	<u>215,107,210</u>	<u>193,393,114</u>
Less current maturities	6,602,100	6,150,954
Total long-term debt	<u>\$208,505,110</u>	<u>\$187,242,160</u>

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

Loans under the RUS mortgage carry fixed or semi-fixed interest rates as detailed below. They are payable in either monthly or quarterly installments, which include both principal and interest, until final maturity during 2035.

Mortgages with 2 pct. fixed interest	\$226,341
Mortgages with 3.00 pct. to 4.87 pct., semi-fixed interest	54,112,789
Mortgages with 5 pct. fixed interest	<u>72,113,052</u>
Total	<u>\$126,452,182</u>

Loans under the CFC mortgage are payable in quarterly installments, which include both principal and interest, until final maturity in the year 2030. They bear interest at fixed rates. At December 31, 2010 these rates range between 3.40 pct. and 5.50 pct.

The loans with CoBank are payable in periodic installments, including principal and interest, until final maturity during 2032. At December 31, 2010 loans aggregating \$18,222,006 are payable in monthly installments while loans totaling \$10,910,761 are payable in quarterly installments. Loan interest rates ranged from 3.30 pct. to 7.43 pct. at that date.

Loans from FFB and REDLG are payable primarily in either monthly or quarterly installments, including principal and interest, and have various maturity dates. The FFB loans bear interest at various rates, which at December 31, 2010 ranged from between 3.36 pct. and 7.43 pct. The REDLG borrowings bear no interest or interest at one percent.

At expiration of the capitalized lease in September 2009 the Company acquired the general plant asset associated with the lease as permitted by terms of the lease. Interest expense associated with the lease was \$1,892 during 2009 prior to its September 2009 expiration.

The loan agreement with FFB is collateralized by a joint mortgage agreement with RUS, CFC and CoBank. Under the joint agreement, substantially all of the Company's assets, except transportation and power operated equipment, certain investments and memberships, certain temporary investments and special funds, and some office equipment, are pledged as collateral under terms of the joint agreement.

In addition to pledging its assets as collateral for the above loans, the Company has agreed under terms of loan agreements with the RUS, CFC and CoBank, to maintain margins at adequate levels to meet certain financial ratios of times interest earned and debt service coverage. RUS, CFC and CoBank use the three most recent years, including the current year, to determine whether these loan covenants have been met through an averaging computation. The Company was in compliance with these loan covenants during 2010 and 2009.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

Aggregate annual future maturities of long-term debt, net of amortization of the cushion of credit, are as follows:

<u>Years</u>	<u>Loans</u>
2011	\$6,602,100
2012	6,946,926
2013	7,055,671
2014	6,379,955
2015	6,416,384
2016 and beyond	<u>181,706,174</u>
Total	<u>\$215,107,210</u>

NOTE J – OTHER NON-CURRENT LIABILITIES

The other non-current liabilities at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Accumulated provision for directors' pension plan and employees' postretirement health insurance benefits	\$16,034,451	\$12,623,213
Employees' and directors' deferred Compensation	<u>170,641</u>	<u>145,735</u>
Total	<u>\$16,205,092</u>	<u>\$12,768,948</u>

NOTE K - NOTES PAYABLE

The Company has two revolving lines of credit aggregating \$35,000,000. The line of credit with CFC is an unsecured perpetual line in the amount of \$25,000,000. The other line of credit is with CoBank. It is a one-year line expiring October 31, 2011 in the amount of \$10,000,000. Any borrowings under the CoBank line are subject to a statutory first lien on the Company's equity, but are otherwise unsecured. At December 31, 2010 there were no outstanding loans under the CFC line. Loans outstanding under the CoBank line totaled \$3,759,969 at that date with an interest rate of 3.42 pct. The remaining available balance under the two lines of credit aggregated \$31,240,031 at December 31, 2010.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE L - DEFERRED CREDITS

Deferred credits at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Customer advances to defray system construction costs:		
Non-refundable	\$540,252	\$540,252
Refundable	<u>4,182,858</u>	<u>4,645,601</u>
Total customer advances	4,723,110	5,185,853
Estimated labor cost associated with initial installation of transformers and meters	139,523	142,480
Deferred revenue associated with seasonal accounts	794,678	808,184
Deferred Energy Optimization Program surcharge Revenue	<u>990,742</u>	<u>524,810</u>
Total	<u>\$6,648,053</u>	<u>\$6,661,327</u>

NOTE M - CASH FLOW INFORMATION

Additional cash flow information for the years ended December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Cash paid during the year for:		
Interest	\$9,057,979	\$9,430,111
Federal income:		
Federal income tax paid	14,520	25,692
Phone excise tax refund	(-)	(4,159)

NOTE N - FEDERAL INCOME TAX AND MICHIGAN BUSINESS TAX

The Company, as a tax exempt entity, is exempt from federal income tax except for the rent it receives on its towers. Its subsidiary is subject to federal income tax. The Company and subsidiary file separate federal income tax returns to report their respective taxable income.

The Company and its subsidiary are also subject to the Michigan Business Tax ("MBT"). They are considered a unitary business group under this tax and accordingly file a single return that includes both entities. The MBT is a tax on both gross receipts and taxable income, including the Company's income that is exempt from federal income tax.

Management believes that positions taken during prior years and to be taken for 2010 in reporting federal taxable income for the Company and for its subsidiary and reporting the taxable base subject to the MBT are not controversial and have a high degree of being sustained upon any future examination by the taxing authority.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

Under normal circumstances, the Company is no longer subject to federal tax examination for year 2007 and prior and State examination for years 2006 and prior.

NOTE O - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, special funds, investments and memberships, and accounts receivable.

Cash and special funds are maintained in credit worthy banks. Accordingly, the Company believes it has no significant credit risk regarding cash and temporary investments and special funds.

The majority of the Company's investments and memberships are invested in Wolverine, the Company's exclusive power supplier, in Capital Term Certificates issued by CFC, and in other cooperatives. The Company believes there is no significant credit risk associated with these investments. Mutual fund investments, which comprise 1.1 pct. of investments, are subject to normal market fluctuations.

Any credit risk relative to accounts receivable is dissipated due to the large number of customers throughout the Company's service area.

Cash on deposit at December 31, 2010 and 2009, including the cash assigned to special funds, exceeded the Federal Depository Insurance limits by \$6,593,503 and \$1,450,944, respectively.

NOTE P - EMPLOYEE BENEFITS

The Company currently offers most employees several types of employee benefits, including retirement plans and health insurance benefits. The Company also provides certain directors a retirement plan.

Retirement Plans for Employees

The Company participates with other electric cooperatives in a multi-employer retirement and security program sponsored by the National Rural Electric Cooperative Association (NRECA). Substantially all employees are covered by this program. This program is a defined benefit pension plan qualified under Section 501(a) of the Internal Revenue Code.

The NRECA retirement and security program provides benefits based on years of service and the highest five years of compensation during the last 10 years of employment. The Company makes contributions to the program equal to the amounts reflected as an expense in the consolidated financial statements. The plan is a multi-employer plan which is available to all member cooperatives of NRECA. The accumulated benefits and plan assets are not determined or allocated separately to any participating cooperative. The Company's contributions to the program for 2010 and 2009 were \$2,381,513 and \$1,505,666, respectively.

Retirement Plan for Directors

The Company has a non-qualified unfunded pension plan for certain directors. The plan covers directors who serve on the Board for at least ten years, who were on the Board as of June 22, 2005, and who, under normal circumstances, retire before reaching the age of 72. Directors elected to the Board subsequent to that date are not eligible for the Plan. The plan provides only for retirement benefits; it does not provide for death or disability benefits.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

The Company accrues the annual cost associated with this plan and reports a liability for any unpaid benefits. However, there is no trust associated with this plan and monies to fund the plan come from the unrestricted assets of the Company.

The following table provides information regarding projected benefit obligations, plan assets and funded status of the directors' plan as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Change in benefit obligation:		
Benefit obligation at January 1	\$1,940,891	\$1,732,893
Service cost	-	-
Interest cost	107,777	115,239
Actuarial loss (gain)	56,078	205,119
Benefits paid	<u>(115,055)</u>	<u>(112,360)</u>
Benefit obligation at December 31	<u>\$1,989,691</u>	<u>\$ 1,940,891</u>
Change in plan assets:		
Fair value of plan assets at January 1	\$ -	\$ -
Company contributions	115,055	112,360
Benefits paid	<u>(115,055)</u>	<u>(112,360)</u>
Fair value of plan assets at December 31	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status of plans:		
Projected benefit obligation	\$(1,989,691)	\$(1,940,891)
Fair value of plan assets	<u>-</u>	<u>-</u>
Recorded accrued benefit cost at December 31	<u>\$(1,989,691)</u>	<u>\$(1,940,891)</u>
Weighted average assumptions used to determine the benefit obligations as of December 31:		
Discount rate	5.25%	5.75%
Rate of compensation increase	4.00%	4.00%

Net period costs for the directors' plan were as follows for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Service cost	\$ -	\$ -
Interest cost	107,777	115,239
Amortization of prior service cost	19,149	19,149
Amortization of loss	<u>26,794</u>	<u>4,888</u>
Recorded net benefit cost	<u>\$153,720</u>	<u>\$139,276</u>

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

Future benefits expected to be paid during the next 10 years are as follows:

2011	\$139,361
2012	142,851
2013	146,607
2014	148,162
2015	146,311
2016 – 2020	<u>683,576</u>
Total	<u>\$1,406,868</u>

The Company believes its contributions for the Plan during 2011 will approximate the expected benefits to be paid for that year, as indicated above.

Retirement Savings Plan for Employees

The Company offers selective retirement savings plans to employees. The plans are offered to employees, pursuant to Section 401(k) of the Internal Revenue Code. The Company and employees make contributions to the employees' accounts. The Company's contributions are equal to the amounts reflected as an expense in the consolidated financial statements. The Company contributed approximately \$356,394 and \$450,692 during 2010 and 2009, respectively. Employees vest immediately in their contributions and in the contributions made by the Company.

Postretirement Health Insurance Benefits for Employees

The Company sponsors a defined benefit postretirement medical plan which covers most retired employees and provides partial or full medical insurance benefits for these employees and, under certain circumstances, their spouses and covered dependents. Determination of benefits is based on an employee's status upon retirement.

Plan assets have been placed in a separate trust with a conservative investment approach and a strategy of diversification. The allocation of Plan assets at December 31, 2010 includes 3.8 pct. in a money market fund, 15.7 pct. in a fixed income fund, and 80.5 pct. in an equity fund. The estimated overall long-term rate of return on Plan assets, based on historical rates for similar investments, is 7.75 pct.

The Medicare Prescription Drug, Improvement and Modernization Act ("Act") provides for a refund to companies who provide a drug benefit as a part of their postretirement health benefit program that is at least actuarially equivalent to Medicare. The Company's program provides a level of drug benefits that meet these criteria. During 2010 the Company received a refund under the Act in the amount of \$63,486 and has included such amount in 2010 net margins. Future refunds under this Act will be recorded in net margins during the year received.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

The following table provides information regarding accumulated postretirement benefit obligations, plan assets and funded status of the plan as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Change in benefit obligation:		
Benefit obligation at January 1	\$12,588,975	\$13,111,023
Service cost	372,757	353,607
Interest cost	739,073	854,004
Actuarial loss (gain)	2,847,024	(1,295,406)
Benefits paid from plan assets	<u>(379,485)</u>	<u>(434,253)</u>
Benefit obligation at December 31	<u>\$16,168,344</u>	<u>\$12,588,975</u>
Change in plan assets:		
Fair value of plan assets at January 1	\$1,906,653	\$ 1,541,090
Actual return on plan assets	215,255	365,563
Company contributions	379,485	434,253
Benefits paid	<u>(379,485)</u>	<u>(434,253)</u>
Fair value of plan assets at December 31	<u>\$2,121,908</u>	<u>\$1,906,653</u>
	<u>2010</u>	<u>2009</u>
Reconciliation of funded status of plans:		
Benefit plan obligation at December 31	\$(16,168,344)	\$(12,588,975)
Fair value of plan assets at December 31	<u>2,121,908</u>	<u>1,906,653</u>
Recorded accrued benefit cost at December 31	<u>\$(14,046,436)</u>	<u>\$(10,682,322)</u>
Weighted average assumptions as of December 31:		
Discount rate used to determine accumulated postretirement benefit obligation	5.75%	6.00%
Expected long-term rate of return on plan assets	7.75%	7.75%

Net periodic costs include the following components for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Service cost	\$372,757	\$353,607
Interest cost	739,073	854,004
Expected return on plan assets	(147,766)	(95,003)
Amortization of prior service cost	112,997	113,007
Amortization of net loss	<u>104,860</u>	<u>211,921</u>
Recorded net benefit cost	<u>\$1,181,921</u>	<u>\$1,437,536</u>

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

Future benefits expected to be paid during the next 10 years are as follows:

2011	\$565,666
2012	591,537
2013	615,334
2014	651,209
2015	676,609
2016 – 2020	<u>3,801,174</u>
Total	<u>\$6,901,529</u>

The Company expects 2011 benefits to be paid by the Plan will approximate those listed above.

The 2010 costs were developed based on the health insurance plan in effect at January 1, 2010. For the year ended December 31, 2010, the actuary assumed that retiree medical cost increases would be 8.00 pct. and would gradually decrease each year until the rate of increase was 5.00 pct. by 2017. The health care cost trend rate assumption significantly affects the amounts reported. For example, a one percentage point increase in each year would increase the accumulated postretirement benefit obligation as of December 31, 2010 by approximately \$3,208,285 and the aggregate of the service and interest cost components of net periodic retiree medical costs for 2010 by approximately \$270,633.

NOTE Q - LEASES

The Company rents radio tower space under terms of non-cancelable operating leases expiring at various dates, including renewal options, through October 2030. Rent expense for 2010 and 2009 was approximately \$14,633 and \$52,194, respectively. Future rentals under the non-cancelable leases, including renewals with escalation clauses, are as follows:

2011	\$9,612
2012	9,612
2013	9,705
2014	10,020
2015	10,020
2016 and beyond	<u>27,810</u>
Total	<u>\$76,779</u>

NOTE R - RELATED PARTY TRANSACTIONS

Wolverine, the Company's exclusive power supplier, is owned by its member cooperative customers. The Company's investment in Wolverine includes a membership and Wolverine's capital credits allocated to the Company. During 2010 Wolverine sustained negative net margins. Under RUS accounting procedures negative net margins are not allocated to a cooperative's members, but are carried forward to offset any future net margins.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

During 2005 the Company entered into an agreement with Wolverine to extend the 1949 power purchase agreement through 2041. This agreement requires the Company to purchase all the electric power it sells from Wolverine at Wolverine's current prices. The cost of electric power purchased from Wolverine amounted to \$98,831,843 in 2010 and \$96,086,581 in 2009.

The Company also joined Wolverine and two of its other cooperative members during 2009 in the operation of a phone and radio communication system. The Company's share of the operating costs of these systems was \$252,815 during 2010 and \$296,390 during 2009.

At December 31, 2010 and 2009, the Company's share of Wolverine's capital credits amounted to \$83,591,993, which equates to approximately 60 pct. of all capital credits allocated by Wolverine. No capital credits were paid by Wolverine during either 2010 or 2009.

Amounts payable to Wolverine at December 31, 2010 and 2009 were \$8,969,580 and \$9,413,816, respectively. These payables were related to obligations under the purchase power agreement and the communication agreement.

NOTE S – SUBSEQUENT EVENTS

The Company reviewed events occurring subsequent to December 31, 2010 for any requiring disclosure in accordance with generally accepted accounting principles. No such events had occurred. The review covered the period from year end through April 7, 2011, the date the financial statements were available to be issued.



Supplementary Information
December 31, 2010 and 2009

Great Lakes Energy Cooperative



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
Great Lakes Energy Cooperative
Boyne City, Michigan

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information on pages 25-27 is presented for purposes of additional analysis and is not required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
April 7, 2011

GREAT LAKES ENERGY COOPERATIVE
 DETAIL CONSOLIDATING BALANCE SHEET
 as of December 31, 2010

ASSETS	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
ELECTRIC PLANT:				
Distribution and generation plant, at cost	\$ 373,442,579	\$ -	\$ -	\$ 373,442,579
Less accumulated depreciation	100,802,516	-	-	100,802,516
Net electric plant	<u>272,640,063</u>	<u>-</u>	<u>-</u>	<u>272,640,063</u>
OTHER ASSETS AND INVESTMENTS:				
Nonutility property, net of accumulated depreciation	-	6,261	-	6,261
Investments and memberships	91,650,055	-	(533,599)	91,116,456
Notes and other receivables	74,755	38,074	-	112,829
Total other assets and investments	<u>91,724,810</u>	<u>44,335</u>	<u>(533,599)</u>	<u>91,235,546</u>
CURRENT ASSETS:				
Cash	1,904,542	481,851	-	2,386,393
Temporary investments and special funds	5,268,826	-	-	5,268,826
Accounts receivable, net of allowance for uncollectable accounts	19,966,781	17,926	(4,785)	19,979,922
Materials and supplies	2,309,154	-	-	2,309,154
Other current assets	1,973,383	11,157	-	1,984,540
Total current assets	<u>31,422,686</u>	<u>510,934</u>	<u>(4,785)</u>	<u>31,928,835</u>
DEFERRED CHARGES	423,972	-	-	423,972
Total assets	<u>\$ 396,211,531</u>	<u>\$ 555,269</u>	<u>\$ (538,384)</u>	<u>\$ 396,228,416</u>

GREAT LAKES ENERGY COOPERATIVE
 DETAIL CONSOLIDATING BALANCE SHEET
 as of December 31, 2010

EQUITIES AND LIABILITIES

EQUITIES:

Memberships	\$ 519,740	\$ -	\$ -	\$ 519,740
Patronage capital	139,391,458	-	-	139,391,458
Equity in subsidiaries	-	533,599	(533,599)	\$ -
<hr/>				
Total memberships, patronage capital, including equity in subsidiaries	139,911,198	533,599	(533,599)	139,911,198
Donated capital	3,251,135	-	-	3,251,135
Accumulated other comprehensive loss	(7,001,905)	-	-	(7,001,905)
<hr/>				
Total equities	136,160,428	533,599	(533,599)	136,160,428
<hr/>				
LONG-TERM DEBT, net of current maturities	208,505,110	-	-	208,505,110
<hr/>				
OTHER NON-CURRENT LIABILITIES	16,205,092	-	-	16,205,092
<hr/>				
CURRENT LIABILITIES:				
Current maturities of long-term debt	6,602,100	-	-	6,602,100
Notes payable	3,759,969	-	-	3,759,969
Accounts payable	10,698,607	8,177	(4,785)	10,701,999
Accrued expenses	6,346,844	13,493	-	6,360,337
Customer deposits	1,285,328	-	-	1,285,328
<hr/>				
Total current liabilities	28,692,848	21,670	(4,785)	28,709,733
<hr/>				
DEFERRED CREDITS	6,648,053	-	-	6,648,053
<hr/>				
Total equities and liabilities	<u>\$ 396,211,531</u>	<u>\$ 555,269</u>	<u>\$ (538,384)</u>	<u>\$ 396,228,416</u>

GREAT LAKES ENERGY COOPERATIVE
 DETAIL CONSOLIDATING STATEMENT OF REVENUES AND NET MARGINS
 for the year ended December 31, 2010

	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
OPERATING REVENUES	\$ 154,912,162	\$ -	\$ -	\$ 154,912,162
OPERATING EXPENSES:				
Purchased and produced power	99,011,929	-	-	99,011,929
Distribution expenses:				
Operations	9,979,263	-	-	9,979,263
Maintenance	10,737,275	-	-	10,737,275
Customer accounts, service and selling expenses	6,782,894	-	-	6,782,894
Administration and general	7,464,624	473	-	7,465,097
Depreciation and amortization	10,914,430	3,261	-	10,917,691
Other operating expenses	189,047	60,028	-	249,075
Total operating expenses	<u>145,079,462</u>	<u>63,762</u>	<u>-</u>	<u>145,143,224</u>
OPERATING MARGINS BEFORE FIXED CHARGES	9,832,700	(63,762)	-	9,768,938
FIXED CHARGES, interest expense	9,921,220	-	-	9,921,220
OPERATING MARGINS AFTER FIXED CHARGES	<u>(88,520)</u>	<u>(63,762)</u>	<u>-</u>	<u>(152,282)</u>
NON-OPERATING MARGINS:				
Interest income	1,082,797	4,987	-	1,087,784
Other income (expense), net	(408,827)	143,093	-	(265,734)
Total non-operating margins	<u>673,970</u>	<u>148,080</u>	<u>-</u>	<u>822,050</u>
CAPITAL CREDITS, and equity in subsidiary's net income:				
From associated organizations	304,508	-	-	304,508
Equity in subsidiary's net income	67,318	-	(67,318)	-
Total capital credits	<u>371,826</u>	<u>-</u>	<u>(67,318)</u>	<u>304,508</u>
Net margins before federal income tax	<u>957,276</u>	<u>84,318</u>	<u>(67,318)</u>	<u>974,276</u>
PROVISION FOR FEDERAL INCOME TAX	10,000	17,000	-	27,000
NET MARGINS	<u>\$ 947,276</u>	<u>\$ 67,318</u>	<u>\$ (67,318)</u>	<u>\$ 947,276</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Great Lakes Energy Cooperative
Boyer City, Michigan

We have audited the consolidated financial statements of Great Lakes Energy Cooperative as of and for the year ended December 31, 2010, and have issued our report thereon dated April 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed text.

Fargo, North Dakota

April 7, 2011



MANAGEMENT LETTER

The Board of Directors
Great Lakes Energy Cooperative
Boyne City, Michigan

We have audited the consolidated financial statements of Great Lakes Energy Cooperative for the year ended December 31, 2010, and have issued our report thereon dated April 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

Section 1773.33 requires comments on specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control structure over financial reporting, of compliance with specific RUS loan and security instrument provisions and of additional matters. The specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provision, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in § 1773.33(e)(1), related party transactions, depreciation rates, a schedule of deferred debits and credits, and a schedule of investments upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in § 1773.38 through 1773.45. Our objective was not to provide an opinion on these specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters and, accordingly, we express no opinion thereon.

A description of the responsibility of management for establishing and maintaining the internal control over financial reporting and the objectives of and inherent limitations in such control is set forth in our independent auditor's report on internal control over financial reporting and on compliance and other matters dated April 7, 2011, and should be read in conjunction with this report.

No reports other than our independent auditor's report, and our independent auditor's report on compliance and on internal control over financial reporting, and communication with those charged with governance according to SAS 114, all dated April 7, 2011 or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control structure over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by § 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Great Lakes Energy Cooperative's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- * The accounting procedures and records;
- * The process for accumulating and recording labor, material and overhead costs and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
- * The materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC LOAN AND SECURITY INSTRUMENT PROVISIONS

Management's responsibility for compliance with laws, regulations, contracts and grants is set forth in our independent auditor's report on compliance and internal control over financial reporting dated April 7, 2011, and should be read in conjunction with this report. At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, and contracts. The procedures we performed are summarized as follows:

- * Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of its property or for the use of mortgaged property by others for the year ended December 31, 2010, of Great Lakes Energy Cooperative.
 - Obtained management's representation that there were no new contracts entered into during the year for the operation or maintenance of all or any part of its property, or for the use of its property by others as defined in § 1773.33(e)(1)(i).
 - Reviewed board minutes and ascertained there were no such contracts.
- * Procedure performed with respect to the requirement to submit RUS Form 7 to the RUS:
 - Agreed amounts reported in Form 7 to Great Lakes Energy Cooperative's records.

The results of our tests indicate that with respect to the items tested, Great Lakes Energy Cooperative, complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested include the requirements that:

- * The borrower has submitted its Form 7 and Form 12 to RUS and the Form 7 Financial and Statistical Report, as of December 31, 2010, as represented by the Company as having been submitted to RUS, is in agreement with the Great Lakes Energy Cooperative's records in all material respects.
- * The borrower has obtained written approval of the RUS to enter into any contract for the operation and maintenance of property, or for the use of mortgaged property by others as defined in § 1773.33(e)(1)(i).

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the consolidated financial statements of Great Lakes Energy Cooperative, nothing came to our attention that caused us to believe that Great Lakes Energy Cooperative, failed to comply with respect to:

- * The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- * The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- * The retirement of plant addressed at 7 CFR Part 1773.33(c)(3) and (4);
- * Sales, lease or transfer for capital assets secured under the mortgage and proceeds from sale of plant, material or scrap addressed at 7 CFR Part 1773.33(c)(5);
- * The disclosure of material related party transactions, in accordance with ASC 850, Related Party Transactions, for the year ended December 31, 2010, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(f);
- * Depreciation rates addressed at 7 CFR Part 1773.33(g);
- * The detailed schedule of deferred debits and credits addressed at 7 CFR Part 1773.33(h); and
- * The detailed schedule of investments addressed at 7 CFR Part 1773.33(i).

DETAILED SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR part 1773.33(h) and the detailed schedule of investments required by 7 CFR part 1773.33(i) and provided below is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

	<u>2010</u>	<u>2009</u>
Deferred debits		
Preliminary survey and investigation charges	\$ 602,313	\$ 527,696
Pole inspection costs	145,440	215,506
Deferred energy optimization program costs	79,949	173,520
Unamortized debt refinancing costs	22,915	25,309
	<u>\$ 850,617</u>	<u>\$ 942,031</u>
Deferred credits		
Consumer advances for contributions in aid of construction	\$ 4,723,110	\$ 5,185,853
Deferred revenue, seasonal accounts	794,678	808,184
Estimated installation cost - special equipment	139,524	142,480
Deferred energy optimization program surcharge	990,741	524,810
	<u>\$ 6,648,053</u>	<u>\$ 6,661,327</u>

DETAILED SCHEDULE OF INVESTMENTS

	<u>Great Lakes Utilities Service Corporation</u>
Book value of investment as of December 31, 2008	\$ 379,290
Dividends paid to parent	-
Undistributed earnings as of December 31, 2009	<u>86,991</u>
Book value of investment as of December 31, 2009	466,281
Dividends paid to parent	-
Undistributed earnings as of December 31, 2010	<u>67,318</u>
Book value of investment as of December 31, 2010	<u>\$ 533,599</u>

This report is intended solely for the information and use of the Board of Directors and management of Great Lakes Energy Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
April 7, 2011