

INTERNAL CORRESPONDENCE

To: Brett Ritchie
Gwen Pate

From: Wendy L. Aumiller

Subject: Transfer of Assets - Capital Contribution by CG&E to ULH&P

Date: January 25, 2006

Copies: Lynn Good; Chris Vogt; Kim Sipes;
Dorothy Corbett; Bill DuMond; Alex
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Reference is made to the attached resolutions of the Board of Directors of The Cincinnati Gas & Electric Company and the resolutions of the Board of Directors of The Union Light, Heat and Power Company dated August 26, 2005, authorizing CG&E to transfer certain generating assets to ULH&P pursuant to certain Asset Transfer Agreements and related agreements, including a Debt Assumption Agreement. In connection with the asset transfer, ULH&P will assume certain debt and liabilities owed by CG&E. Based upon the closing of the Asset Transfer Agreements effective as of January 1, 2006, a capital contribution (in the form of assets) by CG&E to ULH&P in the amount of \$139,855,099 should be recorded on the books of CG&E and ULH&P. For tax purposes, it is intended that this transaction be governed by Internal Revenue Code Section 351.

In accordance with the Debt Assumption Agreement, ULH&P assumed, as of January 1, 2006, certain tax exempt debt obligations from CG&E totaling \$76,720,000 that should be recorded as a note receivable on the books of CG&E and a note payable on the books of ULH&P. Furthermore, ULH&P assumed certain Accounts Payable to Affiliated Companies from CG&E totaling \$90,280,000 that should be reflected as a reduction of Accounts Payable to Affiliated Companies on the books of CG&E and an increase of Accounts Payable to Affiliated Companies for ULH&P.

Wendy L. Aumiller